TRUST IN ACTION

ANNUAL REPORTS 2018

OACIQ FARCIQ

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

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OACIQ

Mr. Eric Stevenson
Assistant Deputy Minister
Policies regarding Financial Institutions
and Corporate law
Department of Finance
Government of Québec

QUÉBEC

Dear Mr. Stevenson,

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, 2018.

Yours very truly,

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

Ministère
des Finances
Québec

Mr. Éric Girard
Minister of Finance
Government of Québec

QUÉBEC

Dear Mr. Girard,

Allow us to present the Annual Report of the Organisme d'autoréglementation du courtage immobilier du Québec for the fiscal year ended December 31, 2018.

Yours sincerely,

Eric Stevenson
Assistant Deputy Minister
Policies regarding Financial Institutions
and Corporate law

Ministère
des Finances
Québec

Mr. François Paradis
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, 2018.

Respectfully yours,

Éric Girard
Minister of Finance

TABLE **OF CONTENTS**

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.

> CONFIDENCE IS THE INVISIBLE CEMENT THAT BINDS A TEAM TOGETHER.
>
> — BUD WILKINSON

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

On behalf of the OACIQ Board of Directors, I am pleased to present the annual activity report of the Organisme d'autoréglementation du courtage immobilier du Québec (OACIQ) for 2018.

Building consumer trust in real estate brokerage and in the **OACIQ** was at the heart of our actions throughout this year. To help achieve this, the Board of Directors continued to implement the Organization's strategic directions and ensured the renewal of its governance, in accordance with the mission assigned under the *Real Estate Brokerage Act*.

Revision of the *Real Estate Brokerage Act*

The main event in 2018 was without a doubt the revision of the *Real Estate Brokerage Act*.

Throughout the adoption process of Bill 141, the **OACIQ** has maintained a channel of ongoing discussions with the Minister of Finance. The **OACIQ** also drew on all its resources to make sure that consumers and brokers are properly informed of the ins and outs of the bill.

As the Bill 141 adopted does not include all the measures which, in our opinion, would further protect the interests of consumers, we are now pursuing the conversation with the government in order to present our orientations and positions. We are thankful to the representatives of the new government for their openness.

At the end of 2018, the Board of Directors met with the Québec's Assistant Deputy Minister of Finance, who made very positive comments on the effectiveness of the measures implemented by the **OACIQ** with regards to its public protection mission and the oversight of its licence holders. The **OACIQ** is energized to pursue the actions undertaken and stands firm on its decisions. On behalf of the Board of Directors, I wish to congratulate **OACIQ** management and their teams for the successful planning and implementation of the measures needed to make way for the new Act.

Continuity assured

As Chairman of the **OACIQ** Board of Directors since November 2016, I wish to thank each and every member of the Board for their outstanding teamwork. The directors are dedicated and engaged in the Organization's mission to protect the interests of consumers who use the services of real estate and mortgage brokers. On behalf of the Board, I also wish to congratulate the management team for its sound leadership and vigilance, and for the excellent financial outcomes which the **OACIQ** has achieved as a result.

At a time where our Organization is preparing to implement significant changes under the new *Real Estate Brokerage Act*, I am confident that the **OACIQ** will continue to carry out its mission as real estate brokerage regulator with the kind of leadership consumers need to feel fully confident.

Michel Léonard.

M^e Michel Léonard
Chairman of the Board of Directors
OACIQ

AGAIN THIS YEAR, QUÉBEC CONSUMER CONFIDENCE IN THE OACIQ AND IN REAL ESTATE BROKERAGE WAS AT THE HEART OF OUR ACTIONS.

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

2018 was quite a year! Under the theme of trust, we continued to strengthen our oversight of brokerage practices in order to better fulfil our public protection role. The OACIQ also worked to improve its services in order to promote better access to the protections offered to the public under the *Real Estate Brokerage Act*.

To increase public trust in real estate brokerage, the **OACIQ** took the important step, in collaboration with the Institut de la confiance dans les organisations, of setting up a training program for members of its Board of Directors, management and staff, as well as for real estate brokers, so that they could become true ambassadors of trust.

The broker's role is to reduce the risks inherent in a real estate transaction. This is an added value which the broker provides by leveraging his expertise, professionalism, ethics and knowledge, as well as his specific and ongoing training. The broker's activities are subject to rigorous and independent oversight which provides safety for the public. In addition, considerable protections available in the event of problems, including transaction support, a compliance program and an indemnity fund, provide added value to the public.

All the efforts deployed by the **OACIQ** in recent years to increase broker competence, improve the tools available, and crack down more effectively on unethical and non-compliant behaviour, are aimed at broadening the circle of trust. I am particularly proud of the work accomplished by our excellent **OACIQ** team in this rapidly evolving environment.

THE BROKER'S ROLE IS TO REDUCE THE RISKS INHERENT IN A REAL ESTATE TRANSACTION.

Priorities in 2018

The **OACIQ** worked to increase the use of resources and services by members of the public. To achieve this, we maximized our presence on social media and redesigned our website to make the information more user-friendly. Through various campaigns, we also informed consumers of the resources available to help them with their transactions. The **OACIQ**'s recognition rate increased by a whopping 60% in one year.

The **OACIQ** also gets actively involved in order to be a leader on important social issues. These include environmental problems such as pyrrhotite, dry rot, radon, and flooding, building inspector oversight and co-ownership property management, all issues which have a major impact on real estate transactions.

To better protect consumers who are victims of fraud, fraudulent tactics or misappropriation of funds, the **OACIQ** proposed and obtained an increase in the maximum indemnity that can be paid out of the Real Estate Brokerage Indemnity Fund (FICI). This amount has been increased from $35,000 to $100,000 per claim for all cases in which the acts were committed on or after May 10, 2018.

The emergence of a compliance culture within the industry is well underway. The inspection process for brokers and agencies uses a risk-management approach, in addition to providing tools to agency executive officers to manage broker conduct through the implementation of a compliance program.

The **OACIQ** worked intensively and tirelessly, seizing every opportunity to improve the various tools available under the Act, in order to make sure that the public is well protected and that consumers know exactly when they are protected by the *Real Estate Brokerage Act* and when they are not.

A bright future

I am confident that, with the help of our staff and our Board of Directors, and in cooperation with the government and our various industry partners, current and future initiatives will enable the OACIQ to continue to play its role as regulator of real estate brokerage in a dependable and effective manner. To this end, the Organization will continue to implement its current strategic objectives, at the same time as it prepares those for the next three-year period in 2020-2022.

More than ever, we are determined to act in a way that will maintain the public's trust in our Organization and in the brokers we oversee, ensuring the best protection.

WE ARE DETERMINED TO ACT IN A WAY THAT WILL MAINTAIN THE PUBLIC'S TRUST IN OUR ORGANIZATION AND IN THE BROKERS WE OVERSEE, ENSURING THE BEST PROTECTION.

M^{e} Nadine Lindsay, LL.B., ASC, C.Dir.
President and Chief Executive Officer
OACIQ

MANAGEMENT COMMITTEE*

FROM LEFT TO RIGHT:

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

Vice-President – Communications
Sofy Bourret

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

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

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

* As at December 31, 2018.

2018 **IN NUMBERS**

OACIQ's ACTIVITIES

OACIQ.COM
985,809
sessions

SYNBAD.COM
396,596
sessions

ELECTRONIC NEWSLETTERS
74

INDEMNITY
10
claims approved

$138,877
in indemnities

CONTINUING EDUCATION
520
training activities available under the Mandatory Continuing Education Program of the OACIQ (MCEP)

387
new accredited training activities

133
trainings of the OACIQ

771
training sessions attended

INSPECTIONS
2,477
brokers and agencies inspected

PUBLIC ASSISTANCE
2,036
requests

INFO OACIQ
53,115
inquiries

DISCIPLINE COMMITTEE
145
fines totalling, $280,000

121
licence suspensions

ELECTRONIC FORMS
12,921
subscribers

SYNDIC
583
investigations opened

ILLEGAL PRACTICE
104
investigations opened

PARTNERSHIPS
5
capsules published and 39,563,934 views on Protégez-Vous and Option consommateurs websites

CERTIFICATION
2,005
exams taken

1,865
licence applications

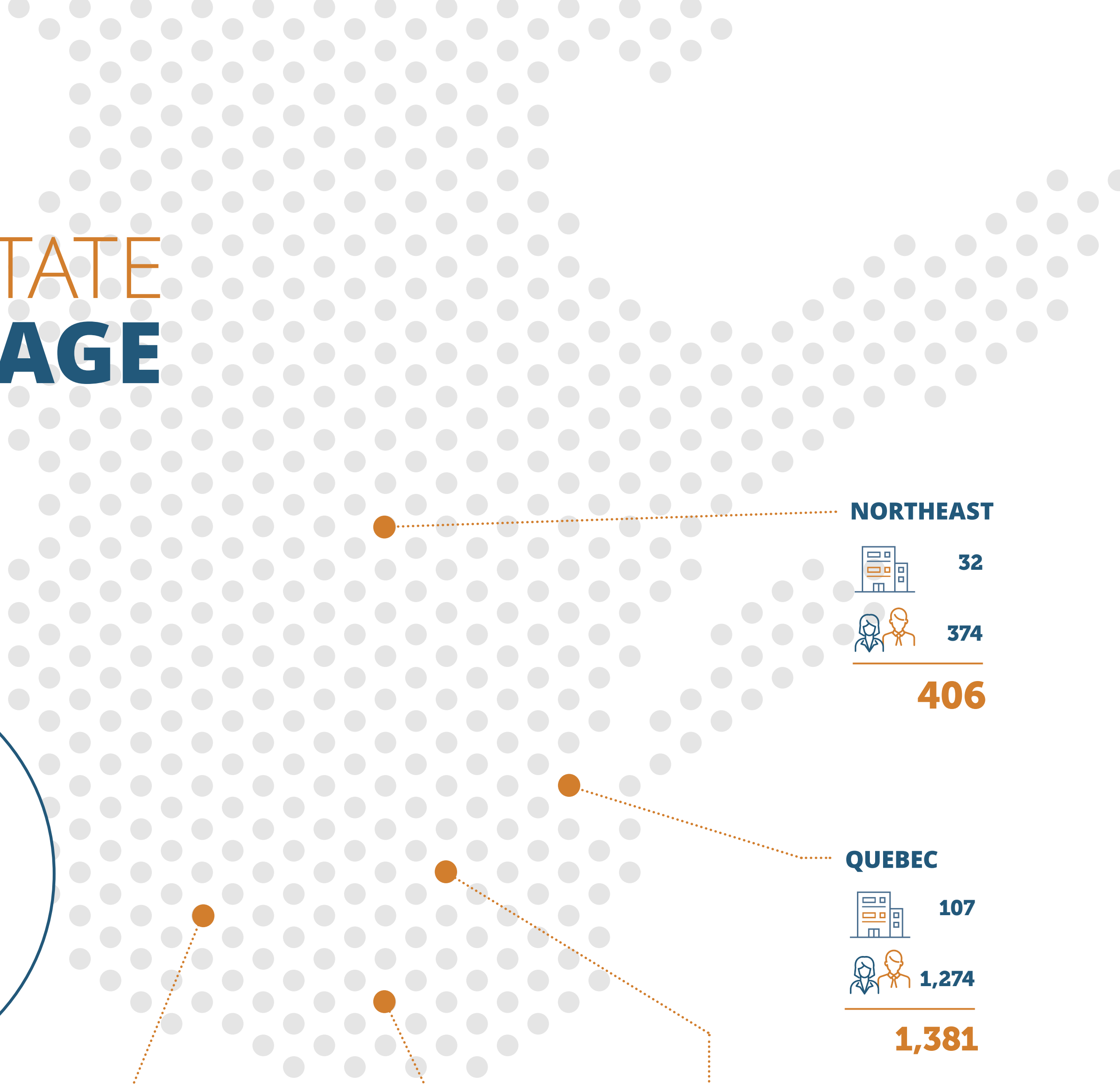
CURRENT STATE OF REAL ESTATE AND MORTGAGE BROKERAGE

The number of real estate or mortgage agencies and brokers with a valid practice licence stood at **16,508 at the end of 2018**.

	REAL ESTATE	MORTGAGE
Agencies	1,041	46
Brokers	14,611	810

TOTAL

AGENCIES	1,087
BROKERS	15,421
	16,508



NORTHEAST
32
374
406

QUEBEC
107
1,274
1,381

WESTERN
116
1,724
1,840

MONTREAL
739
10,907
11,646

CENTRAL
93
1,142
1,235

ACTIVITY **REVIEW**

INFORMATION AND PUBLIC ASSISTANCE

To fulfil its public protection mission under the *Real Estate Brokerage Act*, the **OACIQ** makes a wide variety of resources available to inform and assist consumers.

Information

More than ever, informing consumers to help them make informed decisions was a priority for the **OACIQ,** as the following actions demonstrate:

- **53,115 requests** for information were processed by the Info **OACIQ** information centre;
- The tool **"Check a broker's record"** was more widely publicized and used;
- A **public outreach campaign** on all platforms **was viewed* over 42 million times**;
- Traffic on the public site **increased by 14% (985,809 visits)**;
- The Organization's **recognition rate** increased **from 5.8% to 8.7%**;
- Our social media pages were revitalized and the number of views increased, **including 2.7 million views on Facebook**;
- **We reached more than 377,000 people** through our presence at 4 public events, including the National Home Show and Expo habitat.

* *Number of times content was displayed by web users in a given amount of time.*

A special effort was made to inform agency executive officers in order to provide them with best practices tools and ensure compliance with the *Real Estate Brokerage Act*.

In 2018, the attentive staff of the Info **OACIQ** information centre made its knowledge available to the public and to licence holders by responding to 53,115 telephone or e-mail requests for information.

With a view to further increasing the efficiency of its services, Info **OACIQ** extended its opening hours starting in September and held public satisfaction surveys again this year. A satisfaction rate of nearly 100% in all areas was achieved, particularly with regard to customer service quality and the references and information provided.

Public assistance

When someone wishes to file a complaint against an **OACIQ** real estate or mortgage brokerage licence holder, the Public Assistance Department takes over from Info **OACIQ** information centre. 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 his agency executive officer in order to find a solution.

In 2018, 2,036 requests were received.

Complaints processed – 2018

Active at the beginning of the year
497

Received during the year
2,036

Closed during the year
1,993

Active at the end of the year
540

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. This committee is responsible for ruling on the eligibility of claims and deciding on the amount of compensation to be paid.

The indemnities paid come from the Real Estate Brokerage Indemnity Fund (FICI). This fund, which provides financial protection for consumers, is created under the *Real Estate Brokerage Act*. It is funded annually by contributions paid by all real estate and mortgage agencies and brokers in Québec.

Of note in 2018:

- Maximum indemnity increased from **$35,000 to $100,000**;
- **36 claims received** (including 3 reopened following a request for review);
- **46 claims processed** (including 2 closed for administrative reasons);
- **10 of the claims** processed by the Committee **were approved;**
- **$138,877** paid in indemnities.

Access to information

The **OACIQ** acts proactively by making documents and information of interest to consumers and authorized professionals available on its website. The Organization is governed by the *Act respecting access to documents held by public bodies and the protection of personal information*. This year, the Organization received 23 access-to-information requests.

ENFORCEMENT OF PRACTICES

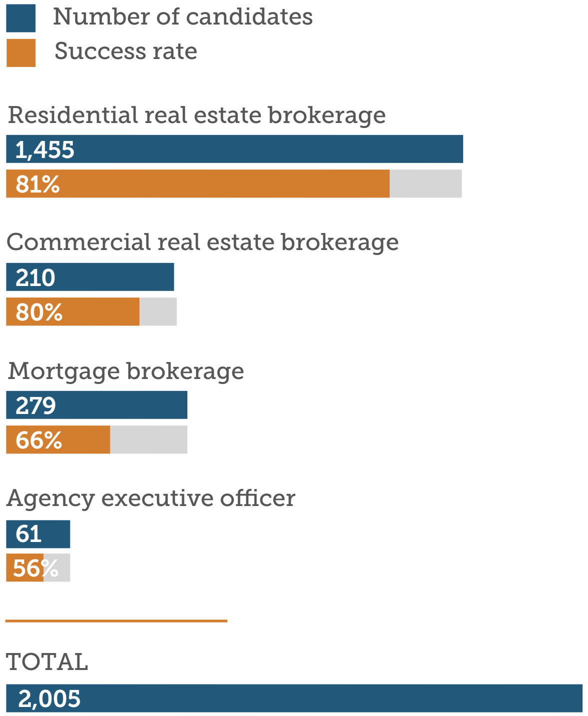
To ensure that the public is well protected, the **OACIQ** has a number of tools at its disposal, under the *Real Estate Brokerage Act*, to oversee real estate and mortgage brokers and agencies.

In 2018, many initiatives were undertaken to make sure licence holders comply with good practices, fulfil their advisory role, follow the rules of ethics and complete their Mandatory Continuing Education Program.

Certification

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 1,865 licence applications were processed in the course of the year. As at December 31, **OACIQ** licence holders numbered 16,508.

Certification examinations – 2018



Education

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 7% in the total number of examinations, and the optimization of several internal processes. This year the **OACIQ** administered 2,005 examinations, held 23 exam sessions at its head office and 7 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. This initiative is already paying off, since an increase in pass rates for certification exams is notable in all categories.

Secondly, to ensure that the skills of **OACIQ** licence holders remain optimal and up to date, the Education Department develops and implements a variety of training activities on ethical topics. The Department also accredits training activities provided by third parties. These activities are available in webinar, online, and live formats.

Together with its 126 accredited providers, the **OACIQ** make some 520 training activities available to brokers and agency executive officers as part of the 2017-2019 cycle of the Mandatory Continuing Education Program (MCEP).

Initiatives have been developed to better target the various fields of practice, including activities for brokers working in commercial brokerage and a training session designed especially for agency executive officers.

Over 156,000 continuing education units (CEUs) were awarded to licence holders in the course of the year.

Continuing education activities offered by the OACIQ and providers

	Offered	Sessions	Participants	CEUs
Classroom	231	1,056	28,707	72,074
+ Online	84	1,457	14,150	20,459
+ Webinar	158	906	27,125	64,215
=	473	3,419	69,982	156,748

Inspection

The Inspection Department ensures that the activities and skills of professionals authorized by the **OACIQ** are in line with the regulations and quality standards in force. The team of inspectors verifies transactions, records, accounts, books and registers, then makes appropriate recommendations to brokers and agency executive officers if necessary.

In 2018, **OACIQ** inspectors visited 161 establishments, including 142 agencies and brokers acting on their own account in residential real estate brokerage, 14 in commercial real estate brokerage, and 5 in mortgage brokerage.

In addition, 1,494 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.

As part of the compliance program, agency executive officers have committed to establish policies and implement processes to meet the top ten expectations which the regulator has towards them in order to ensure compliance with the *Real Estate Brokerage Act* and its regulations. The main purpose of these expectations is to enable agency executive officers to advise, supervise and monitor the activities of brokers under their supervision more effectively, so that the public is better protected.

Trust accounts were also put under scrutiny to ensure that deposits are rigorously handled. Finally, 59 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 763 brokers were the subject of a skills-based verification. Thanks to the electronic document management (EDM) system implemented by some agencies, 604 of these inspections were conducted remotely.

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, in order to protect the public.

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.

In 2018, the minimum fine that can be imposed by the Discipline Committee was increased from $1,000 to $2,000, while the maximum was raised from $12,500 to $50,000. This will enable the Syndic to recommend higher financial penalties to the

Discipline Committee, boosting their deterrent and exemplary effect.

In an effort to make agency executive officers more accountable, the Syndic stressed their responsibilities regarding the activities of brokers under their supervision.

Disciplinary investigations regarding brokers and agencies – 2018

Active at the beginning of the year
458

Received during the year
583

Closed during the year
297

Active at the end of the year
744

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.

In 2018 the minimum fine for illegal real estate brokerage practice by a natural person went from $1,500 to $2,500, while the maximum was raised from $20,000 to $62,500. For legal persons, the minimum was increased from $3,000 to $5,000, and the maximum from $40,000 to $125,000.

Investigations of illegal brokerage – 2018

Active at the beginning of the year
134

Received during the year
104

Closed during the year
95

Active at the end of the year
143

GOVERNANCE AND ADMINISTRATION

Board of Directors as at December 31, 2018

DIRECTORS ELECTED AMONG LICENCE HOLDERS (BY THEIR PEERS)

Michel Léonard
Chairman
Montreal

Georges Bardagi
Vice-Chairman
Montreal

Joël Charron
Western region

Mario Chouinard
Northeast region

Stéphanie Gauthier
Montreal

Mario Lamirande
Central region

Luc Mailloux
Quebec City

Pierre Martel
Mortgage brokerage

Diane Ménard
Montreal

Jacques Métivier
Commercial real estate brokerage

DIRECTORS APPOINTED BY THE MINISTER OF FINANCE

Pierre Hamel, B.Sc., ASA, ACIA, ASC, C.Dir.
Jacqueline Codsi, M.Ps.org., CRIA, ASC, PCC
Nathalie Ebnoether, M.A.

CORPORATE SECRETARY & GOVERNANCE OFFICER

Caroline Simard, LL.M., ADM.A, ASC, Mediator

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

Stéphanie Gauthier,
Certified Real Estate Broker AEO

Mario Chouinard,
Real Estate Broker

Diane Ménard,
Certified Real Estate Broker AEO

Luc Mailloux,
Certified Real Estate Broker

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

Pierre Martel, CHA,
Real Estate Broker

Joël Charron,
Certified Real Estate Broker AEO

Caroline Simard, LL.M., Adm.A, ASC,
Mediator

Nathalie Ebnoether, M.A.

Mario Lamirande,
Certified Real Estate Broker AEO

Jacqueline Codsi, M.Ps.org., CRIA, ASC, PCC

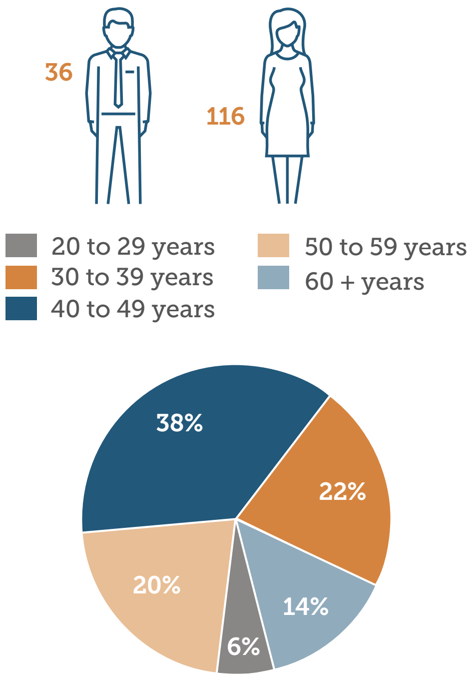
Pierre Hamel, B.Sc., ASA, ACIA, ASC, C.Dir.

Human Resources

The **OACIQ** had 152 employees as at December 31, 2018. To maintain their expertise, employees have access to professional development programs. In 2018, employees attended over 3,630 hours of training.

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 2018, such as the revision and modernization of the code of ethics of employees, as well as the establishment of a training program for managers. We have also initiated an approach focused on trust.

Workforce distribution



Vacant positions: 4

Process optimization

In keeping with our strategic directions and organizational goals, the Process Optimization Department works daily to reinforce best practices and support initiatives for the ongoing improvement of **OACIQ** teams.

Several projects were carried out during 2018. One of these enabled the Education Department to significantly reduce (by 70%) the time needed to design and deliver training courses. Similarly, a project to improve exam registration processes resulted in the recovery of more than 180 work hours annually.

Ombudsman

In an ongoing effort to improve services to the public and the oversight of brokers, and to ensure that its activities comply with its legal framework, the Organization established an Ombudsman. The latter considers requests from the public, and reports his findings and recommendations to management. In 2018, 10 cases were referred to the Ombudsman.

Information technologies

The role of **OACIQ** information technologies is to ensure the maintenance and management of databases and the development of technological infrastructures to enable the Organization to fulfil its oversight mission over the practice of real estate and mortgage brokerage.

In 2018, several initiatives were implemented to provide the Organization with technological infrastructures that enable it to fulfil its role even more effectively. The **OACIQ** thus embarked on a project called Broker 360. Thanks to a CRM (customer relationship management) solution, the current application base will be replaced by an integrated, scalable and secure solution for managing our relationships with licence holders and other stakeholders.

REPORTS **FROM THE STANDING COMMITTEES**

The **OACIQ** enforces the *Real Estate Brokerage Act* and ensures that the licence holders authorized to act by the Organization comply with their obligations, including the rules of ethics. To do this, five committees were created under the Act and their mission is to protect the public.

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 2018, inspectors visited 161 establishments in total, including 142 agencies and brokers acting on their own account in residential real estate brokerage, 14 in commercial real estate brokerage, and 5 in mortgage brokerage

Skills-based verification

The brokerage contract and transaction records completed by 763 brokers were the subject of a skills-based verification. Observations and required improvements are recorded in a personal report sent to each broker inspected. These inspection reports are also sent to agency executive officers, who must read them and make sure all observations and required improvements are respected by their brokers, in order to ensure public protection.

Online self-inspection

The online self-inspection questionnaire is completed annually by agency executive officers and brokers acting on their own account. For 2018, agency executive officers committed to establish policies and implement processes in order to advise, supervise and monitor the activities of brokers under their supervision more effectively.

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 to one of its regulations, it notifies the Syndic.

In 2018, the Committee and the Inspection Department issued 299 commitments, 258 of which included attending one or more training activities. This year, the most common issues for a broker are:

- failing to send to his agency the documents necessary to maintain the records and registers and supporting the information contained on detailed description sheets;

- failing to disclose in writing to his clients his remuneration agreements with financial institutions regarding mortgage referrals; and
- receiving remuneration when the broker was not entitled to it.

Most licence holders concerned had to complete a related training activity.

In 2018, 42 files were submitted to the Inspection Committee, 32 of which were forwarded to the Syndic's Office or the Public Assistance Department, or both, for further investigation.

Inspections of agencies and brokers acting on their own account – 2018

Reports to brokers, skills-based	763
Self-inspection of agencies and brokers acting on their own account – online	1,494
Inspections, agencies and brokers acting on their own account – at their establishment	161
Start-up sessions	59
Total of inspections and self-inspections	2,477

Discipline Committee

The Discipline Committee reviews all complaints made against **OACIQ** licence holders for violations to the provisions of the *Real Estate Brokerage Act* (REBA) and its regulations. It renders its decision on the licence holder's guilt and may impose penalties, which can include a licence suspension and fines.

Since the coming into force of certain amendments to the REBA on July 13, 2018, the minimum fine has gone from $1,000 to $2,000, and the maximum from $12,500 to $50,000. In addition, the Act stipulates that the Committee must consider the injury suffered as a result of and the benefits derived from the offence.

Decisions

As at December 31, 2018, the **OACIQ** Syndic had filed 55 complaints with the Discipline Committee. During the year, the Committee held 129 hearings and rendered 107 decisions.

These decisions resulted in 450 sanctions per violation count:

- **140 reprimands**;
- **145 fines,** totalling $280,000;
- **19 orders to attend** a course or training session;
- **25 cases with licence conditions or restrictions** or other orders;
- **121 licence suspensions**.

The *Real Estate Brokerage Act* allows for certain decisions by the Committee to be appealed before the Court of Québec. In 2018:

- **15 Discipline Committee decisions** were appealed before the Court of Québec;
- **20 decisions** were rendered by the Court of Québec on appeals of Discipline Committee decisions, 19 of which upheld the decisions made by the Committee;
- **2 decisions** rendered by the Court of Québec on an appeal of a Discipline Committee decision are currently undergoing judicial review before the Superior Court.

Thanks to the implementation of various measures and procedures, the average deliberation and processing time per case has been reduced from 53 to 45 days in two years.

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 2018, the committee met 6 times and issued 7 opinions in 7 cases. The Committee confirmed the Syndic's decision and concluded that there were no grounds to file a complaint before the Discipline Committee in 6 of the 7 cases. In a case, the Committee concluded that a complaint before the Discipline Committee was justified and suggested the appointment of an ad hoc syndic.

To facilitate access to this protection mechanism, the administrative fee that used to apply to a request for review has been abolished.

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 122 cases over the course of 18 sessions in 2018. The Committee reviewed the cases of 50 individuals applying for a real estate or mortgage brokerage licence, the cases of 64 licence holders and 8 applications for advance decisions.

Excluding the situations concerning requests for opinion, the cases involved the following situations: 68 penal or disciplinary offences or criminal acts and 56 assignments of property. Thus, the Committee rendered the following 120 decisions:

40	licences issued without conditions or restrictions;
8	licences issued with conditions or restrictions;
45	licences maintained without conditions or restrictions;
20	licences issued with conditions or restrictions;
4	licences suspended; and
3	licences refused.

Two files remained under review.

As permitted under the *Real Estate Brokerage Act*, two decisions by the LIMC were appealed. In one case, the appellant withdrew his appeal this year. In the second case, the Court of Québec dismissed the plaintiff's appeal in December 2018. One case was the subject of an application for judicial review before the Superior Court, which was pending as at December 31, 2018.

The **OACIQ** has intensified its efforts to ensure that all situations falling within the Committee's jurisdiction and competence are brought to its attention and submitted to it. This has resulted in an increase in the number of licences issued or maintained on which the Committee has imposed conditions or restrictions.

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.

Following the coming into force of amendments to the *Regulation respecting the Real Estate Indemnity Fund* on May 10, 2018, the maximum indemnity was increased from $35,000 to $100,000. This new maximum is applicable to acts committed on or after May 10, 2018. In addition, the time limit for filing a claim is increased from one year to two years after becoming aware of the alleged fraud.

Decisions

As at January 1, 2018, 36 cases were under review. The Indemnity Committee met 9 times in 2018, reviewing and processing 44 claims. Among the decisions rendered, the Committee approved 10 claims, for which a total amount of $138,877 was paid in compensation.

During the year, 33 new files were received and 3 were reopened following a request for review. In addition, two files were closed for administrative reasons. As at December 31, 2018, 26 files were under review.

Indemnity – 2018

Active files at the beginning of the year	36
Claims received during the year[1]	36
Claims closed during the year	46
Active files at the end of the year	26
Claims approved during the year	10
Indemnities payable	$138,877

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

FINANCIAL **RESULTS**

Fiscal year 2018 ended with a profit of $3,506,985. This excellent financial showing is the result of several **OACIQ** initiatives, including:

- increased interest in training activities provided by the **OACIQ;**
- holding of a real estate symposium on trust;
- increase in the number of candidates for examinations and, consequently, in the number of licences issued;
- optimization of our processes, and the deployment of high-performance technological tools; and
- retention of competent human resources.

This financial strength enabled the emergence of several new projects, including increasing the Organization’s visibility, strengthening the oversight of brokerage activities, improving access to services by the public, and the application of the new *Real Estate Brokerage Act*.

With the constant evolution of its governance and a booming real estate market, the **OACIQ** is positioning itself as the trusted regulator of the real estate industry. The Organization thus has a positive outlook on the future and can discharge its unique public protection role.

LEADERSHIP MEANS HAVING TRUST IN YOURSELF AND ESTABLISHING A CLIMATE OF TRUST AROUND YOU.

— NICOLAS DE TAVERNOST

INDEPENDENT AUDITOR's REPORT

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

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organisme d'autoréglementation du courtage immobilier du Québec (the Organization) as at December 31, 2018 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.

pwc

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4255 Lapinière Boulevard, Suite 300
Brossard (Quebec) J4Z 0C7
Tel.: 1-450-678-4255 • Fax: 1-450-678-1700

What we have audited

The Organization's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of changes in net assets for the year then ended;
- the statement of income for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Brossard, Quebec
March 29, 2019

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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, 2018

	General Operating Fund	Indemnity Fund	Total 2018	General Operating Fund	Indemnity Fund	TOTAL 2017
	$	$	$	$	$	$
ASSETS						
Current assets						
Cash	2,726,462	997,641	3,724,103	604,765	145,460	750,225
Investments (Note 3)	9,908,594	6,548,500	16,457,094	9,071,904	6,645,715	15,717,619
Accrued interest receivable	-	1,648	1,648	9,825	5,177	15,002
Accounts receivable (Note 4)	760,540	-	760,540	355,831	-	355,831
Interfunds advance (Note 5)	34,512 *	-	-	-	79,077 *	-
Forms inventory	80,591	-	80,591	117,171	-	117,171
Prepaid expenses	395,311	-	395,311	235,014	-	235,014
	13,906,010	7,547,789	21,419,287	10,394,510	6,875,429	17,190,862
Investment in a limited partnership (Note 6)	3,874,600	-	3,874,600	4,141,236	-	4,141,236
Capital assets (Note 7)	3,732,314	-	3,732,314	4,044,979	-	4,044,979
Intangible assets (Note 8)	14,711	-	14,711	67,664	-	67,664
	21,527,635	7,547,789	29,040,912	18,648,389	6,875,429	25,444,741
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities (Note 9)	2,271,951	4,601	2,276,552	2,267,386	2,600	2,269,986
Interfunds advance (Note 5)	-	34,512 *	-	79,077 *	-	-
Provision for claims (Note 10)	-	172,780	172,780	-	245,792	245,792
Deferred revenue	5,694,712	333,413	6,028,125	5,337,827	323,345	5,661,172
	7,966,663	545,306	8,477,457	7,684,290	571,737	8,176,950
Deferred lease inducement, at net book value	2,430,185	-	2,430,185	2,641,506	-	2,641,506
	10,396,848	545,306	10,907,642	10,325,796	571,737	10,818,456
Commitments and contingencies (Notes 11 and 12)						
Net assets						
Invested in capital and intangible assets	1,316,840	-	1,316,840	1,471,137	-	1,471,137
Unrestricted	9,813,947	-	9,813,947	6,851,456	-	6,851,456
Indemnity Fund	-	7,002,483	7,002,483	-	6,303,692	6,303,692
	11,130,787	7,002,483	18,133,270	8,322,593	6,303,692	14,626,285
	21,527,635	7,547,789	29,040,912	18,648,389	6,875,429	25,444,741

* 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
Chair of the Audit and Risk Management Committee

ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of changes in net assets · Year ended December 31, 2018

	General Operating Fund				
	Invested in capital and intangible assets	Internally restricted	Unrestricted	Indemnity Fund	TOTAL
	$	$	$	$	$
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 Outreach	-	829,972	(829,972)	-	-
BALANCE AS AT DECEMBER 31, 2017	1,471,137	-	6,851,456	6,303,692	14,626,285
Excess (deficiency) of revenue over expenses	(303,689) *	(771,934)	3,883,817	698,791	3,506,985
Investment in capital and intangible assets	149,392 **	-	(149,392)	-	-
Internally restricted – Appendix Outreach	-	771,934	(771,934)	-	-
BALANCE AS AT DECEMBER 31, 2018	1,316,840	-	9,813,947	7,002,483	18,133,270

* Represents the amortization of capital and intangible assets of $515,010 ($553,173 in 2017), net of lease inducement amortization of $211,321 ($211,321 in 2017) for leasehold improvements.

** Represents the investment in capital and intangible assets of $149,392 ($43,771 in 2017).

ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of income · Year ended December 31, 2018

	General Operating Fund	Indemnity Fund	Total 2018	General Operating Fund	Indemnity Fund	TOTAL 2017
	$	$	$	$	$	$
REVENUE						
Licence maintenance	14,263,255	985,991	15,249,246	13,948,659	965,943	14,914,602
Issuance fees	1,112,398	-	1,112,398	1,079,076	-	1,079,076
Issuance file study	941,404	-	941,404	894,679	-	894,679
Administrative income – Certification	307,276	-	307,276	302,944	-	302,944
Continuing education – Appendix	2,192,509	-	2,192,509	2,271,600	-	2,271,600
Basic training and examinations – Appendix	1,438,338	-	1,438,338	1,333,249	-	1,333,249
Forms – Appendix	1,040,109	-	1,040,109	1,120,516	-	1,120,516
Discipline and syndic – Appendix	371,699	-	371,699	443,807	-	443,807
Illegal brokerage practices – Appendix	64,117	-	64 ,117	78,965	-	78,965
Outreach – Appendix	168,439	-	168,439	158 ,338	-	158,338
Management fees (Note 14)	198,098	-	198,098	237,287	-	237,287
Limited partnership, net income share (Note 6)	83,364	-	83,364	141,267	-	141,267
Investment income (loss) (Note 13)	(81,806)	(33,579)	(115,385)	236,222	197,852	434,074
Other revenues	31,962	95,894	127,856	27,206	80,354	107,560
	22,131,162	1,048,306	23,179,468	22,273,815	1,244,149	23,517,964

ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of income · Year ended December 31, 2018 (continued)

	General Operating Fund	Indemnity Fund	Total 2018	General Operating Fund	Indemnity Fund	TOTAL 2017
	$	$	$	$	$	$
EXPENSES						
Continuing education – Appendix	1,113,734	-	1,113,734	1,308,569	-	1,308,569
Basic training and examinations – Appendix	717,588	-	717,588	1,008,258	-	1,008,258
Forms – Appendix	282,802	-	282,802	331,423	-	331,423
Discipline and syndic – Appendix	2,898,847	-	2,898,847	2,723,082	-	2,723,082
Illegal brokerage practices – Appendix	98,754	-	98,754	187,380	-	187,380
Outreach – Appendix	940,373	-	940,373	988,310	-	988,310
Board of Directors and committees	622,080	40,664	662,744	446,325	38,644	484,969
Review of the Real Estate Brokerage Act	288,672	-	288,672	180,437	-	180,437
Contribution to the Ministère des Finances du Québec	191,355	-	191,355	166,836	-	166,836
Salaries and employee benefits	8,999,314	85,392	9,084,706	8,801,390	108,848	8,910,238
Training and membership fees	189,698	3,468	193,166	183,810	4,069	187,879
Travel	104,239	-	104,239	178,755	76	178,831
Occupancy expenses	986,763	5,591	992,354	995,200	5,644	1,000,844
Insurance	99,301	1,131	100,432	95,480	1,324	96,804
Amortization of capital and intangible assets (Notes 7 and 8)	379,329	4,320	383,649	379,717	4,069	383,786
Office expenses	241,086	1,873	242,959	207,338	2,909	210,247
Information technologies	107,763	806	108,569	64,896	889	65,785
Repair and maintenance	81,671	930	82,601	128,428	1,816	130,244
Professional fees	579,151	104,941	684,092	449,003	126,675	575,678
Financial expenses	400,448	34,534	434,982	338,778	29,247	368,025
Indemnities (Note 15)	-	65,865	65,865	-	29,255	29,255
	19,322,968	349,515	19,672,483	19,163,415	353,465	19,516,880
EXCESS OF REVENUE OVER EXPENSES	2,808,194	698,791	3,506,985	3,110,400	890,684	4,001,084

ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of cash flows · Year ended December 31, 2018

	General Operating Fund	Indemnity Fund	Total 2018	General Operating Fund	Indemnity Fund	TOTAL 2017
	$	$	$	$	$	$
OPERATING ACTIVITIES						
Excess of revenue over expenses	2,808,194	698,791	3,506,985	3,110,400	890,684	4,001,084
Items not affecting cash:						
Realized and unrealized loss on investments (Note 13)	305,233	276,571	581,804	215,091	43,222	258,313
Limited partnership, net income share	(83,364)	-	(83,364)	(141,267)	-	(141,267)
Amortization of capital and intangible assets	515,010	-	515,010	553,173	-	553,173
Amortization of lease inducements	(211,321)	-	(211,321)	(211,321)	-	(211,321)
	3,333,752	975,362	4,309,114	3,526,076	933,906	4,459,982
Change in non-cash operating working capital items	(270,740)	56,175	(214,565)	(168,272)	(14,104)	(182,376)
	3,063,012	1,031,537	4,094,549	3,357,804	919,802	4,277,606
INVESTING ACTIVITIES						
Refund of advance in capital of a limited partnership (Note 6)	350,000	-	350,000	-	-	-
Acquisition of investments	(11,782,890)	(1,316,616)	(13,099,506)	(34,190,203)	(11,261,514)	(45,451,717)
Proceeds on sale of investments	10,640,967	1,137,260	11,778,227	29,753,256	10,165,722	39,918,978
Acquisition of capital and intangible assets	(149,392)	-	(149,392)	(43,771)	-	(43,771)
	(941,315)	(179,356)	(1,120,671)	(4,480,718)	(1,095,792)	(5,576,510)
FINANCING ACTIVITIES						
Net increase (decrease) in cash	2,121,697	852,181	2,973,878	(1,122,914)	(175,990)	(1,298,904)
Cash, beginning of year	604,765	145,460	750,225	1,727,679	321,450	2,049,129
CASH, END OF YEAR	2,726,462	997,641	3,724,103	604,765	145,460	750,225

ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

Notes to the financial statements · December 31, 2018

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 statement of financial position 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 is 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
Office equipment	4 years
Telephone equipment	7 years
Furniture	4 to 20 years
Leasehold improvements	Term of the lease
Software and licence	3 years

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 du courtage immobilier du Québec (**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 6.

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's 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 to income as at the next year-end.

Deferred lease inducement

The deferred lease inducement represents the amounts collected from the landlord as a lease inducement 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., in 20 years). Amortization is applied against occupancy expenses in the statement of income.

Income 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 and 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
- Repairs and maintenance
- Office expenses
- Information technologies

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

- Rent

Proportionately on the basis of user services:

- Trainings and membership fees
- Travel
- Professional fees
- Form cost
- Advertising and representation
- Attendance fees

Proportionately on the basis of percentage of sales:

- Credit card fees

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, and the provision for claims and accrued liabilities. Actual results could differ from these estimates.

3. Investments

General Operating Fund investments consist of bonds and equity funds.

Indemnity Fund investments consist of provincial and municipal bonds, which earn interest from 4.00% to 5.00% (2.10% and 5.00% in 2017), and mature between April 2019 and January 2023, and bond funds and shares.

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

3. Investments (continued)

	2018		2017	
	General Operating Fund	Indemnity Fund	General Operating Fund	Indemnity Fund
	$	$	$	$
Cost of bonds and bond funds	7,952,102	5,277,390	7,223,010	5,142,297
Cost of shares fund and equity funds	2,216,736	1,413,909	1,934,668	1,386,626
	10,168,838	6,691,299	9,157,678	6,528,923
Bonds and bond funds at fair value	7,924,521	5,263,002	7,122,395	5,279,232
Cost of shares fund and equity funds	1,984,073	1,285,498	1,949,509	1,366,483
	9,908,594	6,548,500	9,071,904	6,645,715

4. Accounts receivable

	2018	2017
	$	$
GENERAL OPERATING FUND		
Trade	981,651	377,884
Allowance for doubtful accounts	(261,955)	(83,202)
	719,696	294,682
Sales taxes	40,844	61,149
	760,540	355,831

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, 2018 is as follows:

	2018	2017
	$	$
BALANCE SHEET		
Assets		
Rental property, at cost	10,478,366	10,478,366
Other assets	1,591,648	1,850,490
	12,070,014	12,328,856
Liabilities		
Bank loans	8,381,528	8,668,919
Other liabilities	88,165	94,330
	8,469,693	8,763,249
Net equity	3,600,321	3,565,607
	12,070,014	12,328,856

The OACIQ's share in a limited partnership's net income for the year ended December 31, 2018 is as follows:

	2018	2017
STATEMENT OF INCOME		
Revenue	1,476,035	1,478,569
Expenses	1,091,320	1,035,951
Income before amortization	384,715	442,618
Amortization	(301,351)	(301,351)
Limited partnership, net income share	83,364	141,267

The OACIQ's share in a limited partnership's cash flows for the year ended December 31, 2018 is as follows:

	2018	2017
Cash flows		
Operating activities	512,062	178,465
Investing activities	(33,931)	(22,500)
Financing activities	(656,385)	(293,856)
	(178,254)	(137,891)

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 $1,955,593 lease and related costs in 2018 ($1,984,681 in 2017). No amount is included in accounts payable ($9,004 in 2017). 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, 2018 is as follows:

	2018	2017
	$	$
Balance, beginning of year	4,141,236	3,999,969
Refund of advance in capital	(350,000)	-
Share of net income after amortization	83,364	141,267
BALANCE, END OF YEAR	3,874,600	4,141,236

7. Capital assets

	2018			2017
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
GENERAL OPERATING FUND				
Computer equipment	208,196	110,295	97,901	67,059
Office equipment	67,846	62,136	5,710	22,477
Telephone equipment	14,850	13,922	928	3,449
Furniture	1,922,813	1,163,251	759,562	897,346
Leasehold improvements	4,824,171	1,955,958	2,868,213	3,054,648
	7,037,876	3,305,562	3,732,314	4,044,979

Amortization of capital assets for the year ended December 31, 2018 amounts to $484,100 ($534,429 in 2017), of which $379,329 ($379,717 in 2017) 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

	2018			2017
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
GENERAL OPERATING FUND				
Software and licence	169,558	154,847	14,711	67,664

Amortization of intangible assets amounts to $30,910 for the year ended December 31, 2018 ($18,744 for 2017).

9. Accounts payable and accrued liabilities

	2018		
	General Operating Fund	Indemnity Fund	TOTAL
	$	$	$
Accounts payable	437,414	-	437,414
Accrued liabilities	96,944	4,601	101,545
Salaries and vacations payable	1,436,660	-	1,436,660
Government remittances payable	300,933	-	300,933
	2,271,951	4,601	2,276,552

	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

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 10, 2018, the maximum compensation payable from the Fund is $100,000, whereas before (since May 1, 2010), the amount was $35,000. This provision is maintained until the final decision of the Indemnity Committee is made.

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 for software development regarding the Courtier 360 software and the use of photocopiers, expiring between July 2019 and March 2024. Minimum future payments aggregate to $26,867,856 and include the following amounts due over the next five years:

	$
2019	2,990,144
2020	2,212,258
2021	2,296,196
2022	2,300,518
2023	2,183,672

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, 2018 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

	2018			2017		
	General Operating Fund	Indemnity Fund	TOTAL	General Operating Fund	Indemnity Fund	TOTAL
	$	$	$	$	$	$
Reinvested revenue	217,891	101,616	319,507	232,914	164,436	397,350
Interest revenues	5,536	141,376	146,912	218,399	76,638	295,037
	223,427	242,992	466,419	451,313	241,074	692,387
Realized loss on investments	(175,763)	(16,979)	(192,742)	(117,963)	(46,861)	(164,824)
Unrealized gain (loss) on investments	(129,470)	(259,592)	(389,062)	(97,128)	3,639	(93,489)
	(305,233)	(276,571)	(581,804)	(215,091)	(43,222)	(258,313)
INVESTMENT INCOME	(81,806)	(33,579)	(115,385)	236,222	197,852	434,074

During the year, the **OACIQ** made a correction to its investment portfolio following the accounting of a transaction that was mistakenly recognized in the previous year. Therefore, investments as at December 31, 2017 and investment income for the year then ended were over-evaluated by $102,157 for the General Operating Fund and $70,367 for the Indemnity Fund.

14. OACIQ's Professional Liability Insurance Fund

The summary financial statements of the FARCIQ as at December 31, 2018, are as follows:

	2018	2017
	$	$
BALANCE SHEET		
Assets	58,251,197	58,394,622
Liabilities	17,223,853	16,303,897
Accumulated surplus	41,027,344	42,090,725
	58,251,197	58,394,622
STATEMENT OF INCOME		
Revenue	6,733,628	7,047,239
Expenses	6,784,508	6,100,635
Earnings (loss) for the year	(50,880)	946,604
Unrealized gain (loss) on available for sale securities	(653,224)	1,747,614
Portion reclassified to income from available for sale securities	(359,277)	(748,314)
Comprehensive income (loss)	(1,063,381)	1,945,904
CASH FLOWS		
Operating activities	1,306,377	(678,617)
Investing activities	809,130	142,780

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 disclosure requirements in Part III of the *CPA Canada Handbook – Accounting*.

During the year, the **OACIQ** received from the **FARCIQ** management fees and sponsorship fees totalling $64,508 ($73,409 in 2017), and occupancy expenses for an amount of $112,739 ($110,323 in 2017). These amounts are in addition to expense reimbursement totalling $137,350 ($148,416 in 2017). 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, 2018, an amount of $13,768 is included in accounts receivable ($13,803 in 2017) in connection with these transactions. Accounts payable and accrued liabilities include an amount payable of $15,233 ($8,153 in 2017) for the premiums collected by the **OACIQ** for the **FARCIQ**.

15. Indemnities

	2018	2017
	$	$
Indemnities paid during the year	138,877	108,071
Net change in indemnities provision	(73,012)	(78,816)
	65,865	29,255

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 currency risk, interest rate risk and other price risk. The **OACIQ** is exposed to interest rate risk and other price 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, 2018, 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, 2018

2018	Continuing education	Basic training and examinations	Forms	Discipline and syndic	Illegal brokerage practices	Outreach
	$	$	$	$	$	$
REVENUE	2,192,509	1,438,338	1,040,109	371,699	64,117	168,439
DIRECT EXPENSES						
Salaries and employee benefits	752,367	478,359	27,953	1,859,373	59,122	209,675
Attendance fees	-	-	-	157,050	-	-
Forms	-	-	114,681	-	-	-
Travel	36,173	1,643	-	53,141	3,711	41,741
Office occupancy	158,747	152,231	-	279,476	9,331	63,738
Insurance	8,053	5,532	-	18,620	586	1,597
Amortization of capital and intangible asets	30,764	21,131	-	71,128	2,238	6,100
Office expenses	19,525	19,574	12,804	134,080	1,597	82,699
Information technologies	5,742	3,944	-	13,276	418	1,139
Repairs and maintenance	6,624	4,550	-	15,314	482	1,313
Professional fees	49,058	-	105,219	289,475	19,904	81,442
Financing expenses	46,681	30,624	22,145	7,914	1,365	12,732
Advertising and representation	-	-	-	-	-	438,197
	1,113,734	717,588	282,802	2,898,847	98,754	940,373
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	1,078,775	720,750	757,307	(2,527,148)	(34,637)	(771,934)

APPENDIX (continued)

Revenue and expenses · Year ended December 31, 2018

2017	Continuing education	Basic training and examinations	Forms	Discipline and syndic	Illegal brokerage practices	Outreach
	$	$	$	$	$	$
REVENUE	2,271,600	1,333,249	1,120,516	443,807	78,965	158,338
DIRECT EXPENSES						
Salaries and employee benefits	798,469	737,779	-	1,645,597	90,892	237,457
Attendance fees	-	-	-	169,131	-	-
Forms	-	-	217,063	-	-	-
Travel	38,390	1,860	-	55,368	6,958	59,150
Office occupancy	160,232	153,654	-	282,089	9,419	64,334
Insurance	9,424	7,439	-	13,368	891	2,228
Amortization of capital and intangible asets	45,782	39,943	-	72,616	3,527	11,588
Office expenses	61,397	23,619	17,528	111,831	2,494	85,705
Information technologies	7,115	4,994		8,975	598	726
Repairs and maintenance	17,129	10,206	-	18,341	1,223	1,429
Professional fees	128,282	3,773	75,828	337,447	69,898	97,262
Financing expenses	42,349	24,991	21,004	8,319	1,480	12,091
Advertising and representation	-	-	-	-	-	416,340
	1,308,569	1,008,258	331,423	2,723,082	187,380	988,310
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	963,031	324,991	789,093	(2,279,275)	(108,415)	(829,972)

Until June 23, 2018, the Financing Fund, which had been established in accordance with section 47 of the *Real Estate Brokerage Act*, was meant to 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 by brokers and agencies. On that date, section 47 of the Act was repealed with the coming into force of Bill 141, which abolished the Financing Fund. The activities pertaining to the production and dissemination of information are now part of the General Operating Fund.

> TRUST IS A MAJOR COMPONENT: WITHOUT IT, NO PROJECT WILL COME TO FRUITION.
>
> — ERIC TABARLY

ANNUAL REPORT 2018

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.

TRUST INSPIRES ASSURANCE.

FARCIQ DIRECTORS

As at December 31, 2018

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
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, AIAC, ASC
Corporate Director

Chair of the Prevention and Claims Committee, Member of the Governance Committee

M^{e} Marc Simard, ASC
Partner, Bélanger Sauvé

Chair of the Professional Ethics Committee, Member of the Governance Committee

FROM LEFT TO RIGHT:

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

Seated:
Christiane St-Jean
Martin Dupras

MARTIN
DUPRAS

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

The Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (FARCIQ) is proud to report on the year 2018, the result of sound and balanced asset management.

The 2018 fiscal year ended December 31 with an operating loss of $50,880 and a negative overall result of $1,063,381 due to the change in anticipated but unrealized investments. This negative result is mainly due to the decision to subsidize the premium to keep it below actual cost. This brings the accumulated surplus to $41,027,344, a sign of stability and solidity.

Rigorous financial management has a positive impact on the organization. **FARCIQ** is proud to enable all insured brokers to share in this success, including by maintaining the subsidized insurance premium and providing all its training free of charge. "Policyholders are our focus and it is important for us to offer them the best service at the best cost." Our approach is one of respect, loyalty, fairness and thoroughness, in line with our organizational values.

In 2018, stability was achieved in terms of premium cost, coverage, and number of claims. Specifically, 645 new claims were processed this year, compared to 650 in 2017. The cost of claims paid totalled close to $1.5 million. However, we note that increasing loss severity seems to be a very real issue, hence the importance of good management of monetary reserves.

Prevention is key to raising awareness among policyholders of the consequences of a claim, and to guiding them towards acting prudently in order to avoid potential litigation. This will be our focus in coming years.

PREVENTION IS KEY TO RAISING AWARENESS AMONG POLICYHOLDERS OF THE CONSEQUENCES OF A CLAIM, AND TO GUIDING THEM TOWARDS ACTING PRUDENTLY.

A wind of change blowing on the financial sector

The year 2018 was marked by a revision of some of the legislation governing the financial sector, including the new *Insurers Act*, which makes changes to the governance of insurance funds. The OACIQ Board of Directors will henceforth exercise the functions and powers relating to insurance by, among other things, creating a decision-making committee in the area of professional liability insurance.

Thank you to all the members of the Board of Directors, the general management of FARCIQ and the OACIQ, as well as to the staff for their dedication, cooperation and understanding in this time of change and adjustment. We are convinced that these changes will remain in synergy with the interests of policyholders and the efficient operation of the insurance Fund.

Martin Dupras, A.S.A., F. Pl., M. Tax., ASC
Chairman of the Board of Directors

MESSAGE FROM THE GENERAL MANAGER

A commitment to protect

Protection is at the heart of our mission when it comes both to our policyholders' professional liability and to the protection of their assets. Every year we increase our efforts to make sure we offer the best possible coverage to meet the needs of the profession.

A commitment to train

Better informed policyholders!

As part of its preventive approach, **FARCIQ** focuses on our profession's best practices and prioritizes training to help and inform policyholders regarding their protection and the issues relating to their professional liability. Prevention is part of our vision, and we are working hard to ensure that we have a constant and varied training offer, including by collaborating with the **OACIQ** on mandatory continuing training activities and by developing a new training course entitled *My professional liability*. This activity, which is available free of charge, was attended by more than 1,000 participants in webinar or live formats.

The success of our training activities (online, webinar and live) is clear: we are very proud of the fact that 4,000 brokers have attended one of our training courses. We invite policyholders who have not yet taken advantage of this opportunity to register on our website.

By offering all our training activities at no charge, we want to encourage as many policyholders as possible to complete them, as we are convinced that this will help reduce the risk of claims in the long term.

A commitment to get involved

FARCIQ was very active throughout the year, notably by attending industry event:

- Presence at over six industry events as a sponsor or exhibitor, including RDV **OACIQ**;
- Regular contributions to the PRO@CTIVE newsletter;
- 1,345 insurance kits sent to new brokers;
- 26 presentations to agencies.

Through their dedication, professionalism and competence, the employees and the members of the Board of Directors of **FARCIQ** play a major role for the organization. I wish to thank each and every one of them for their contribution to the success of our common mission.

Me Alain Chouinard, MBA
General Manager

FARCIQ FOCUSES ON OUR PROFESSION'S BEST PRACTICES AND PRIORITIZES TRAINING TO HELP AND INFORM POLICYHOLDERS.

> TRUST IS ONE OF
> THE STEPS TO SUCCESS.
>
> — WISSAL MOUMEN EL IDRISSI

INDEPENDENT AUDITOR's
REPORT

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (the Fund) as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

pwc

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
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What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of loss and comprehensive loss for the year then ended;
- the statement of changes in accumulated surplus for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities* for the audit of the financial statements section of our report.

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

Independence

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP[1]

Montreal (Quebec)
February 19, 2019

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

FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

Financial Statements · December 31, 2018

(expressed in Canadian dollars)

	2018	2017
	$	$
ASSETS		
Cash	2,032,326	543,805
Treasury bills (interest rate of 1.60%; 0.98% as at December 31, 2017) and banker's acceptance	383,510	324,501
Investments (note 4)	54,002,709	55,316,608
Investment income receivable	245,583	234,821
Premiums and other receivables (note 12)	45,016	156,292
Amount recoverable from reinsurers for claims liabilities (note 7)	737,000	1,098,000
Deductibles recoverable from policyholders for claims liabilities	757,776	683,665
Prepaid expenses	32,102	31,120
Property and equipment	15,175	5,810
	58,251,197	58,394,622
LIABILITIES		
Accounts payable and accrued liabilities	470,387	261,135
Amount due to the OACIQ (note 11)	13,768	13,803
Unearned premiums	1,909,922	1,885,294
Claims liabilities (note 7)	14,829,776	14,143,665
	17,223,853	16,303,897
ACCUMULATED SURPLUS		
Accumulated surplus, end of year	39,844,441	39,895,321
Accumulated other comprehensive income	1,182,903	2,195,404
	41,027,344	42,090,725
	58,251,197	58,394,622

COMMITMENTS (note 14)

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 Loss and Comprehensive Loss · For the year ended December 31, 2018

(expressed in Canadian dollars)

	2018	2017
	$	$
REVENUES		
Earned premiums (note 9)	5,615,321	5,621,255
Reinsurance premiums ceded (note 9)	(404,700)	(407,700)
Net earned premiums	5,210,621	5,213,555
EXPENSES		
Claims and loss adjustment expenses	5,480,575	4,799,715
General expenses	1,303,933	1,300,920
	6,784,508	6,100,635
UNDERWRITING LOSS	(1,573,887)	(887,080)
INVESTMENT AND OTHER INCOME (NOTE 4)	1,523,007	1,833,684
NET INCOME (LOSS) FOR THE YEAR	(50,880)	946,604
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will be subsequently reclassified to profit or loss		
Unrealized gain (loss) on available-for-sale securities	(653,224)	1,747,614
Portion reclassified to income from available-for-sale securities	(359,277)	(748,314)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	(1,012,501)	999,300
COMPREHENSIVE INCOME (LOSS)	(1,063,381)	1,945,904

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, 2018

(expressed in Canadian dollars)

			2018	2017
	Accumulated surplus	Accumulated other comprehensive income	Net amount	Net amount
	$	$	$	$
BALANCE – BEGINNING OF YEAR	39,895,321	2,195,404	42,090,725	40,144,821
Net income (loss) for the year	(50,880)	-	(50,880)	946,604
Other comprehensive income (loss) for the year	-	(1,012,501)	(1,012,501)	999,300
BALANCE – END OF YEAR	39,844,441	1,182,903	41,027,344	42,090,725

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, 2018

(expressed in Canadian dollars)

	2018	2017
CASH FLOWS FROM (USED IN)	$	$
OPERATING ACTIVITIES		
Net income (loss) for the year	(50,880)	946,604
Adjustments for		
Amortization of property and equipment	4,074	2,018
Amortization of intangible assets	-	27,374
Amortization of premiums and investment discounts	169,678	199,333
Realized gain on disposal of investments	(359,277)	(748,314)
Income on reinvested dividends	(331,572)	(362,173)
	(567,977)	64,842
Change in non-cash working capital items		
Investment income receivable	(10,762)	(7,016)
Premiums and other receivables	111,276	(81,417)
Amount recoverable from reinsurers for claims liabilities	361,000	373,000
Deductibles recoverable from policyholders for claims liabilities	(74,111)	9,759
Prepaid expenses	(982)	(9,611)
Accounts payable and accrued liabilities	209,252	38,170
Amount due to the OACIQ	(35)	9,965
Unearned premiums	24,628	(41,708)
Claims liabilities	686,111	(969,759)
	1,306,377	(678,617)
	738,400	(613,775)
INVESTING ACTIVITIES		
Acquisition of property and equipment	(13,439)	(3,848)
Acquisition of investments	(26,817,692)	(24,555,350)
Proceeds on disposal of investments	27,640,261	24,701,978
	809,130	142,780
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	1,547,530	(470,995)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	868,306	1,339,301
CASH AND CASH EQUIVALENTS – END OF YEAR	2,415,836	868,306
Cash and cash equivalents consist of the following:		
Cash	2,032,326	543,805
Treasury bills and banker's acceptance	383,510	324,501
	2,415,836	868,306

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, 2018

(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 ("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. The Corporation is not subject to the *Income Tax Act* (Canada).

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 19, 2019.

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.

3. Main accounting policies (continued)

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.

Reinsurance

Claims are presented in the statement of loss, 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 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 loss 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, for bonds, are 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.

3. Main accounting policies (continued)

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; and

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.

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 and equipment

Property 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.

3. Main accounting policies (continued)

Impairment of long lived assets

Long lived assets 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 recognized in the statement of loss. During the current and previous years, no intangible assets or items of property and equipment were impaired.

Change to accounting standards

IFRS 15, *Revenue from Contracts with Customers*

On January 1, 2018, the Insurance Fund adopted 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 Insurance Fund'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.

The adoption of IFRS 15 does not have any impact on the financial statements of the Insurance Fund.

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,* on the opposite page.

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, 2022.

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, 2022.

3. Main accounting policies (continued)

Standards issued but not yet effective (continued)

D. 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 minimal.

The Corporation will have to adopt IFRS 16 retrospectively, effective January 1, 2019. The Corporation estimates that IFRS 16 will not have a material impact.

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.

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, 2018. 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 on the next page.

4. Investments (continued) · Fair value hierarchy

	2018		
	Level 1	Level 2	TOTAL
	$	$	$
Federal government bonds	-	3,566,479	3,566,479
Provincial government bonds	-	16,410,113	16,410,113
Municipal government bonds	-	10,838,443	10,838,443
Corporate bonds	-	12,745,162	12,745,162
Investment funds	-	10,442,512	10,442,512
	-	54,002,709	54,002,709

	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

4. Investments (continued) · Investment maturities

	2018				
	Under 1 year	1 to 5 years	Over 5 years	No specific maturity	TOTAL
	$	$	$	$	$
Federal government bonds	436,384	1,406,911	1,723,184	-	3,566,479
Provincial government bonds	5,596,434	6,269,832	4,543,847	-	16,410,113
Municipal government bonds	2,574,834	7,860,890	402,719	-	10,838,443
Corporate bonds	2,058,548	7,649,601	3,037,013	-	12,745,162
Investment funds	-	-	-	10,442,512	10,442,512
	10,666,200	23,187,234	9,706,763	10,442,512	54,002,709

	2017				
	Under 1 year	1 to 5 years	Over 5 years	No specific maturity	
	$	$	$	$	$
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

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

	2018			
	Amortized cost	Gains	Losses	Fair value
	$	$	$	$
Federal government bonds	3,532,919	33,560	-	3,566,479
Provincial government bonds	16,412,336	53,471	(55,694)	16,410,113
Municipal government bonds	10,880,898	13,955	(56,410)	10,838,443
Corporate bonds	12,822,900	19,800	(97,538)	12,745,162
Investment funds	9,170,753	1,303,514	(31,755)	10,442,512
	52,819,806	1,424,300	(241,397)	54,002,709

	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

4. Investments (continued) · Investment and other income

	2018	2017
	$	$
Interest income	1,188,092	1,118,383
Dividend income	331,572	362,173
Variation of bond discount	(169,678)	(199,333)
Realized gain on disposal of investments	359,277	748,314
Management fees	(186,256)	(195,853)
	1,523,007	1,833,684

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.

5. Additional information on financial instruments (continued)

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 $435,602 decrease (increase) in investment income ($426,268 as at December 31, 2017).

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, 2018, the Insurance Fund indirectly held, through its fund units, $10,442,512 ($12,689,836 as at December 31, 2017) in securities traded on stock markets. As a result, a 1% change in the fair value of these assets would have an impact of $104,425 ($126,898 as at December 31, 2017) 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+ (A+ as at December 31, 2017). 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 bonds and corporate bonds according to the nomenclature of the rating agency:

	2018					
	AAA	AA	A	BBB	Unrated	Fair value
	$	$	$	$	$	$
	(in thousands of dollars)					
Federal government bonds	3,567	-	-	-	-	3,567
Provincial government bonds	-	16,410	-	-	-	16,410
Municipal government bonds	-	-	-	-	10,838	10,838
Corporate bonds	-	7,745	3,771	1,229	-	12,745

	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

5. Additional information on financial instruments (continued)

Maximum credit risk exposure arising from financial instruments

	2018	2017
	$	$
Cash	2,032,326	543,805
Treasury bills and banker's acceptance	383,510	324,501
Canadian, provincial and municipal government bonds	30,815,035	30,482,815
Corporate bonds	12,745,162	12,143,957
Investment income receivable	245,583	234,821
Premiums and other receivables	45,016	156,292
Amount recoverable from reinsurers for claims liabilities	737,000	1,098,000
Deductibles recoverable from policyholders for claims liabilities	757,776	683,665
	47,761,408	45,667,856

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, 2018 and 2017, the financial liabilities were all due in the following year.

5. Additional information on financial instruments (continued)

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; and
- 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 2017 and maintained at $345 in 2018 for real estate brokers and agencies, and at $245 in 2017 and 2018 for mortgage brokers. In addition, the limit of coverage provided to policyholders remained the same (see note 8).

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)

Insurance risk and management (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; and
- 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. 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 $527,600 as at December 31, 2018 ($432,860 as at December 31, 2017) to reflect the time value of money, using an average discount rate of 2.29% (2.08% in 2017) on the underlying claim settlement statistics. The provision for adverse deviations increased unpaid claims in a net amount of $1,420,243 as at December 31, 2018 ($1,232,837 as at December 31, 2017).

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 $233,508 negative impact on the value of unpaid claims as at the date of the statement of financial position ($222,687 as at December 31, 2017), while a 1% decrease in the discount rate would have a $243,130 positive impact on the value of unpaid claims as at the date of the statement of financial position ($231,876 as at December 31, 2017).

Prior year claims development

The following table shows estimates of incurred claims, including IBNR claims, for the nine 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.

7. Claims liabilities (continued) • Ultimate incurred claims estimate

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	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	5,524,969	
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	4,713,490		
Two years later	4,772,070	4,790,220	4,077,761	4,144,194	3,301,052	4,552,032	5,138,710	3,604,401			
Three years later	3,220,954	4,076,860	3,245,717	3,543,060	3,288,660	4,561,616	5,048,986				
Four years later	2,761,601	3,660,691	3,125,725	3,551,053	3,347,492	4,254,503					
Five years later	2,428,397	3,509,608	3,247,652	3,343,806	3,005,507						
Six years later	2,578,027	3,278,447	3,241,606	3,323,517							
Seven years later	2,404,905	3,201,439	3,167,900								
Eight years later	2,406,876	3,201,439									
Nine years later	2,408,288										
Ultimate incurred claims estimate	2,408,288	3,201,439	3,167,900	3,323,517	3,005,507	4,254,503	5,048,986	3,604,401	4,713,490	5,524,969	38,253,000
Paid claims	2,399,788	3,201,439	3,117,311	3,224,681	2,761,662	3,850,087	4,151,195	2,269,928	1,074,838	630,046	26,680,975
Unpaid claims	8,500	-	50,589	98,836	243,845	404,416	897,791	1,334,473	3,638,652	4,894,923	11,572,025
Effect of discounting and margins											964,195
Other											1,535,780
FINAL UNPAID CLAIMS											14,072,000

Note: The amounts in this table are net of $757,776 in deductibles recoverable from policyholders for claims liabilities.

7. Claims liabilities (continued) · Developments in net claims liabilities

	2018			2017		
	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	13,460	1,098	12,362	14,420	1,471	12,949
Changes in estimated losses and expenses for claims incurred in prior years	(2,180)	(467)	(1,713)	(2,115)	(373)	(1,742)
Losses and expenses on claims incurred in the current year	7,108	106	7,002	6,388	-	6,388
Less: Recoveries received (amounts paid) in respect of incurred claims						
During the current year	(1,082)	-	(1,082)	(695)	-	(695)
During prior years	(3,234)	-	(3,234)	(4,538)	-	(4,538)
BALANCE – END OF YEAR	14,072	737	13,335	13,460	1,098	12,362

Note: The amounts in this table are net of $757,776 in deductibles recoverable from policyholders for claims liabilities ($683,665 in 2017).

8. 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, 2018 to January 1, 2019.

9. Net earned premiums

	2018	2017
	$	$
GROSS PREMIUMS WRITTEN	5,638,376	5,579,547
Reinsurance premiums ceded	(404,700)	(407,700)
Net premiums written	5,233,676	5,171,847
Change in unearned premiums	(23,055)	41,708
NET EARNED PREMIUMS	5,210,621	5,213,555

No allowance for doubtful accounts was deducted from net earned premiums in 2018 and 2017, 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.

10. 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 2018 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:

	2018	2017
	$	$
Capital available	41,027	42,091
Capital required	5,128	5,361
Excess of capital available over capital required	35,899	36,730
MCT (AS A %)	800.06 %	785.13 %

11. Transactions with the OACIQ

By various agreements with the **OACIQ**, the Insurance Fund received certain management services and provided sponsorships, totaling $64,508 ($73,409 in 2017), in addition to rent expenses of $112,739 ($110,323 in 2017). To these amounts are added other paid expenses totaling $137,350 ($148,416 in 2017). These transactions were concluded in the normal course of business and measured at the value agreed between the parties. As at December 31, 2018, an amount of $13,768 was payable ($13,803 in 2017) in connection with these transactions. Premiums and other receivables include an amount of $15,223 ($8,153 in 2017) for premiums and deductibles collected by the **OACIQ** on behalf of the Insurance Fund.

12. Premiums and other receivables

	2018	2017
	$	$
Deductibles receivable	31,900	78,616
Premiums receivable	13,116	8,153
Other amounts receivable	-	69,523
	45,016	156,292

13. 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 2018 amounted to $303,759 ($304,494 for 2017).

14. 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 $96,785 are as follows:

	$
2019	61,127
2020	35,658

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, 2018 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:

Claim Liabilities	Carried in Annual Return ($000)	Actuary's estimate ($000)
(1) Direct unpaid claims and adjustment expenses	14,072	14,072
(2) Assumed unpaid claims and adjustment expenses	0	0
(3) Gross unpaid claims and adjustment expenses (1) + (2)	14,072	14,072
(4) Amounts recoverable from reinsurers	737	737
(5) Other recoverables on unpaid claims	758	758
(6) Other liabilities	758	758
(7) Net unpaid claims and adjustment expenses (3) – (4) – (5) + (6)	13,335	13,335

Premium liabilities	Carried in Annual Return (col. 1) ($000)	Actuary's estimate (col. 2) ($000)
(1) Gross unearned premium liabilities		2,023
(2) Net unearned premium liabilities		2,158
(3) Gross unearned premiums	1,910	
(4) Net unearned premiums	1,910	
(5) Premium deficiency	248	248
(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, 2019

Date opinion was rendered

Eckler

COMMUNICATION IS THE BASIS OF TRUST.

— CHRISTOPHER CANTO

Actiq

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