ADAPTING AT THE CORE OF OUR ACTIONS

ANNUAL REPORT
2020

OACIQ

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

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Mr. Éric Girard
Minister of Finance
Government of Québec
QUÉBEC

Dear Mr. Girard,

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, 2020.

Yours sincerely,

Pierre Hamel
Chairman of the Board of Directors

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 professionals governed by the *Real Estate Brokerage Act*.

VISION

The **OACIQ** is the authority of real estate 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.

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) and the FARCIQ for 2020.

The year 2020 was marked by a pandemic, implementation of the final provisions of the new *Real Estate Brokerage Act*, and efficient regulatory management.

The role of the **OACIQ** is to ensure that the rules are properly applied, in the best interest of public protection, regardless of circumstances. The year 2020 was certainly rife in circumstances, and this role came into play in a major way.

Impacts of the pandemic

The COVID-19 pandemic, which hit Québec as it did everywhere else, had many impacts both on the activities of the **OACIQ** and on the real estate brokerage industry as a whole. The Organization had to adapt in real time. The Board of Directors had to meet several times to support the management team. Health guidelines evolved from week to week. The **OACIQ** had to navigate through visit bans, business continuity planning, workforce management, sudden shutdown and resumption of activities, office closures, crisis management, communications, payment deferrals and much more, all this in an environment where in-person gatherings were disallowed and meetings had to be held by videoconference.The pandemic really put our business continuity plan and our risk management model to the test. Those challenges were met with flying colours, and to this I say: Bravo!

During the past year, and in accordance with the public protection mission under the *Real Estate Brokerage Act*, the Board of Directors supported management in the implementation of the projects scheduled for the first year of the 2020-2022 strategic plan. The plan had to be adjusted to meet some of the challenges posed by the pandemic, but the objectives were essentially met.

Implementation of the final provisions of the new Act

The implementation of the new *Real Estate Brokerage Act* was finalized with the transfer of mortgage brokerage to the Autorité des marchés financiers (AMF) on May 1, 2020. The Board of Directors is fully satisfied with the way this transfer of activities was carried out, with great collaboration and thoroughness.

Governance news

The year 2020 was the first full year of application of the new Act. The composition of the Board of Directors has been significantly modified as a result. The Board would like to thank and acknowledge the contribution, among others, of Georges Bardagi, licence holder, who was serving as Vice-Chairman of the Board and whose term expired, as well as Pierre Martel, mortgage representative, whose term ended due to the transfer of mortgage brokerage to the AMF. We are also pleased to highlight the re-election in 2020 of three licence holders acting as directors: Diane Ménard, Stéphanie Gauthier and Joel Charron. For my part, this was my first year as Chairman of the Board and I was delighted with the professionalism and discipline shown by board and management members.

As part of its continuing improvement efforts, the Board of Directors approved an enhanced continuing education program. It also contributed to the integration of **FARCIQ** governance, notably through a change in the Insurance Fund's investment policy.

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

The **FARCIQ** ended the year 2020 with a comfortable solvency ratio. The Board of Directors approved an increase in coverage for the year 2021. The premium, among the lowest in the field, is subsidized by accumulated surpluses, which reflects the Insurance Fund's history of sound management and explains why the premium has not increased in several years. However, the Board of Directors has decided to raise the premium for 2021. The Board's goal is to continue to subsidize the premium for a few years in a way that will reach the target ratio without generating a sudden jump in the premium.

Working together to reach our goals

The Board of Directors is proud of the way in which the Organization was able to position itself and carry out its role in the real estate brokerage industry, and salutes the great capacity to adapt demonstrated by the teams in place, who were able to keep current operations running smoothly.

Despite the uncertainty caused by the pandemic and the ensuing crisis management, the objectives set for this first year of the 2020-2022 strategic plan were all attained, thanks to the proactive stance and leadership of our management team, which also managed to keep our organization in good financial standing. I am grateful to them.

I would also like to thank the members of the Board of Directors for their contribution to public protection and their involvement throughout the year in the improvement of licence holder oversight.

Finally, on behalf of the Board, I would like to congratulate the employees of the Organization who, once again, in an unusual year, demonstrated their know-how, their integrity, and their great capacity to adapt. The OACIQ will continue to exercise its role as regulator of real estate brokerage with all the skills and leadership needed to fully protect the public.

Pierre Hamel, B.Sc., ASA, ACIA, ASC, C.Dir.
Chairman of the Board of Directors
OACIQ

THE BOARD OF DIRECTORS IS PROUD OF THE WAY IN WHICH THE ORGANIZATION WAS ABLE TO POSITION ITSELF AND CARRY OUT ITS ROLE IN THE REAL ESTATE BROKERAGE INDUSTRY.

ADAPTING **AT THE CORE OF OUR ACTIONS**

MESSAGE FROM THE
PRESIDENT AND CHIEF EXECUTIVE OFFICER

The year 2020 was marked by an exceptional ability to adapt, which pushed each and every one of us to show perseverance, resilience and benevolence. Faced with a crisis of this magnitude, we focused on our mission, mobilized industry players, and deployed targeted actions with the primary goal of enabling the OACIQ to fully play its role as regulator and ensure public protection.

Agility in pandemic times

This unique and historic context had a significant impact on the Organization's activities, as we had to redefine our usual benchmarks while responding to increasing demands: agility was required! Our team worked tirelessly, often with tight deadlines and amid ambiguity, to minimize the impacts of the pandemic on real estate transactions and to ensure public protection.

To do so, we made sure to provide licence holders with clear recommendations that were consistent with the measures imposed by public health authorities. We designed proactive mechanisms for effective communication, and practical tools for our various audiences, specifically on the handling of real estate transactions in a pandemic environment. We adapted our interventions as a whole to properly manage the new risks arising from the situation as it evolved.

With their health and well-being at heart, ongoing efforts were also made during the year to provide our employees with appropriate organizational and human support, so that this experience could become, in some respects, an unprecedented opportunity for skills development.

REAL ESTATE BROKER OVERSIGHT AND COMPLIANCE WITH THE RULES OF PROFESSIONAL CONDUCT AND ETHICS WERE AT THE HEART OF OUR PRIORITIES.

Public protection

The exceptional situation brought about by COVID-19 has helped solidify our reputation with the public. We fulfilled our protective role by deploying effective methods to inform consumers of the protections available under the *Real Estate Brokerage Act*. The results of our actions, presented in this annual report, attest to this.

We implemented the initial elements of a complete overhaul of the certification and licence maintenance process, and continued to tighten our oversight and make it even more efficient. The process of continuous improvement is now a permanent reflex in the minds of our employees, and this is how we remain mindful of the importance of renewing and improving ourselves.

We completed the Organization's digital conversion by finalizing the implementation of Broker 360, a major shift in the technologies used by the OACIQ. This tool, which combines more than 50 applications into one, will allow us to be more efficient and proactive in our interventions.

Compliance environment and prevention

Real estate broker oversight and compliance with the rules of professional conduct and ethics were at the heart of our priorities. The improvement of our inspection program and accelerated processing of certain types of complaints were key elements in the initiative to tighten up our oversight.

In 2020, prevention was also achieved through reinforced monitoring of emerging practices and increased relevance of our Mandatory Continuing Education Program for agency executive officers and real estate brokers.

Continuous monitoring of best practices

As a member of Real Estate Regulators of Canada (RERC), the **OACIQ** participated in discussions on best real estate practices in Canada. This collaboration is extremely useful and valuable, and it allows us to remain abreast of emerging practices in addition to ensuring consistent application of our oversight and to sharing relevant tools and information that enhance efficiency and encourage reflection.

Looking to the future

We see 2021 in a positive light because, like 2020, the coming year will require us to innovate and increase our organizational effectiveness. We will continue to adapt our management processes accordingly, to be responsive to the new reality, to enforce the *Real Estate Brokerage Act* sensibly, and to support the commitment and health of our employees.

The buoyant real estate market and the need to inform the public will, more than ever, be at the heart of our actions in order to ensure that the protections provided under the *Real Estate Brokerage Act* are enforced.

Our organizational values of leadership, competence and integrity will guide our every action and remain the cornerstones of our relationships with our clients and stakeholders.

I would like to thank the members of the Board of Directors, and especially our Chairman, Pierre Hamel, for this renewed confidence and for their excellent contribution to the fulfilment of our mission to protect the public. I also wish to thank the employees of the **OACIQ** for their dedication. It is through their commitment and willingness to work together in a common direction that we achieve the cohesion needed to ensure the Organization's continuity.

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

President and Chief Executive Officer of the **OACIQ** and Vice-President of Real Estate Regulators of Canada

MANAGEMENT COMMITTEE*

FROM LEFT TO RIGHT:

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

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

Vice-President , Governance
Caroline Simard, LL.M., Adm.A, ASC, Mediator

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

Vice-President, Client Relations
Sofy Bourret

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

Vice-President, Human Resources
Sophie Dubé, M.Sc., CHRP

* Photo taken in 2020, before the COVID-19 pandemic.

UNDER THE SIGN **OF COVID-19**

In 2020, the global COVID-19 pandemic impacted everyone's way of doing things, in all spheres of activity. At the OACIQ, our various departments adapted their daily operations in an effort to maintain our current level of service. The majority of the Organization's 180 employees worked from home in 2020. Only those employees involved in the administering of certification exams, which had to be maintained to ensure the future of the real estate brokerage profession, regularly came into the office.

Throughout the pandemic, the OACIQ maintained contact with the Québec Government to ensure that brokerage activities could continue, in full compliance with the recommendations of health authorities. With the exception of a few weeks during which a complete lockdown was imposed, real estate brokers were able to maintain their activities, since housing is a fundamental need for all citizens, especially families.

Given the extraordinary context, numerous communications and documents were produced and promoted with brokers in order to provide a framework for their professional practices and to ensure compliance with public health measures.

Much information was also communicated to the public, on an ongoing basis, through our social networks and the Info OACIQ Information Centre, which responded to hundreds of queries during this busy COVID-19 period.

We like to believe that the adjustments everyone had to make in the face of such an exceptional situation will leave behind a few lessons learned and new ways of doing things that will be beneficial to the pursuit of our public protection mission.

TRANSFER OF MORTGAGE BROKERAGE

The oversight of mortgage brokerage, previously handled by the OACIQ, was taken over by the Autorité des marchés financiers (AMF) on May 1, 2020.

In the months leading up to the transfer, numerous communications were made to mortgage brokers to ensure that the transition to the AMF was as smooth as possible.

It is important to note that mortgage brokerage represented less than 4% of the OACIQ's revenues before the transfer. Of all those licensed by the OACIQ, only 759 brokers and agencies held a licence for mortgage brokerage exclusively, whereas some 11,000 licence holders, representing two-thirds of all OACIQ licence holders, were authorized to practice both real estate and mortgage brokerage.

2020 IN NUMBERS

The **OACIQ** sure saw a lot of action in 2020. Throughout the year, the various departments worked on different projects and mandates regarding brokers and the public. Here is a summary of the results of the **OACIQ**'s activities for the year 2020. The numbers speak for themselves!

ENFORCEMENT OF PRACTICES

ILLEGAL PRACTICE

53
INVESTIGATIONS OPENED

INDEMNITY

34 FILES PROCESSED INCLUDING:

- **8** CLAIMS APPROVED
- **$130,405** IN INDEMNITIES

INSPECTION

1,989
BROKERS AND AGENCIES INSPECTED

DISCIPLINE COMMITTEE

234
PENALTIES IMPOSED INCLUDING:

- **26** REPRIMANDS
- **88** FINES TOTALLING **$230,000**
- **32** ORDERS TO ATTEND A COURSE OR TRAINING SESSION
- **88** LICENCE SUSPENSIONS

PUBLIC ASSISTANCE

2,430
REQUESTS

SYNDIC

1,033
INVESTIGATIONS OPENED

LITIGATION

324
PROFESSIONAL CONDUCT CASES

CERTIFICATION AND EDUCATION

CERTIFICATION

1,805
LICENCE APPLICATIONS PROCESSED AND COMPLETED

EDUCATION

462
TRAINING ACTIVITIES AVAILABLE UNDER THE MCEP*

134,000
CONTINUING EDUCATION UNITS GRANTED

2,231
CERTIFICATION EXAMS TAKEN

** OACIQ's Mandatory Continuing Education Program*

CLIENT RELATIONS

INFO OACIQ

53,498
INQUIRIES PROCESSED

COMMUNICATIONS

NEWSLETTERS COVID-19
20
SPECIAL EDITIONS

ELECTRONIC NEWSLETTERS
110
NEWSLETTERS SENT

OACIQ.COM
1,507,171
SESSIONS

MEDIA RELATIONS
107,568,317
IMPRESSIONS

CURRENT STATE OF **REAL ESTATE BROKERAGE**

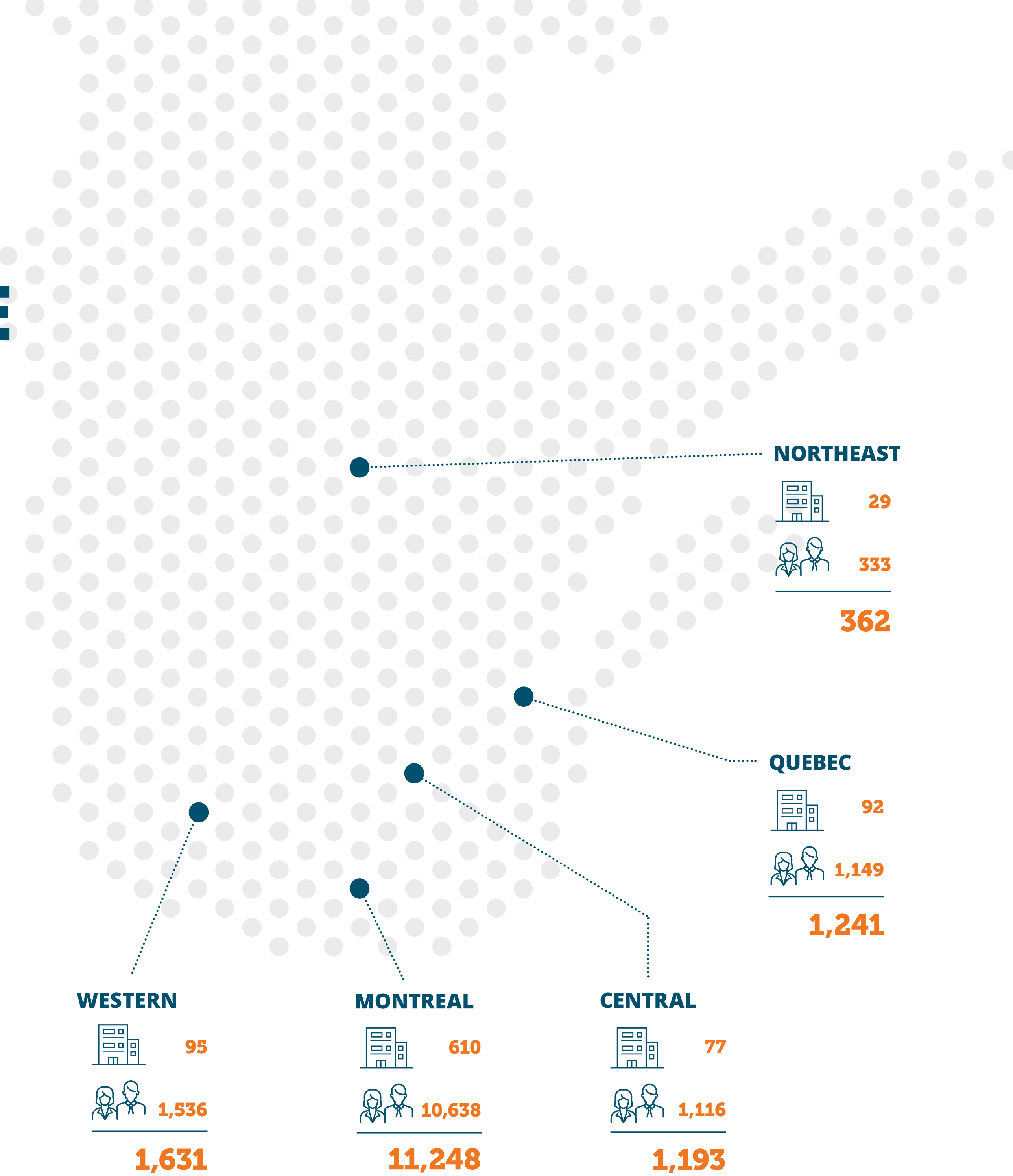
The number of real estate agencies and brokers with a valid practice licence stood at **15,675** as at December 31, 2020.

REAL ESTATE BROKERAGE

AGENCIES	**903**
BROKERS	**14,772**

166	commercial real estate brokers
5,028	residential real estate brokers
9,578	full-service brokers (residential and commercial real estate)

15,675



ACTIVITY REVIEW

Throughout 2020, the Organization's various departments showed resilience and professionalism by working tirelessly, with the single purpose of carrying out the **OACIQ**'s public protection mission. Every project was carried out and every action taken with this in mind. Find out more about what mobilized each department and the excellent outcomes that resulted.

ENFORCEMENT OF PRACTICES

To fulfil its public protection mission under the *Real Estate Brokerage Act*, the OACIQ uses a variety of ways to oversee the practice of real estate agencies and brokers. In 2020, many actions were initiated to ensure that licensees comply with the rules, fulfil their advisory role and abide by their ethical obligations.

Inspection

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

In 2020, OACIQ inspectors inspected **112** establishments, including 100 agencies and brokers acting on their own account in residential real estate brokerage, 10 in commercial real estate brokerage, and 2 in mortgage brokerage. In addition to these regular inspections, inspectors carried out direct interventions to ensure that corrective action was taken to remedy shortcomings uncovered during an inspection, or to correct deficiencies in the annual *Trust Transaction Report*. In addition, **1,398** 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 these interventions, several agency executive officers or brokers acting on their own account were contacted by the Inspection Department to ensure that corrective action is taken following any findings of non-compliance.

As part of their compliance program, agency executive officers have undertaken to establish policies and implement processes to meet the ten top expectations which the regulator has for 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 to ensure that the public is better protected. Trust accounts were also put under scrutiny to ensure that sums received for others are rigorously handled. Lastly, **175** new agency executive officers or brokers acting on their own account took part in a start-up session. The purpose of these sessions, facilitated by an inspector, is to ensure that new agency executive officers and brokers acting on their own account fully understand their new responsibilities, and to provide participants with the tools they need to set themselves up to comply with the *Real Estate Brokerage Act* and its regulations.

Skills-based verification

The brokerage contract and transaction records of 304 brokers were the subject of a skills-based verification. Thanks to the electronic document management (EDM) system implemented by some agencies or brokers acting on their own account, **259** of these inspections were able to be conducted remotely.

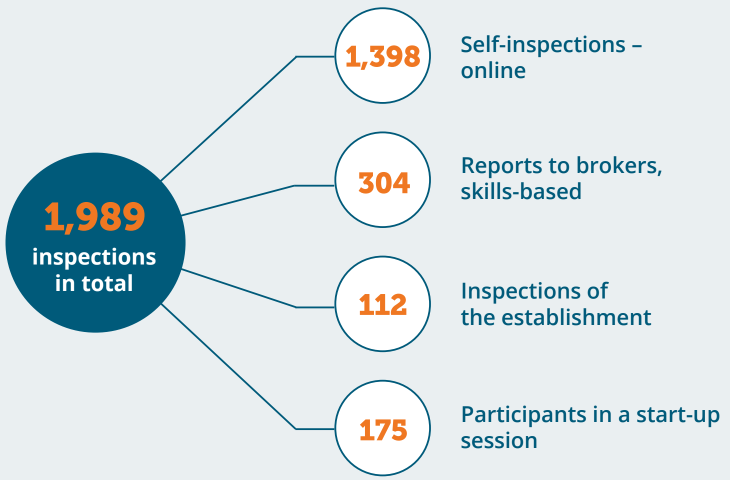
The inspector's observations and required improvements are recorded in a personal report sent to each broker inspected. They are specifically aimed at the way a broker maintains his records and carries out the transaction proposals he drafted and negotiated. For brokers who act for an agency, the inspection reports are also sent to the agency executive officer, who must read them and make sure the brokers under his supervision make the required improvements in their practice to ensure public protection.

In 2020, **145** requests for commitment to take immediate corrective action were issued by inspectors when significant deficiencies were identified in the course of an inspection. In addition, 130 of these requests for commitment included one or more training activities to be completed.

Other interventions

- Close to **900** calls were made by the Inspection Department in support to agencies and brokers acting on their own account, to answer various questions relating to inspections;
- 34 interventions were made by inspectors prior to issuing licences to new agencies or to new agency executive officers to ensure the immediate implementation of the Compliance Program.

Inspections of agencies and brokers acting on their own account – 2020

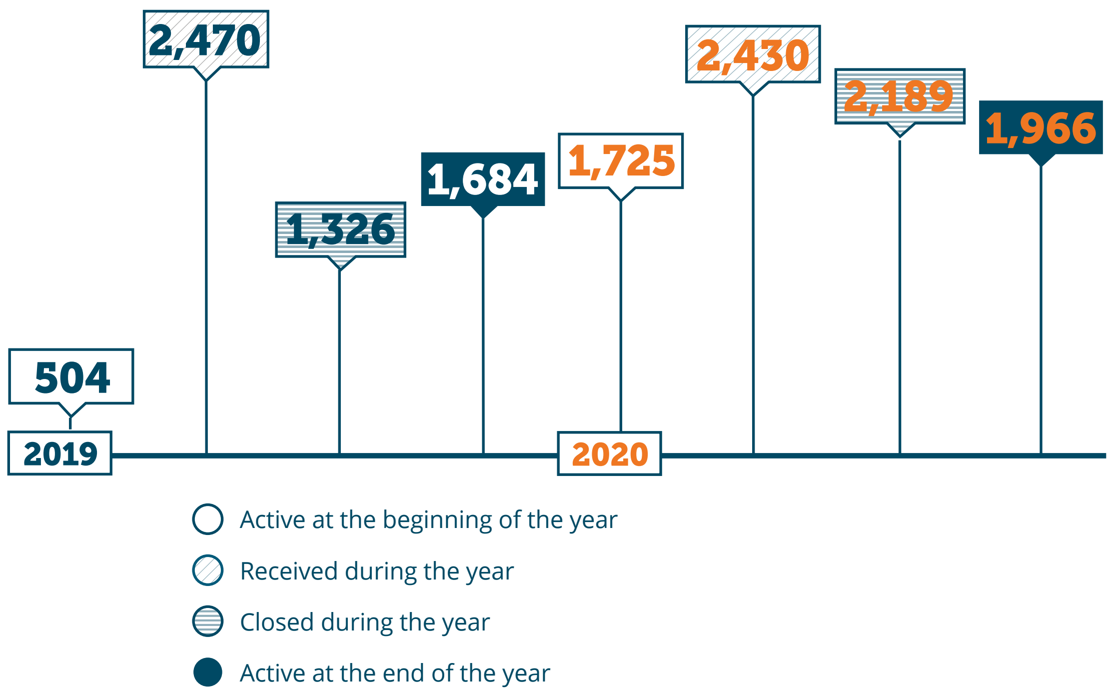


Public Assistance

When someone wishes to file a complaint against an OACIQ licence holder, file a claim to the Real Estate Indemnity Fund or to the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec, the Public Assistance Department guides the plaintiff throughout the process. An analyst from this department reviews the nature of the complaint, identifies and decides on the appropriate course of action. He also provides information concerning possible recourses and intervenes with the broker or his agency executive officer to find a solution.

In 2020, 2,430 requests were received. The implementation of new processes for handling and prioritizing files resulted in **65%** more files being closed than the previous year.

Complaints processed



Syndic

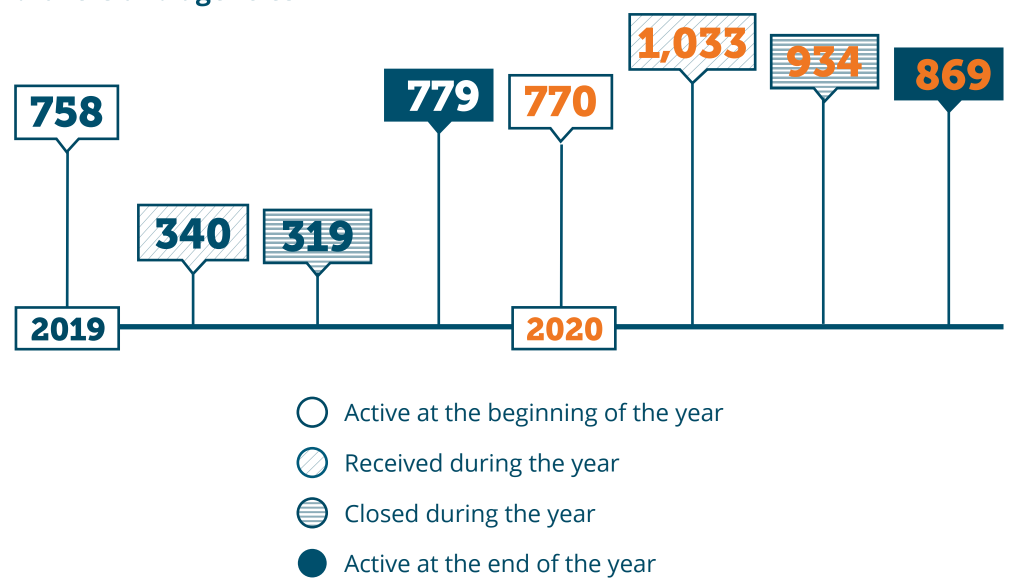
The Public Assistance Department and the Inspection Committee must notify the Syndic immediately if they have reason to believe that a violation to the *Real Estate Brokerage Act* or its regulations has been committed by a broker or agency, including their directors or executive officers. The Syndic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

During 2020, several actions were taken by the Syndic in line with the strategic orientations of the OACIQ.

The syndic has strengthened his approach regarding licensees who fail to cooperate with the Organization. Actions were taken against agencies and their executive officers and brokers acting on their own account who failed to submit their duly completed self-inspection questionnaire within the specified period. In this regard, **46** disciplinary complaints were filed with the OACIQ Discipline Committee.

Considerable efforts have been made to speed up the handling of investigations, including the implementation of a streamlined process for certain types of cases that can be processed more quickly. These efforts resulted in a **192%** increase in the number of completed investigations, as shown in the table opposite:

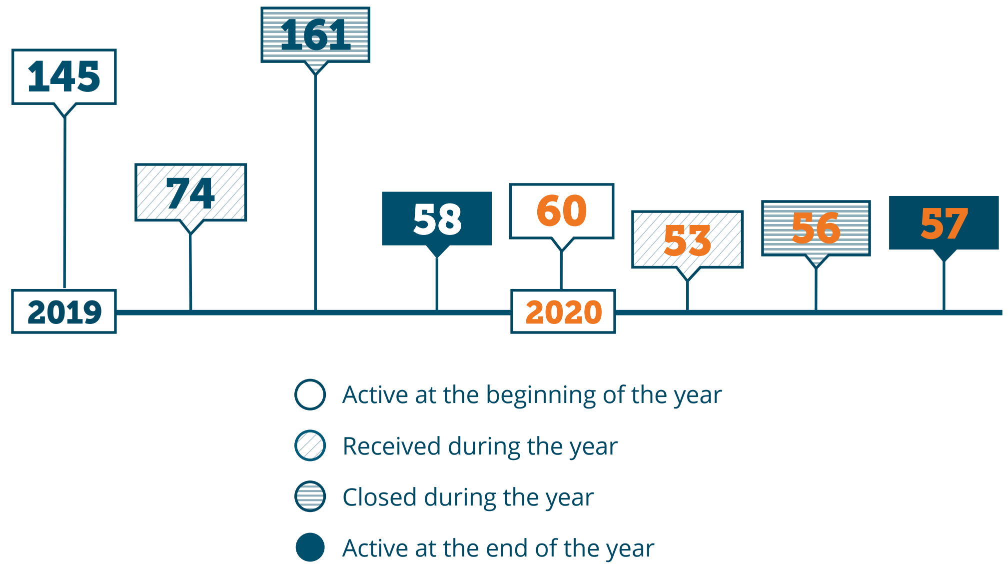
Disciplinary investigations regarding brokers and agencies



Illegal brokerage

When a real estate brokerage activity is suspected of being carried out by an individual 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 proceedings are filed with the Court of Québec. The latter must decide on the guilt of the person concerned and the penalty to be imposed, if any.

Investigations of illegal brokerage



Litigation

The Litigation Department works closely with the Office of the Syndic. It also makes all representations before the courts in connection with cases involving the Organization. The lawyers on the Litigation team act as advisors to the Office of the Syndic and can be consulted at all stages of an investigation.

Once files are completed by the Office of the Syndic, they are forwarded to Litigation for the filing of complaints or to obtain legal opinions.

The Litigation Department also works with other **OACIQ** departments when they are involved in legal proceedings. In particular the members of the team deal with cases of ethics, illegal practice, litigation, subrogation, certification, access to information and appeals of decisions rendered by statutory committees or by the Discipline Committee.

In 2020, the Litigation Department received **324** ethics cases and 8 illegal practice cases, compared to 110 ethics cases and 21 illegal practice cases in 2019.

In addition, **139** complaints were filed with the Discipline Committee Registry in 2020, compared to 57 in 2019.

In 2020, 10 statements of offence were issued, compared to 12 in 2019.

As of December 31, 2020, 46 complaints had been filed against licence holders who had failed to carry out their self-inspection within the deadline set by the Organization.

In 2020, several of the violations cited in the complaints concerned the obligation to inform, verify, avoid placing oneself in a conflict of interest, and collaborate. Complaints were also filed against agency executive officers and agencies for failing to properly supervise the activities of their brokers.

Several decisions of interest were handed down in 2020:

- A decision issued by the Court of Québec regarding the application of globality;[1]
- A decision issued by the Discipline Committee stressing the importance of the duty to verify.[2]

The Litigation Department actively participated in the work leading up to the transfer of mortgage brokerage oversight activities to the Autorité des marchés financiers in order to ensure an efficient and complete transfer. Litigation is finalizing ethics and illegal practice cases that were filed before May 1, 2020.

The pandemic has brought a lot of changes in the way we work. We quickly started holding Discipline Committee hearings in virtual mode (Zoom). This required certain adjustments, particularly in the preparation and presentation of evidence. Some cases before higher courts (Court of Québec and Superior Court) were delayed due to court closures.

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[1] *Gingras vs. Pluviose, 2020 QCCQ 8495, https://canlii.ca/t/jc5nt*

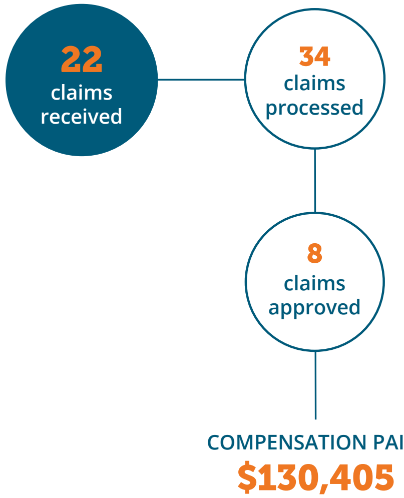
[2] *Organisme d'autoréglementation du courtage immobilier du Québec vs. Duault, 2020 CanLII 101662 (QC OACIQ), https://canlii.ca/t/jc7f6*

Indemnity

A consumer who is the victim of fraud, fraudulent tactics or misappropriation of funds in the course of a real estate 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*. The FICI is funded annually by contributions paid by all real estate agencies and brokers in Québec.

Of note in 2020



CERTIFICATION

In 2020, the Certification Department reviewed the entire agency licensing process. It now includes verifications carried out by various departments of the Organization to ensure compliance with the requirements of the *Real Estate Brokerage Act* and its regulations. In addition, the annual information update questionnaire, to be completed when renewing a licence, has been thoroughly reviewed to collect all relevant and necessary information for the regulator. Finally, to ensure that the records of real estate agencies and brokers are compliant, the **OACIQ** has begun updating the photos in the Register of licence holders, available to the public on the oaciq.com website.

In the course of the fiscal year ended December 31, 2020, **1,805** licence applications were processed by the **OACIQ** Certification Department.

Note: These licence applications were processed in 2020 but may have taken effect in 2021 (for example, a licence application processed on December 21, 2020 takes effect on January 1, 2021).

As at December 31, 2020, holders of a valid **OACIQ** licence numbered **15,675**, 469 of whom were acting on their own account.

Here are the statistics by administrative region, as at December 31, 2020:

		Brokers	Agencies
NORTHEAST	Abitibi–Témiscamingue	62	8
	Bas-Saint-Laurent	99	9
	Côte-Nord	21	2
	Gaspésie–Îles-de-la-Madeleine	5	1
	Saguenay–Lac-Saint-Jean	146	9
QUEBEC	Capitale-Nationale	1,006	74
	Chaudière–Appalaches	143	18
CENTRAL	Centre-du-Québec	118	8
	Estrie	286	28
	Lanaudière	529	32
	Mauricie	183	9
MONTREAL	Laval	2,205	74
	Montérégie	2,309	152
	Montreal	6,124	384
WESTERN	Laurentides	1,081	73
	Outaouais	455	22
TOTAL		**14,772**	**903**

EDUCATION

The Training Department contributes to the achievement of the **OACIQ**'s mission by ensuring that the skills of current and future real estate brokers and agency executive officers are up-to-date and meet the real estate brokerage evolution, and by administering certification examinations.

Residential and commercial real estate brokerage basic training

The **OACIQ** recognizes basic training programs based on competency frameworks. As at December 31, 2020, the recognized programs were offered by 22 educational institutions. One new program was recognized during the year. The monitoring of and support to educational institutions continued. Support for exam candidates was provided notably through the holding of 26 exam preparatory webinars, which were attended by 495 candidates.

The **OACIQ**, as a member of the Real Estate Regulators of Canada, has actively contributed to the work underway to develop pan-Canadian competency profiles for brokers and agency executive officers in order to promote synergy between provinces.

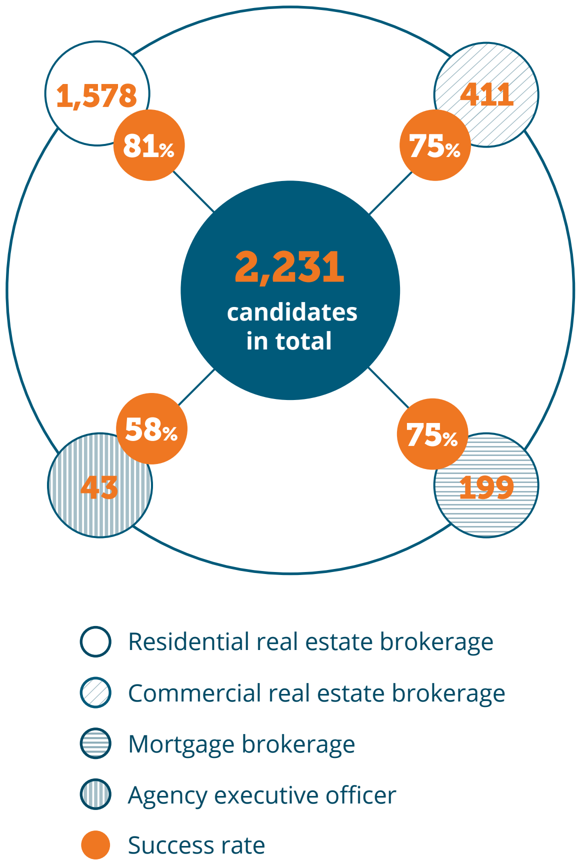
Certification examinations

As for certification examinations, increased efforts were required in 2020, given the COVID-19 circumstances. Thus, the number of sessions went from 30 in 2019 to **63** in 2020 at the **OACIQ**'s head office. The sessions held in Quebec City in 2020 numbered 7. All the health measures imposed by the government were implemented and scrupulously respected. The spring 2020 lockdown caused a suspension of exam sessions from March 16 to June 14 inclusively. As a result, the initially scheduled sessions were postponed to June and July, allowing candidates to take their exams as soon as possible and limit the impact of the pandemic. Despite these exceptional circumstances, the **OACIQ** organized examination sessions for **2,231** candidates, compared to 2,272 in 2019.

Note that as part of the transfer of mortgage brokerage to the Autorité des marchés financiers (AMF) on May 1, 2020, the frequency of mortgage brokerage certification examinations was increased to meet the needs before that date.

In an effort to ensure continuous improvement, the registration process has been reviewed so that only complete registration applications from candidates are examined in order to speed up their processing. A preparation guide for the new examination format was launched in November, in connection with the implementation of forced-choice questions and open-ended short answer questions in certification exams. This implementation is scheduled for June 2021. Meetings were held with educational institutions to inform them of the objectives and tools available and get feedback in order to offer them the best possible support.

Certification examinations – 2020



Continuing Education

The Training Department is in charge of the Mandatory Continuing Education Program (MCEP). It develops and implements a variety of training activities on the real estate brokerage practice and on the agency executive officer's functions. The Department also accredits training activities provided by third parties based on predetermined criteria. These activities are available in webinar, self-study (online), and classroom formats for the duration of the MCEP cycle.

The **OACIQ** has implemented a new learning management system allowing for an integrated approach to all training products offered by the **OACIQ** and by external providers on synbad.com. It is now easier for licence holders to sign up for training courses and monitor their progress in the MCEP, and for the Organization to check progress in the Program.

In addition, the Department has undertaken a number of continuing education initiatives, including the publication of a quarterly newsletter intended exclusively for 114 external training providers. These communications highlight the roles of stakeholders, promote new things and allow the sharing of best continuing education practices.

New training products for commercial real estate brokerage, offering tools that are better tailored to the needs of this activity sector, have been developed and accredited. In fact, **63** products on commercial real estate brokerage are offered.

Self-study products (online training courses) have been increased, allowing better adaptation to the needs of licensees and greater flexibility in terms of access to training.

During the spring 2020 lockdown period, the offer of such training courses has been substantially increased, allowing licensees to progress in their Mandatory Continuing Education Program. It is therefore possible to offer longer training courses and, above all, to build on orders from agencies and other stakeholders. As a result, **41** virtual training sessions took place between March and December 2020.

Together with its 114 accredited providers, the OACIQ offers a variety of 462 training activities to real estate brokers and agency executive officers as part of the current 2019-2021 cycle of the MCEP. Over **134,000** continuing education units (CEUs) were awarded to licence holders in the course of the year.

Continuing education activities offered by the OACIQ and providers

	OACIQ	Providers	TOTAL
French	61	282	343
English	57	62	119
TOTAL	118	344	462

CLIENT RELATIONS

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

In the specific context of the COVID-19 pandemic, it was important to convey to licensees the various recommendations from public health authorities. For this purpose, the **OACIQ** has developed the *Best Practices Guide During the COVID-19 Period* and issued many updates, including via its PRO@CTIVE newsletter, its extranet site reserved for licensees (synbad.com) and its public website (oaciq.com).

Communications

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

Our advertising campaigns reached various target audiences for a total of **14,136,291** people.*

Our media presence has increased, undeniably linked to COVID, an issue that was at the forefront of the news in 2020. Therefore, **107,568,317** people came into contact with articles, interviews and other publications in the media.

Our social platforms were very popular, allowing us to reach **2,334,195** Internet users.

Traffic on the public site included **3.3 million** page views and 1.4 million sessions, an increase of 5.2% compared to 2019. A **20%** increase in new visitors was noted. The new *Buyer's Guide* and *Seller's Guide* had over 457,924 visits, 83,067 sessions and **55,561** new users.

As the pandemic has had a significant impact on events, most of scheduled events have been cancelled. Nonetheless, we reached more than 46,000 consumers in February at the Expo Habitat Québec.

An effort was made with licence holders to get them to introduce their clients to the **OACIQ** and the protections offered under the *Real Estate Brokerage Act* when signing brokerage contracts.

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

Info OACIQ information centre

In 2020, the staff of the Info **OACIQ** information centre made its knowledge available to the public and to licence holders by responding to **53,498** telephone inquiries, including almost 14% by email. In the particular context of the pandemic, over **8,000** questions were about best real estate brokerage practices to be adopted during the COVID-19 period. In order to maintain the efficiency of its services, Info **OACIQ** conducts annual public satisfaction surveys, in a constant effort to provide high-quality customer service adapted to various regions. A **98%** satisfaction rate was maintained for a third consecutive year, particularly with regard to the quality of the service offered, references and information provided.

In addition, the results of another survey conducted with residential and commercial real estate brokers will lead to initiatives to better reflect trends by region.

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 **31** access-to-information requests.

AN EVENTFUL YEAR,
A HISTORICAL CONTEXT

GOVERNANCE AND ADMINISTRATION

Board of Directors as at December 31, 2020

DIRECTORS ELECTED AMONG LICENCE HOLDERS (BY THEIR PEERS)

Michel Léonard
VICE-CHAIR
Commercial real estate brokerage

Joël Charron
Residential real estate brokerage

Stéphanie Gauthier
Residential real estate brokerage

Diane Ménard
Residential real estate brokerage

Jacques Métivier
Commercial real estate brokerage

Roger Rhéaume
Commercial real estate brokerage

DIRECTORS APPOINTED BY THE MINISTER OF FINANCE

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

Dany Bergeron, FMA, CIM®, FCSI®, RIAC

Richard Boivin, Lawyer

Sébastien Boucher-Lavallée, CPA, CGA

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

Nathalie Ebnoether, M.A.

BOARD OF DIRECTORS

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

Stéphanie Gauthier,
Certified Real Estate Broker AEO

Roger Rhéaume,
Certified Real Estate Broker AEO

Sébastien Boucher-Lavallée, CPA, CGA

Michel Léonard,
B. Comm., B.C.L., C.Dir.
VICE-CHAIR

Diane Ménard,
Certified Real Estate Broker AEO

Dany Bergeron,
FMA, CIM®, FCSI®, RIAC

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

Joël Charron,
Certified Real Estate Broker AEO

Jacques Métivier,
Certified Real Estate Broker AEO

Richard Boivin,
Lawyer

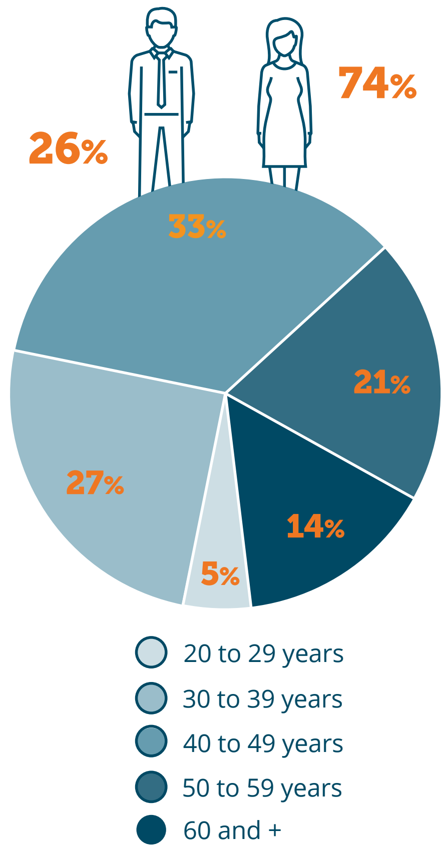
Nathalie Ebnoether,
M.A.

Human Ressources

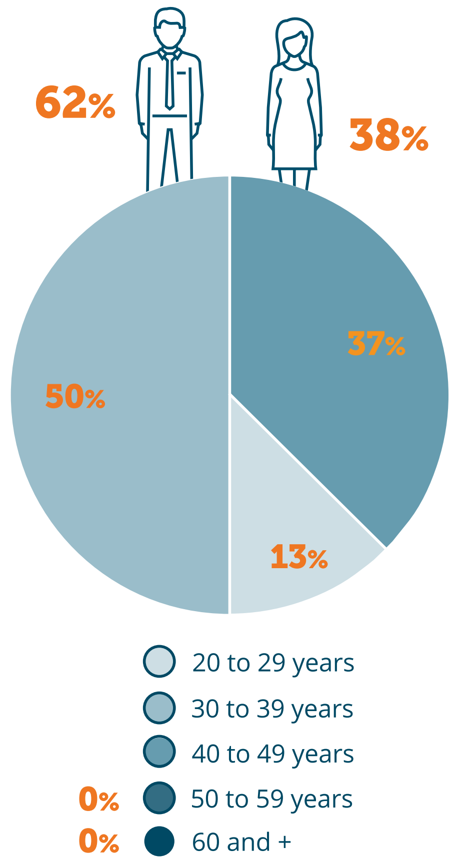
The **OACIQ** had **181** employees (including **FARCIQ**) as at December 31, 2020. To maintain their expertise, employees have access to professional development programs. In 2020, employees attended over **2,851** hours of training and over 200 hours on mental health awareness and management. The **OACIQ**'s community giving committee coordinated several charity activities in the course of the year. Thanks to the time allocated by the Organization, employees were able to express their solidarity through donations and volunteering, especially at the beginning of the year. Although the pandemic slowed down the volunteering activity a little bit, the **OACIQ** was able to express its solidarity. Recipient organizations include Abri de la Rive-Sud, Revivre's J'EM walk (J'avance en marchant) and Opération Père Noël.

As a caring employer, the **OACIQ** has set up a new superconference program offering its employees mandatory conferences on hot current topics. In 2020, for example, our employees were trained in real estate brokerage, cybersecurity and unconscious bias in relation to diversity and inclusion.

OACIQ workforce distribution



FARCIQ workforce distribution



Ombudsman

The **OACIQ** Ombudsman is a person who independently, confidentially and impartially examines public requests related to the processes applied by various **OACIQ** departments during the processing of a file. He is a member of the Forum of Canadian Ombudsman and must abide by ethical principles.

Any member of the public who believes that he or she has been subject to treatment that does not comply with the established processes may turn to the Ombudsman once his or her case has gone through all the steps set out in the *Real Estate Brokerage Act*. After receiving a review request, the Ombudsman examines it to determine whether the established processes were correctly followed.

To do this, based on his role and limits, the Ombudsman contacts the applicant to try to help him resolve the problem, if necessary. As part of continuing improvement efforts, the Ombudsman may, if necessary, propose file processing improvements to the **OACIQ** departments concerned.

Exceptionally, the Ombudsman may refuse to review a request if, for example, he considers that it is premature or that the circumstances show that a review is not necessary.

In 2020, **26** cases were referred to the Ombudsman, compared to 24 in 2019. Of these, **6** were processed by the Ombudsman and 20 were redirected to the appropriate departments.

Information technologies

The year 2020 was in many ways a pivotal year for the Information Technology Department. As part of its role of ensuring the sustainability of our information management systems and the integrity of our data, the implementation of our CRM (Customer Relationship Management) project, Broker 360, was successfully completed. This resulted in the centralization of all activities related to the management of licence holders' records, which are now consolidated on this platform.

The second major project involved computer security, a topic of great current interest.

The process was aimed at addressing three aspects:

- **processes:** by implementing defined and measurable controls that are monitored daily;
- **personnel:** by upgrading the skills of security officers and the cybersecurity knowledge of all **OACIQ** employees on an ongoing basis. A mandatory training was added to the initiation process of all new employees, and a new training on cybersecurity is offered to all employees on a quarterly basis;
- **technology:** by deploying tools and solutions that allowed us to achieve major improvements and strengthen the elements affecting our security as a whole, including updated infrastructure elements and reinforced security for individual workstations and remote access to the **OACIQ** network.

The migration of OACIQ data was a third major project for the Information Technology Department in 2020. All of the OACIQ's operational data was transferred to the new platform used by the Broker 360 tool. This first step allows us to better use the data, including the implementation of operational dashboards for optimal monitoring of strategic indicators and performance of the OACIQ's main activities. Another important initiative in this area, which followed the changes brought about by the *Act to improve the oversight of the financial sector, the protection of deposits and the operation of financial institutions*, was the successful transfer of mortgage transaction data to the Autorité des marchés financiers, which is now responsible for this oversight, in order to ensure the continuity of activities in this field.

FARCIQ

The Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (FARCIQ) is responsible, in particular, for compensating the public in case of fault, error or omission committed by a real estate broker or agency in the course of their professional activities.

All brokers and agencies must pay a professional liability insurance premium to FARCIQ.

In 2020, FARCIQ undertook important reflections, which will be continued until 2022, on the best ways to consolidate its role as a fair and compliant insurer, while contributing to the oversight of policyholders.

Litigation prevention is also a priority for FARCIQ to reduce the risk of claims. This is why the Fund continued to offer free training courses to policyholders in 2020, as part of the OACIQ's Mandatory Continuing Education Program (MCEP).

PLIDC's role towards FARCIQ

The Professional Liability Insurance Decision-making Committee (PLIDC) is a decision-making body, created following the revision of some of the legislation governing the financial sector. More specifically, it results from the *Insurers Act*, which provides that all functions and powers relating to the processing of notices of loss be delegated to this committee. At the behest of the OACIQ Board of Directors, the PLIDC makes recommendations on strategies relating to the FARCIQ reinsurance structure, premium and denomination, as well as the prevention program and claims statistics.

ONE SINGLE MISSION:

PROTECTING THE PUBLIC

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 achieve this, six committees are created under the Act.

With the exception of two, these committees are 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 committees and their members are fully autonomous and independent from the Organization's Board of Directors and staff.

The Discipline Committee is comprised of a minimum of three members, with no maximum. The Chair and Vice-Chairs, who must be lawyers with at least 10 years of practice, are appointed by the Minister of Finance. The Professional Liability Insurance Decision-making Committee (PLIDC) is comprised of a minimum of three members, one of whom must be a member of the **OACIQ** Board of Directors and a licence holder.

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.

Activities

In 2020, the Committee met four times and reviewed **89** inspection files. Of these 89 files, 18 were referred to the Public Assistance Department for further review, and 80 to the Office of the Syndic for investigation into the commission of an offence under the *Real Estate Brokerage Act* or one of the regulations thereunder.

In 17 cases the Committee recommended that the broker or agency executive officer commit to taking corrective action without delay in order to comply with the provisions of the *Real Estate Brokerage Act* and its regulations. Of these 17 commitments to take the appropriate corrective action, 9 included a commitment by the agency executive officer to inform his brokers in writing of their duty to disclose any compensation agreement in writing. In addition, 7 commitments were related to the prohibition of receiving compensation in case the licensee, his spouse or a company under his or his spouse's control obtains a loan secured by immovable hypothec.

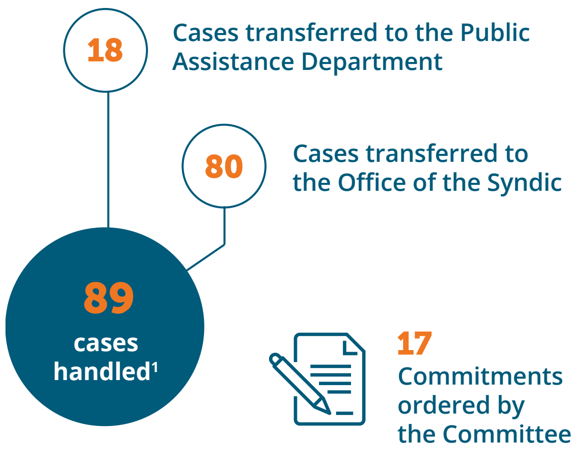
Highlights

This year, the most common issue for brokers was failing to collaborate with the Inspection Department regarding the self-inspection, either by not completing the questionnaire within the deadline, or not sending the *Trust transaction report* or the *Register of disclosure notices*, where applicable, within the prescribed deadline.

The recommendations made by the Committee to certain brokers or agency executive officers concerned two main issues:

- Failing to disclose in writing to a client any compensation agreements with financial institutions regarding mortgage referrals;
- Receiving compensation without being entitled to it.

Files – 2020



[1] It should be noted that the same inspection file may include several situations that may lead to several recommendations or commitments. Thus, the number of situations is greater than the number of files.

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 decisions on licence holders' guilt and may impose penalties, which can include licence suspensions and fines. Since July 13, 2018, the fines range from a minimum of $2,000 to a maximum of $50,000. In addition, the Act provides that the Committee must consider the injury suffered as a result of and the benefits derived from the offence.

Decisions

As at December 31, 2020, the **OACIQ** Syndic had filed **144** complaints with the Discipline Committee. During the year, the Committee held 100 hearings days, rendered 72 decisions on merit and imposed **234** penalties distributed as follows:

26 reprimands	**88** fines totalling **$230,000**
32 orders to attend a course or training session	**88** licence suspensions

Temporary suspensions imposed by the Discipline Committee in 2020 varied between 30 days and 7 years.

The *Real Estate Brokerage Act* allows for certain decisions by the Committee to be appealed before the Court of Québec. In 2020:

6 decisions	were appealed before the Court of Québec
14 decisions	were rendered by the Court of Québec on appeals of Discipline Committee decisions
1 decision	rendered by the Court of Québec was the subject of an application for judicial review before the Superior court, which was rejected

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

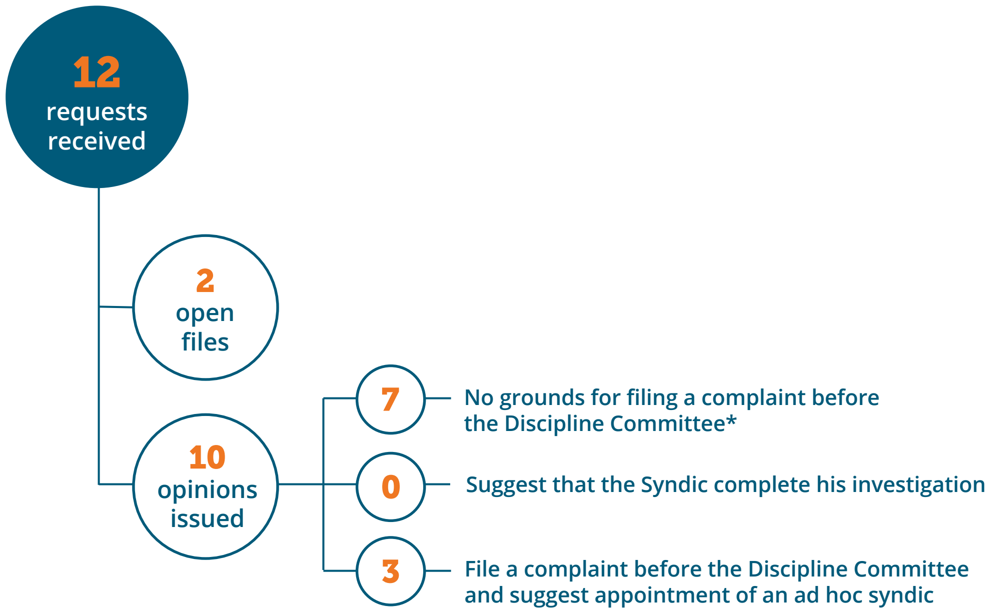
Decisions

In 2020, the Committee received 12 requests for review. The number of requests received has slightly dropped compared to 2019, which had 18 requests.

During the current year, 10 opinions were issued by the Committee. Of these, 7 confirmed the Syndic's decision and concluded that there were no grounds to file a complaint before the Discipline Committee.

Two files remained open as at December 31, 2020.

Files – 2020



** Of these 7 opinions, 2 suggested that the Syndic refer the case to the Inspection Committee.*

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 where an applicant or a licence holder:

- has had their licence revoked, suspended or made subject to restrictions or conditions by the **OACIQ** Discipline Committee or by another body supervising real estate brokerage;
- is the subject of an assignment of property or a receiving order;
- is the subject of protective supervision of a person of full age or a disciplinary or criminal conviction related to the performance of brokerage transactions.

The Committee may impose the measures provided under the *Real Estate Brokerage Act* if necessary to protect the public.

Decisions

In 2020 the Committee processed **69** cases over the course of 19 sessions. The Committee reviewed the cases of 36 individuals applying for a real estate or mortgage brokerage licence (before May 1, 2020), the cases of 24 licence holders, and 9 applications for advance opinion. The cases involved the following situations: 24 disciplinary offences or criminal acts, and 41 assignments of property (including cases of advance opinion).

Thus, the Committee rendered the following **58** decisions:

15	licences issued without conditions or restrictions
17	licences issued with conditions or restrictions
9	licences maintained without conditions or restrictions
13	licences issued with conditions or restrictions
3	licences refused
1	licence suspended
0	licences revoked

In addition, one decision was appealed and remained pending as at December 31, 2020.

During the year, the number of situations involving an assignment of property of licence applicants continued to increase, which went from 20 cases out of 53 in 2019 (37.7 %) to 19 cases out of 36 in 2020 (52.7%). There was also a continued increase in the number of decisions in which the Committee imposed conditions or restrictions on licences, from 24% in 2018 to 34% in 2019 and **52%** in 2020.

Indemnity Committee

The Real Estate Brokerage Indemnity Fund (FICI) is dedicated to the payment of indemnities to victims of fraud, fraudulent tactics or misappropriation of funds for which a broker or agency is responsible. The Indemnity Committee, created within the **OACIQ,** decides on the eligibility of the claims submitted and on the amount of compensation to be paid by the FICI to a victim.

Following the coming into force of amendments to the *Regulation respecting the Real Estate Indemnity Fund* on May 10, 2018, the maximum indemnity is $100,000 for acts committed on or after that date, and the time limit for filing a claim is two years after becoming aware of the alleged fraud.

Activities

As at December 31, 2019, 26 claims opened during the year were still under review.

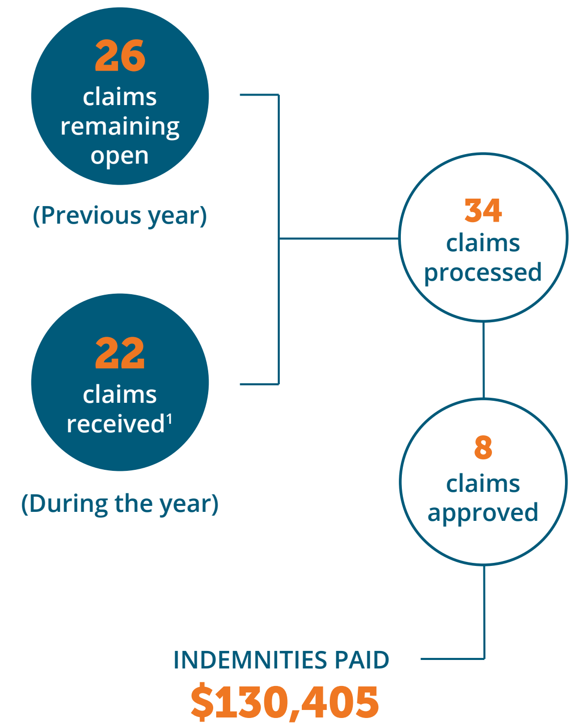
In addition, during 2020, 20 new claims were received while 2 were reopened following an application for review.

The Indemnity Committee met 9 times and analyzed and rendered decisions on 34 claims. Of these decisions, the Committee approved 8 claims, for which a total amount of $130,405 was paid in indemnities.

As at December 31, 2020, 12 claims were still under review. In addition, two claims were closed for administrative reasons.*

** A claim can be closed for administrative reasons when, for example, the claimant withdraws his claim.*

Indemnity – 2020



[1] *This figure includes new claims (20 in 2020) and claims reopened following an application for review (2 in 2020).*

Professional Liability Insurance Decision-making Committee

The Professional Liability Insurance Decision-making Committee (PLIDC) is a decision-making body which exercises all the functions and powers relating to the processing of claims.

The PLIDC also has the power to make recommendations on strategies relating to the reinsurance structure, premium, coverage, as well as claims statistics and the prevention program. The resulting recommendations are then submitted to the **OACIQ** Board of Directors, which has assumed the functions and powers relating to professional liability insurance since June 2019.

In 2020, the PLIDC completed its first full year of operations under the new established governance rules. During the year, four meetings were held.

As part of its role, the PLIDC has notably focused on the following topics:

- Ensure the compliance and enforcement of the new section 53.1 of the *Real Estate Brokerage Act*. In accordance with this new section, the PLIDC must notify the syndic once it has reason to believe that the *Real Estate Brokerage Act* has been violated. This provision is primarily aimed at better protecting the public and is also found in committees of the same nature as the PLIDC. This obligation is added to the licence holders' duty to inform the **OACIQ** of any professional liability claim filed against them with their insurer, as set out in section 10 of the *Regulation respecting the issue of broker's and agency licences*;
- Carry out work to improve coverage for the 2021-2022 insurance policy and to review the premium;
- Assess reinsurance needs;
- Recommend prevention initiatives for the coming year.

As for claims processing, the PLIDC monitored claims management in the exceptional context of the pandemic. The findings were as follows:

- Little impact on claims processing, except for additional delays caused by reduced judicial activity. This slowdown reduced the frequency of file closings;
- Statistically, the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (**FARCIQ**) received **661** new claims in 2020 compared to 697 in 2019. As at December 31, **715** files were open and being processed.
- Over $1.5 million in compensation was paid during the year.

As for financial data, please read **FARCIQ**'s financial statements (p.80).

FINANCIAL RESULTS

Fiscal year 2020 ends with an excess of revenue over expenses of $2.7 million. This excellent result is mainly attributable to the following revenue streams:

- A high level of licence renewals despite the transfer of mortgage brokerage to the Autorité des marchés financiers;
- An increase in examination revenue due to sustained interest in the real estate broker profession;
- An increase in investment income due to the buoyancy of financial markets in recent quarters.

In addition, when the pandemic hit, the **OACIQ** implemented highly prudent expense and resource management in order to ensure the organization's sustainability in a highly unpredictable environment. With all the control measures put in place to reduce certain expenditures such as travel costs, office expenses and promotional activities, as well as the application of ministerial directives to halt activities that encourage gatherings, such as RDV **OACIQ**, the Organization was able to remain in sound financial health.

Under the management team's leadership, the **OACIQ** was able to position itself as a model organization, both in terms of continuing to operate remotely and in applying government directives and understanding the proposed assistance measures. Indeed, from the first day of the pandemic being declared, the Organization's employees were operational in a 100% remote environment and were thus able to ensure the pursuit of the **OACIQ**'s activities and to protect the public.

Despite the pandemic, the **OACIQ** completed the activities outlined in its strategic plan, including major projects such as finalizing Broker 360, improving the cybersecurity environment, implementing a professional development portal, streamlining several processes, achieving paperless document management, and implementing all the health and safety measures required by public health authorities to provide a safe and healthy environment for examination sessions and disciplinary hearings, as well as for all the employees who had to be present to ensure that these activities could proceed.

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, 2020 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.

OACIQ

pwc

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
4255 Lapinière Boulevard, Suite 300
Brossard (Quebec) J4Z 0C7
Tel.: 450-678-4255 • Fax: 450-678-1700

What we have audited

The Organization's financial statements comprise:

- the statement of financial position as at December 31, 2020;
- 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 significant accounting policies and other explanatory information.

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.

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 10, 2021

[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, 2020

	General Operating Fund	Indemnity Fund	TOTAL 2020	General Operating Fund	Indemnity Fund	TOTAL 2019
	$	$	$	$	$	$
ASSETS						
Current assets						
Cash	1,655,074	375,994	2,031,068	2,596,493	763,192	3,359,685
Investments (Note 3)	16,323,306	8,279,362	24,602,668	13,164,240	7,950,069	21,114,309
Accrued interest receivable	-	-	-	-	657	657
Accounts receivable (Note 4)	780,280	-	780,280	678,986	-	678,986
Interfund advance (Note 5)	59,914 *	-	-	58,506 *	-	-
Forms inventory	95,999	-	95,999	108,046	-	108,046
Prepaid expenses	541,498	-	541,498	514,495	-	514,495
	19,456,071	8,655,356	28,051,513	17,120,766	8,713,918	25,776,178
Investment in a limited partnership (Note 6)	4,247,362	-	4,247,362	4,057,939	-	4,057,939
Capital assets (Note 7)	3,230,701	-	3,230,701	3,524,813	-	3,524,813
Intangible assets (Note 8)	1,302,687	-	1,302,687	704,447	-	704,447
	28,236,821	8,655,356	36,832,263	25,407,965	8,713,918	34,063,377
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities (Note 9)	3,365,064	6,779	3,371,843	3,056,364	6,779	3,063,143
Interfunds advance (Note 5)	-	59,914 *	-	-	58,506 *	-
Provision for claims (Note 10)	-	123,069	123,069	-	174,508	174,508
Deferred revenue	5,738,389	324,765	6,063,154	5,749,080	341,444	6,090,524
	9,103,453	514,527	9,558,066	8,805,444	581,237	9,328,175
Deferred lease inducement, at net book value	2,007,546	-	2,007,546	2,218,866	-	2,218,866
	11,110,999	514,527	11,565,612	11,024,310	581,237	11,547,041
Commitmens and contingencies (Notes 11 and 12)						
Net assets						
Invested in capital assets and intangible assets	2,525,842	-	2,525,842	2,010,394	-	2,010,394
Internally restricted – Investment in a limited partnership (building)	250,000	-	250,000	250,000	-	250,000
Unrestricted	14,349,980	-	14,349,980	12,123,261	-	12,123,261
Indemnity Fund	-	8,140,829	8,140,829	-	8,132,681	8,132,681
	17,125,822	8,140,829	25,266,651	14,383,655	8,132,681	22,516,336
	28,236,821	8,655,356	36,832,263	25,407,965	8,713,918	34,063,377

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

Approved by the Board of Directors,

Pierre Hamel
Chairman of the Board of Directors

Michel Léonard
Vice-Chair of the Board of Directors and 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, 2020

	General Operating Fund				
	Invested in capital and intangible assets	Internally restricted	Unrestricted	Indemnity Fund	TOTAL
	$	$	$	$	$
Balance as at December 31, 2018	1,316,840	-	9,813,947	7,002,483	18,133,270
Excess (deficiency) of revenue over expenses**	(298,273) *	250,000	3,301,141	1,130,198	4,383,066
Investment in capital assets and intangible assets	991,827	-	(991,827)	-	-
BALANCE AS AT DECEMBER 31, 2019	2,010,394	250,000	12,123,261	8,132,681	22,516,336
Excess (deficiency) of revenue over expenses**	(385,997) *	-	3,128,164	1,093,148	3,835,315
Investment in capital assets and intangible assets	901,445	-	(901,445)	-	-
Fund transfer***	-	-	-	(1,085,000)	(1,085,000)
BALANCE AS AT DECEMBER 31, 2020	2,525,842	250,000	14,349,980	8,140,829	25,266,651

* Represents the amortization of capital assets and intangible assets of $597,317 ($509,592 in 2019), net of deferred lease inducement amortization of $211,320 ($211,319 in 2019) for leasehold improvements.

** As provided for in the resolution of the Board of Directors dated November 28, 2019, 5% of the capital repayments received from the limited partnership must be allocated to the internally restricted fund as a contingency fund for the maintenance of the building until such amount reaches $500,000.

*** As part of the review of the *Real Estate Brokerage Act* RLRQ, c. C-73.2, the supervision of mortgage brokerage was transferred to the Autorité des marchés financiers (the "AMF") on May 1, 2020. Thus, an amount of $1,085,000 was transferred to the AMF during the year.

ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of income · Year ended December 31, 2020

	General Operating Fund	Indemnity Fund	Total 2020	General Operating Fund	Indemnity Fund	TOTAL 2019
	$	$	$	$	$	$
REVENUE						
Licence maintenance	14,375,189	982,889	15,358,078	14,573,869	1,010,375	15,584,244
Issuance fees	1,097,293	-	1,097,293	1,263,863	-	1,263,863
Administrative income – Certification	1,299,592	-	1,299,592	1,288,788	-	1,288,788
Continuing education – Appendix	2,447,928	-	2,447,928	3,413,354	-	3,413,354
Basic training and examinations – Appendix	1,622,615	-	1,622,615	1,650,291	-	1,650,291
Forms – Appendix	954,456	-	954,456	965,977	-	965,977
Discipline and syndic – Appendix	218,089	-	218,089	282,411	-	282,411
Illegal brokerage practices – Appendix	58,305	-	58,305	49,191	-	49,191
Outreach – Appendix	68,000	-	68,000	214,994	-	214,994
Management fees	262,732	-	262,732	220,391	-	220,391
Net income share of investment in a limited partnership, after amortization (Note 6)	189,423	-	189,423	183,339	-	183,339
Investment income (Note 13)	1,095,092	520,574	1,615,666	960,356	470,332	1,430,688
Other revenues	14,879	1,250	16,129	34,359	26,380	60,739
	23,703,593	1,504,713	25,208,306	25,101,183	1,507,087	26,608,270

ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of income · Year ended December 31, 2020 (continued)

	General Operating Fund	Indemnity Fund	Total 2020	General Operating Fund	Indemnity Fund	TOTAL 2019
	$	$	$	$	$	$
EXPENSES						
Continuing education – Appendix	1,559,377	-	1,559,377	1,623,775	-	1,623,775
Basic training and examinations – Appendix	981,717	-	981,717	878,188	-	878,188
Forms – Appendix	234,769	-	234,769	240,582	-	240,582
Discipline and syndic – Appendix	3,495,696	-	3,495,696	3,154,034	-	3,154,034
Illegal brokerage practices – Appendix	119,894	-	119,894	450,497	-	450,497
Outreach – Appendix	397,499	-	397,499	1,304,898	-	1,304,898
Board of Directors and committees	546,603	26,817	573,420	636,532	35,073	671,605
Review of the *Real Estate Brokerage Act* (Quebec)	189,199	-	189,199	412,298	-	412,298
Contribution to the Ministère des Finances	244,428	-	244,428	194,285	-	194,285
Salaries and employee benefits	9,742,594	124,657	9,867,251	9,488,211	108,509	9,596,720
Training and membership fees	152,788	2,368	155,156	173,304	2,441	175,745
Travel	18,345	-	18,345	83,224	-	83,224
Occupancy expenses	1,024,318	6,056	1,030,374	972,879	5,752	978,631
Insurance	128,285	1,370	129,655	108,934	1,075	110,009
Amortization of capital assets and intangible assets (Notes 7 and 8)	419,298	4,479	423,777	376,171	3,524	379,695
Office expenses	184,923	862	185,785	266,768	1,450	268,218
Information technology	407,403	2,556	409,959	382,122	2,605	384,727
Repairs and maintenance	14,720	157	14,877	41,973	414	42,387
Professional fees	603,882	125,415	729,297	581,211	109,615	690,826
Financial expenses	495,688	37,862	533,550	478,429	34,025	512,454
Indemnities (Note 15)	-	78,966	78,966	-	72,406	72,406
	20,961,426	411,565	21,372,991	21,848,315	376,889	22,225,204
EXCESS OF REVENUE OVER EXPENSES	2,742,167	1,093,148	3,835,315	3,252,868	1,130,198	4,383,066

ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of cash flows· Year ended December 31, 2020

	General Operating Fund	Indemnity Fund	Total 2020	General Operating Fund	Indemnity Fund	TOTAL 2019
	$	$	$	$	$	$
OPERATING ACTIVITIES						
Excess of revenue over expenses	2,742,167	1,093,148	3,835,315	3,252,868	1,130,198	4,383,066
Items not affecting cash:						
Realized and unrealized gain on investments (Note 13)	(632,239)	(228,307)	(860,546)	(495,448)	(280,581)	(776,029)
Net income share of investment in a limited partnership	(189,423)		(189,423)	(183,339)	-	(183,339)
Amortization of capital assets and intangible assets	597,317	-	597,317	509,592	-	509,592
Amortization of deferred lease inducement	(211,320)	-	(211,320)	(211,319)	-	(211,319)
	2,306,502	864,841	3,171,343	2,872,354	849,617	3,721,971
Change in non-cash operating working capital items	180,351	(66,053)	114,298	749,702	36,922	786,624
	2,486,853	798,788	3,285,641	3,622,056	886,539	4,508,595
INVESTING ACTIVITIES						
Transfer of net assets	-	(1,085,000)	(1,085,000)	-	-	-
Acquisition of investments	(15,051,827)	(1,600,266)	(16,652,093)	(16,195,198)	(1,383,988)	(17,579,186)
Proceeds on sale of investments	12,525,000	1,499,280	14,024,280	13,435,000	263,000	13,698,000
Acquisition of capital assets and intangible assets	(901,445)	-	(901,445)	(991,827)	-	(991,827)
	(3,428,272)	(1,185,986)	(4,614,258)	(3,752,025)	(1,120,988)	(4,873,013)
FINANCING ACTIVITIES						
Net change in cash	(941,419)	(387,198)	(1,328,617)	(129,969)	(234,449)	(364,418)
Cash, beginning of year	2,596,493	763,192	3,359,685	2,726,462	997,641	3,724,103
CASH, END OF YEAR	1,655,074	375,994	2,031,068	2,596,493	763,192	3,359,685

ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

Notes to the financial statements · December 31, 2020

1. Incorporation and nature of activities

The Organisme d'autoréglementation du courtage immobilier du Québec (the "OACIQ"), incorporated under the *Real Estate Brokerage Act* (Quebec) (R.S.Q., c. C 73.2) (the "Act"), has a primary role in protecting the public in real estate and mortgage brokerage (until May 1, 2020) 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 (loss).

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.

Fund accounting – FARCIQ

The amendments to the *Insurers Act* (Quebec) (RLRQ c. A-32.1) that came into effect on June 13, 2018 provide for governance under which insurance affairs are now administered by the **OACIQ**'s Board of Directors. Claims are handled by a decision-making committee which was created in accordance with this law. The mission of Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec ("**FARCIQ**") is to provide professional liability insurance for **OACIQ** license holders. The assets of **FARCIQ** constitute a separate patrimony of the **OACIQ** intended exclusively for the insurance activities of the **OACIQ.** For accounting purposes only, the **FARCIQ** is considered as a separate entity from the **OACIQ,** unincorporated, and the financial information of the **FARCIQ** is not consolidated in the financial statements of the **OACIQ,** but is summarized in Note 14.

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 assets and intangible assets

Capital assets and intangible assets are recorded at cost and are amortized based on their estimated useful lives 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 licenses	3 to 7 years

2. Accounting policies (continued)

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.

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 using the consolidation method. The OACIQ includes the share of income in determining its net income and increases or decreases the balance of its "Investment in a limited partnership" 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 "Investment in a limited partnership".

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

Deferred revenue

Revenue from annual fees from licence holders is charged to the statement of income on a monthly basis over the duration of the broker'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.

2. Accounting policies (continued)

Income taxes

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

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

Proportionately on the basis of number of employees:

- Amortization of capital assets and intangible assets
- Insurance
- Repairs and maintenance
- Office expenses
- Information technology

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

- Occupancy expenses

Proportionately on the basis of user services:

- Training and membership fees
- Travel
- Professional fees
- Forms
- Advertising and representation
- Attendance fees

Proportionately on the basis of percentage of revenues:

- Financing expenses

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

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards 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 assets 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.

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

3. Investments (continued)

	2020		2019	
	General Operating Fund	Indemnity Fund	General Operating Fund	Indemnity Fund
AT COST	$	$	$	$
Bond funds	12,451,827	6,222,146	10,597,848	6,332,270
Equity funds	3,370,868	1,675,584	2,451,120	1,463,264
	15,822,695	7,897,730	13,048,968	7,795,534
AT FAIR VALUE				
Bond funds	12,649,178	6,402,282	10,625,970	6,394,168
Equity funds	3,674,128	1,877,080	2,538,270	1,555,901
	16,323,306	8,279,362	13,164,240	7,950,069

4. Accounts receivable

	2020	2019
	$	$
GENERAL OPERATING FUND		
Trade	866,488	725,886
Allowance for doubtful accounts	(124,445)	(151,038)
	742,043	574,848
Sales taxes	38,237	104,138
	780,280	678,986

5. Interfund advance

The interfund advance is non-interest bearing.

6. Investment in a limited partnership

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

	2020	2019
	$	$
BALANCE SHEET		
Assets		
Rental property, at cost	10,478,366	10,478,366
Other assets	2,133,500	1,779,171
	12,611,866	12,257,537
Liabilities		
Bank loans	7,768,061	8,081,100
Other liabilities	268,019	91,425
	8,036,080	8,172,525
Net equity	4,575,786	4,085,012
	12,611,866	12,257,537

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

	2020	2019
STATEMENT OF INCOME		
Revenue	1,610,224	1,612,308
Expenses	1,119,450	1,127,618
Income before amortization	490,774	484,690
Amortization	(301,351)	(301,351)
Net income share of investment in a limited partnership	189,423	183,339

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

	2020	2019
Cash flows		
Operating activities	727,798	607,426
Investing activities	62,725	(169,211)
Financing activities	(332,072)	(319,440)
	458,451	118,775

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 lease and related costs amounting to $1,946,373 in 2020 ($1,970,898 in 2019). Accounts payable and accrued liabilities include an amount of $7,456 due to the limited partnership as at December 31, 2020 (nil in 2019). Related party transactions occurred in the normal course of operations and were measured at the exchange amount.

As at December 31, 2020 and 2019, the **OACIQ** guarantees, as the limited partner, the bank loan of the limited partnership, for a maximum amount of $7,500,000.

The total value of the investment in a limited partnership as at December 31, 2020 is as follows:

	2020	2019
	$	$
Balance, beginning of year	4,057,939	3,874,600
Share of net income after amortization	189,423	183,339
BALANCE, END OF YEAR	4,247,362	4,057,939

7. Capital assets

	2020			2019
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
GENERAL OPERATING FUND				
Computer equipment	366,752	178,373	188,379	142,018
Office equipment	-	-	-	100
Telephone equipment	13,198	158	13,040	119
Furniture	1,238,959	669,887	569,072	675,804
Leasehold improvements	4,921,395	2,461,185	2,460,210	2,706,772
	6,540,304	3,309,603	3,230,701	3,524,813

Amortization of capital assets and intangible assets amount to $597,317 ($509,592 in 2019). An amount of $419,298 ($376,171 in 2019) is presented separately in the statement of income in the General Operating Fund. The remaining balance is allocated towards the cost centres of the same fund. Amortization comprises $448,907 ($475,679 in 2019) for capital assets and $148,410 ($33,913 in 2019) for intangible assets.

8. Intangible assets

	2020			2019
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
GENERAL OPERATING FUND				
Software and licences	1,470,299	167,612	1,302,687	704,447

9. Accounts payable and accrued liabilities

	2020		
	General Operating Fund	Indemnity Fund	Total
	$	$	$
Accounts payable	364,959	-	364,959
Accrued liabilities	542,492	6,779	549,271
Salaries and vacations payable	2,031,201	-	2,031,201
Government remittances payable	426,412	-	426,412
	3,365,064	6,779	3,371,843

	2019		
	General Operating Fund	Indemnity Fund	Total
	$	$	$
Accounts payable	518,442	-	518,442
Accrued liabilities	327,041	6,779	333,820
Salaries and vacations payable	1,857,452	-	1,857,452
Government remittances payable	353,429	-	353,429
	3,056,364	6,779	3,063,143

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, while from 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 and the use of photocopiers, expiring until August 2025. Minimum future payments aggregate to $22,042,201 and include the following amounts due over the next five years:

	$
2021	2,447,669
2022	2,353,621
2023	2,357,730
2024	2,146,723
2025	2,207,237

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, 2020 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

	2020			2019		
	General Operating Fund	Indemnity Fund	Total	General Operating Fund	Indemnity Fund	Total
	$	$	$	$	$	$
Reinvested revenue	426,827	215,266	642,093	385,198	178,988	564,186
Interest revenue	36,026	77,001	113,027	79,710	10,763	90,473
	462,853	292,267	755,120	464,908	189,751	654,659
Realized gain (loss) on investments	246,900	1,209	248,109	119,932	(16,753)	103,179
Unrealized gain on investments	385,339	227,098	612,437	375,516	297,334	672,850
	632,239	228,307	860,546	495,448	280,581	776,029
INVESTMENT INCOME	1,095,092	520,574	1,615,666	960,356	470,332	1,430,688

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

The summary financial statements of the FARCIQ as at December 31, 2020 are as follows:

	2020	2019
	$	$
BALANCE SHEET		
Assets	63,073,312	60,587,580
Liabilities	19,574,292	18,211,606
Accumulated surplus	43,499,020	42,375,974
	63,073,312	60,587,580
STATEMENT OF INCOME		
Revenue	5,083,210	6,959,098
Expenses	6,756,850	6,933,021
Earnings (loss) for the year	(1,673,640)	26,077
Unrealized gain on available for sale securities	1,965,022	1,828,037
Portion reclassified to income from available for sale securities	831,664	(505,484)
Comprehensive income	1,123,046	1,348,630
CASH FLOWS		
Operating activities	399,220	480,366
Investing activities	(52,481)	(821,208)

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*.

Some overhead expenses assumed by the **OACIQ** are reimbursed by the **FARCIQ**. For the year ended December 31, 2020, expense reimbursement amounting to $639,576 (2019 - $396,288) has been recognized against the related expenses assumed by the **OACIQ**.

As at December 31, 2020, an amount of $53,923 is recorded as receivable ($57,005 as of December 31, 2019) from **FARCIQ** in connection with these transactions.

15. Indemnities

	2020	2019
	$	$
Indemnities paid during the year	130,405	70,678
Net change in indemnities provision	(51,439)	1,728
	78,966	72,406

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 in the following paragraphs:

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 or 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, 2020, the most significant financial liabilities are accounts payable and accrued liabilities.

17. Comparative figures

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

APPENDIX

Revenue and expenses · Year ended December 31, 2020

CONTINUING EDUCATION	2020	2019
	$	$
REVENUE		
Continuing education	2,447,928	3,413,354
DIRECT EXPENSES		
Salaries and employee benefits	1,024,792	1,124,663
Travel	3,527	73,666
Occupancy expenses	171,938	163,303
Insurance	15,010	11,187
Amortization of capital assets and intangible assets	49,059	36,660
Office expenses	12,688	22,494
Information technology	37,832	38,989
Repairs and maintenance	2,193	4,310
Professional fees	185,588	101,349
Financing expenses	56,750	47,154
	1,559,377	1,623,775
EXCESS OF REVENUE OVER EXPENSES	888,551	1,789,579

APPENDIX (continued)

Revenue and expenses · Year ended December 31, 2020

BASIC TRAINING AND EXAMINATIONS	2020	2019
	$	$
REVENUE		
Basic training and examinations	1,622,615	1,650,291
DIRECT EXPENSES		
Salaries and employee benefits	703,266	624,175
Travel	3,134	3,779
Occupancy expenses	164,880	156,600
Insurance	8,980	6,610
Amortization of capital assets and intangible assets	29,351	21,662
Office expenses	15,495	15,867
Information technology	16,750	16,014
Repairs and maintenance	1,030	2,547
Professional fees	1,214	-
Financing expenses	37,617	30,934
	981,717	878,188
EXCESS OF REVENUE OVER EXPENSES	640,898	772,103

APPENDIX (continued)

Revenue and expenses · Year ended December 31, 2020

FORMS	2020	2019
	$	$
REVENUE		
Sales of forms	954,456	965,977
DIRECT EXPENSES		
Salaries and employee benefits	35,281	27,593
Forms	67,313	93,407
Professional fees	110,048	97,213
Financing expenses	22,127	22,369
	234,769	240,582
EXCESS OF REVENUE OVER EXPENSES	719,687	725,395

APPENDIX (continued)

Revenue and expenses · Year ended December 31, 2020

DISCIPLINE AND SYNDIC	2020	2019
	$	$
REVENUE		
Fines and disbursements	218,089	282,411
DIRECT EXPENSES		
Salaries and employee benefits	2,601,463	2,290,633
Attendance fees	133,853	116,854
Travel	7,456	35,145
Occupancy expenses	302,697	287,497
Insurance	27,654	19,774
Amortization of capital assets and intangible assets	90,388	64,798
Office expenses	24,072	22,832
Information technology	43,845	47,902
Repairs and maintenance	3,173	7,619
Professional fees	256,039	252,986
Financing expenses	5,056	7,994
	3,495,696	3,154,034
DEFICIENCY OF REVENUE OVER EXPENSES	(3,277,607)	(2,871,623)

APPENDIX (continued)

Revenue and expenses · Year ended December 31, 2020

ILLEGAL BROKERAGE PRACTICES	2020	2019
	$	$
REVENUE		
Penalties	58,305	49,191
DIRECT EXPENSES		
Salaries and employee benefits	85,827	81,407
Travel	1,298	2,337
Occupancy expenses	10,107	9,599
Insurance	813	660
Amortization of capital assets and intangible assets	2,657	2,162
Office expenses	497	820
Information technology	1,516	1,599
Repairs and maintenance	92	254
Professional fees	15,735	350,280
Financing expenses	1,352	1,379
	119,894	450,497
DEFICIENCY OF REVENUE OVER EXPENSES	(61,589)	(401,306)

APPENDIX (continued)

Revenue and expenses · Year ended December 31, 2020

OUTREACH	2020	2019
	$	$
REVENUE		
Outreach	68,000	214,994
DIRECT EXPENSES		
Salaries and employee benefits	88,492	201,474
Travel	3,716	80,788
Occupancy expenses	69,034	65,567
Insurance	638	1,408
Amortization of capital assets and intangible assets	2,085	4,615
Office expenses	8,570	105,008
Information technology	1,190	3,412
Repairs and maintenance	74	543
Professional fees	752	121,990
Financing expenses	1,576	25,069
Advertising and representation	221,372	695,024
	397,499	1,304,898
DEFICIENCY OF REVENUE OVER EXPENSES	(329,499)	(1,089,904)

PRUDENT MANAGEMENT OF EXPENDITURES AND RESOURCES TO ENSURE **THE ORGANIZATION’S SUSTAINABILITY**

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 Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (the Fund) as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

FARCIQ

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Montreal (Quebec) H3B 4Y1
Tel.: 514-205-5000 • Fax: 514-876-1502

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at December 31, 2020;
- the statement of income and comprehensive income 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 significant accounting policies and other explanatory information.

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

Montréal, Quebec
February 25, 2021

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

FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of Financial Position · As at December 31, 2020

(expressed in Canadian dollars)

	2020	2019
	$	$
ASSETS		
Cash	2,421,733	1,855,537
Treasury bills (interest rate of 1.65% as at December 31, 2019) and banker's acceptance	-	219,457
Investments (note 4)	58,582,005	56,787,109
Investment income receivable	259,258	247,943
Premiums and other receivables (note 12)	147,481	75,051
Amount recoverable from reinsurers for claims liabilities (note 7)	481,000	507,000
Deductibles recoverable from policyholders for claims liabilities	1,029,790	803,368
Prepaid expenses	24,820	32,729
Property plant and equipment	40,907	10,249
Intangible assets	86,318	49,137
	63,073,312	60,587,580
LIABILITIES		
Accounts payable and accrued liabilities	1,017,160	615,233
Unearned premiums	1,824,342	1,916,005
Claims liabilities (note 7)	16,732,790	15,680,368
	19,574,292	18,211,606
ACCUMULATED SURPLUS		
Accumulated surplus, end of year	38,196,878	39,870,518
Accumulated other comprehensive income	5,302,142	2,505,456
	43,499,020	42,375,974
	63,073,312	60,587,580

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

Approved by the Board of Directors,

Pierre Hamel
Chairman of the Board of Directors

Michel Léonard
Vice-Chair of the Board of Directors and
Chair of the Audit and Risk Management Committee

FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of Income and Comprehensive Income · For the year ended December 31, 2020

(expressed in Canadian dollars)

	2020	2019
	$	$
REVENUES		
Earned premiums	5,473,379	5,649,873
Reinsurance premiums ceded (note 9)	(402,325)	(404,700)
Net earned premiums (note 9)	5,071,054	5,245,173
EXPENSES		
Claims and loss adjustment expenses	5,342,873	5,581,570
General expenses (note 11)	1,413,977	1,351,451
	6,756,850	6,933,021
UNDERWRITING LOSS	(1,685,796)	(1,687,848)
INVESTMENT AND OTHER INCOME (NOTE 4)	12,156	1,713,925
NET INCOME (LOSS) FOR THE YEAR	(1,673,640)	26,077
OTHER COMPREHENSIVE INCOME		
Items that will be subsequently reclassified to profit or loss		
Unrealized gain on available for sale securities	1,965,022	1,828,037
Portion reclassified to income from available for sale securities	831,664	(505,484)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	2,796,686	1,322,553
COMPREHENSIVE INCOME FOR THE YEAR	1,123,046	1,348,630

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, 2020

(expressed in Canadian dollars)

			2020	2019
	Accumulated surplus	Accumulated other comprehensive income	Net amount	Net amount
	$	$	$	$
BALANCE – BEGINNING OF YEAR	39,870,518	2,505,456	42,375,974	41,027,344
Net income (loss) for the year	(1,673,640)	-	(1,673,640)	26,077
Other comprehensive income for the year	-	2,796,686	2,796,686	1,322,553
BALANCE – END OF YEAR	38,196,878	5,302,142	43,499,020	42,375,974

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, 2020

(expressed in Canadian dollars)

	2020	2019
CASH FLOWS FROM (USED IN):	$	$
OPERATING ACTIVITIES		
Net income (loss) for the year	(1,673,640)	26,077
Adjustments for		
Amortization of property plant and equipment	4,808	4,926
Amortization of premiums and investment discounts	381,424	203,942
Realized gain on disposal of investments	831,664	(505,484)
Income on reinvested dividends	(231,464)	(388,234)
	(687,208)	(658,773)
Change in non cash working capital items		
Investment income receivable	(11,315)	(2,360)
Premiums and other accounts receivable	(72,430)	(30,035)
Amount recoverable from reinsurers for claims liabilities	26,000	230,000
Deductibles recoverable from policyholders for claims liabilities	(226,422)	(45,592)
Prepaid expenses	7,909	(627)
Accounts payable and accrued liabilities	401,927	131,078
Unearned premiums	(91,663)	6,083
Claims liabilities	1,052,422	850,592
	1,086,428	1,139,139
	399,220	480,366
INVESTING ACTIVITIES		
Acquisition of capital assets	(35,466)	-
Acquisition of intangible assets	(37,181)	(49,137)
Acquisition of investments	(81,379,544)	(38,965,454)
Proceeds on disposal of investments	81,399,710	38,193,383
	(52,481)	(821,208)
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	346,739	(340,842)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	2,074,994	2,415,836
CASH AND CASH EQUIVALENTS – END OF YEAR	2,421,733	2,074,994
Cash and cash equivalents consist of the following:		
Cash	2,421,733	1,855,537
Treasury bills and banker's acceptance	-	219,457
	2,421,733	2,074,994

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, 2020

(expressed in Canadian dollars)

1. Incorporation and nature of operations

Governed by the Insurers Act, the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (the "Fund") 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 Fund started operations on July 21, 2006. Its mission is to provide professional liability insurance for all real estate agencies and brokers in Quebec and, until April 30, 2020, mortgage brokers in Quebec. The Fund's head office is located at 4905 Lapinière Blvd., Suite 2800, Brossard, Quebec, Canada. The Fund 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") effective as of the date of publication. These financial statements and the accompanying notes were authorized for issue by resolution of the Board of Directors on February 25, 2021.

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

3. Significant accounting policies

Insurance contracts

Insurance contracts are contracts that, at their effective date, transfer a significant insurance risk. Insurance risk is transferred when the Fund agrees to compensate a policyholder if an uncertain future event specified in the contract adversely affects the policyholder. All contracts issued by the Fund transfer a 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 consider the time value of money using the market rates of the underlying invested assets. An external actuary, appointed by the Board of Directors, evaluates the adequacy of claims liabilities using the appropriate actuarial techniques.

3. Significant accounting policies (continued)

Unearned premiums

Written premiums 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 based on the unexpired portion of the written premiums on a pro rata basis.

Reinsurance

Claims are presented in the statement of income and comprehensive income, net of amounts assumed by 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 using 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 income and comprehensive income in investment and other income.

Financial instruments

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

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

The investments, all classified as available for sale ("AFS"), are carried at fair value on the statement of financial position as of the trade date, and changes in fair value are recorded in other comprehensive income until the financial asset is disposed of or has become other than temporarily impaired. Transaction costs related to financial instruments are capitalized and, 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 the statement of income and comprehensive 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 accounts receivable, and deductibles recoverable from policyholders for claims liabilities are classified as loans and receivables.

3. Significant accounting policies (continued)

Financial liabilities at amortized cost

Financial liabilities, which consist of accounts payable and accrued liabilities, 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 in the statement of financial position, the Fund classifies its fair value measurements according to a three level hierarchy as described below:

Level 1 – Valuation technique based on quoted unadjusted prices in active markets for identical assets or liabilities;

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

Level 3 – Valuation technique 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 on the net asset value for mutual fund units.

Property, plant and equipment

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

Telephone system	3 years
Furniture and equipment	5 years
Computer hardware	3 years

3. Significant accounting policies (continued)

Intangible assets

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

Impairment of long lived assets

Long lived assets 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 Income and comprehensive income. During the current and previous years, no intangible assets or items of property plant and equipment were impaired.

Standards issued but not yet effective

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

A. **IFRS 9, "Financial Instruments"**

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

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

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

3. Significant accounting policies (continued)

Standards issued but not yet effective (continued)

B. IFRS 4 *Contrats d'assurance*

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, 2023 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 Fund has elected to apply the temporary exemption to continue applying IAS 39, deferring the application date of IFRS 9 to January 1, 2023.

C. IFRS 17, "Insurance Contracts"

In May 2017, the IASB issued IFRS 17, "Insurance Contracts", which will replace the current 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, entities have the option to use a simplified valuation model (premium allocation approach) for short term contracts that is similar to the current approach.

In June 2020, the IASB published amendments to IFRS 17, including a two year deferral of the effective date to fiscal years beginning on or after January 1, 2023. The Fund is currently assessing the impact of the adoption IFRS 17.

Significant accounting estimates and assumptions

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

3. Significant accounting policies (continued)

Significant accounting estimates and assumptions (continued)

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 cost of claims. 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 mutual fund units.

In the absence of an active market, fair values are based on inputs other than quoted prices that are directly or indirectly observable for the asset or liability (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 mutual fund units, 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 Fund held no Level 3 securities as at December 31, 2020 and 2019. During the years, there were no transfers of amounts between Level 1 and Level 2.

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

4. Investments (continued) • Fair value hierarchy

	2020			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Federal government bonds	-	7,690,367	-	7,690,367
Provincial government bonds	-	12,549,410	-	12,549,410
Municipal government bonds	-	12,528,540	-	12,528,540
Corporate bonds	-	13,084,118	-	13,084,118
Investment funds	-	12,729,570	-	12,729,570
	-	58,582,005	-	58,582,005

	2019			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Federal government bonds	-	8,639,639	-	8,639,639
Provincial government bonds	-	11,884,204	-	11,884,204
Municipal government bonds	-	11,097,253	-	11,097,253
Corporate bonds	-	13,087,593	-	13,087,593
Investment funds	-	12,078,420	-	12,078,420
	-	56,787,109	-	56,787,109

4. Investments (continued) · Investment maturities

	2020				
	Under 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
	$	$	$	$	$
Federal government bonds	-	6,872,076	818,291	-	7,690,367
Provincial government bonds	836,468	8,182,020	3,530,922	-	12,549,410
Municipal government bonds	2,297,910	9,969,122	261,508	-	12,528,540
Corporate bonds	2,164,620	9,313,540	1,605,958	-	13,084,118
Investment funds	-	-	-	12,729,570	12,729,570
	5,298,998	34,336,758	6,216,679	12,729,570	58,582,005

	2019				
	Under 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
	$	$	$	$	$
Federal government bonds	2,346,403	5,678,782	614,454	-	8,639,639
Provincial government bonds	-	6,865,476	5,018,728	-	11,884,204
Municipal government bonds	1,997,457	8,746,339	353,457	-	11,097,253
Corporate bonds	1,593,752	8,581,097	2,912,744	-	13,087,593
Investment funds	-	-	-	12,078,420	12,078,420
	5,937,612	29,871,694	8,899,383	12,078,420	56,787,109

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

	2020			
	Amortized cost	Gains	Losses	Fair value
	$	$	$	$
Federal government bonds	7,524,575	167,172	(1,380)	7,690,367
Provincial government bonds	12,190,341	360,083	(1,014)	12,549,410
Municipal government bonds	12,181,893	347,337	(690)	12,528,540
Corporate bonds	12,799,589	285,807	(1,278)	13,084,118
Investment funds	8,583,465	4,146,105	-	12,729,570
	53,279,863	5,306,504	(4,362)	58,582,005

	2019			
	Amortized cost	Gains	Losses	Fair value
	$	$	$	$
Federal government bonds	8,609,154	38,614	(8,129)	8,639,639
Provincial government bonds	11,813,228	90,090	(19,114)	11,884,204
Municipal government bonds	11,062,671	56,765	(22,183)	11,097,253
Corporate bonds	12,975,193	131,966	(19,566)	13,087,593
Investment funds	9,821,407	2,434,266	(177,253)	12,078,420
	54,281,653	2,751,701	(246,245)	56,787,109

4. Investments (continued) · Investment and other income

	2020	2019
	$	$
Interest income	1,191,419	1,217,184
Dividend income	231,465	388,234
Variation of bond discount	(381,424)	(203,942)
Realized gain (loss) on disposal of investments	(831,664)	505,484
Management fees	(197,640)	(193,035)
	12,156	1,713,925

5. Additional information on financial instruments

The Fund's investments are managed by two external managers, which are required to follow the investment policy set out by the 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 Fund's investment policy establishes principles and limits pertaining to these risks. The Audit and Risk Management 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 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 Fund, which occurs when market interest rates rise. This risk is a significant component of market risk and is derived from the Fund's property and casualty insurance activity and from the investment portfolios it holds. The Fund 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 $458,514 decrease (increase) in investment income ($447,087 as at December 31, 2019).

Market price risk

Stock market price risk arises from uncertainty related to the fair value of assets traded on stock markets. The 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, 2020, the Fund indirectly held, through its fund units, $12,729,570 ($12,078,420 as at December 31, 2019) in securities traded on stock markets. As a result, a 1% change in the fair value of these assets would have an impact of $127,296 ($120,784 as at December 31, 2019) on the Fund's comprehensive income.

Credit risk

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

The 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 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 Fund may not invest more than 10% of the fixed-income security portfolio in the securities of a single issuer.

The Fund assesses the reinsurer's financial strength before signing any reinsurance treaties and monitors its situation on a regular basis. In addition, the Fund has minimum rating requirements for its reinsurer. The reinsurer must have a minimum rating of A+ (A+ as at December 31, 2019). The Fund uses the AM Best rating agency.

5. Additional information on financial instruments (continued)

Credit risk (continued)

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

	2020					
	AAA	AA	A	BBB	Unrated	Fair value
	$	$	$	$	$	$
			(in thousands of dollars)			
Federal government bonds	7,690	-	-	-	-	7,690
Provincial government bonds	-	12,320	230	-	-	12,550
Municipal government bonds	-	-	-	-	12,528	12,528
Corporate bonds	175	6,095	5,600	1,214	-	13,084

	2019					
	AAA	AA	A	BBB	Unrated	Fair value
	$	$	$	$	$	$
			(in thousands of dollars)			
Federal government bonds	8,640	-	-	-	-	8,640
Provincial government bonds	-	11,884	-	-	-	11,884
Municipal government bonds	-	-	-	-	11,097	11,097
Corporate bonds	-	6,821	4,503	1,764	-	13,088

5. Additional information on financial instruments (continued)

Maximum credit risk exposure arising from financial instruments

	2020	2019
	$	$
Cash	2,421,733	1,855,537
Treasury bills and banker's acceptance	-	219,457
Canadian, provincial and municipal government bonds	32,768,317	31,621,096
Corporate bonds	13,084,118	13,087,593
Investment income receivable	259,258	247,943
Premiums and other accounts receivable	147,481	75,051
Amount recoverable from reinsurers for claims liabilities	481,000	507,000
Deductibles recoverable from policyholders for claims liabilities	1,029,789	803,368
	50,191,696	48,417,045

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 Fund's invested assets could be sensitive to changes affecting a particular 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 Fund maintains a portion of its invested assets in liquid securities. On December 31, 2020 and 2019, 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 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 accounts receivable, 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

and, until April 30, 2020, mortgage brokers in Quebec. Insurance contract risk mostly comprises the risks associated with:

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

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

In order to properly monitor the 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 2019 and maintained at $345 in 2020 for real estate brokers and agencies. In addition, the limit of coverage provided to policyholders remained the same (see note 8).

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

6. Insurance risk (continued)

Insurance risk and management (contnued)

B. **Claims management and reinsurance**

One objective of the Fund is to ensure that sufficient claims liabilities are established to cover future claim payments. The Fund's success depends upon its ability to adequately assess the risk associated with the insurance contracts underwritten by the Fund. The 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 Fund. Claims liabilities do not represent an exact calculation of the liability. Rather, claims liabilities are the 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 Professional Liability Insurance Decision making Committee, (PLIDC), strict claim review policies are used to assess all new and ongoing claims. In addition, regular detailed reviews of claims handling procedures reduce the Fund's risk exposure. The Fund also 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 PLIDC analyses claims and contentious matters in order to ensure that sufficient claims liabilities are established.

C. **Sensibilité au risque d'assurance**

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

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

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

Most or all of the qualitative factors are not directly quantifiable, particularly on a prospective basis, and the effects of these factors and unforeseen factors could negatively impact the Fund's ability to accurately assess the risk of the insurance contracts underwritten by the 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 Fund as well as additional delays between the reporting and the final settlement of claims.

The 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 PLIDC.

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 settlement amount 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 $93,094 as at December 31, 2020 ($410,106 as at December 31, 2019) to reflect the time value of money, using an average discount rate of 0.47% (1.90% in 2019) on the underlying claim settlement statistics. The provision for adverse deviations increased unpaid claims in a net amount of $1,739,279 as at December 31, 2020 ($1,664,997 as at December 31, 2019).

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 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 $224,019 negative impact on the value of unpaid claims as at the date of the statement of financial position ($233,792 as at December 31, 2019), while a 1% decrease in the discount rate would have a $231,983 positive impact on the value of unpaid claims as at the date of the statement of financial position ($242,817 as at December 31, 2019).

Prior years 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 still unreported.

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
	$	$	$	$	$	$	$	$	$	$
As at end of underwriting year	5,608,678	5,283,626	4,749,235	5,407,964	4,615,194	4,948,557	5,524,969	4,951,093	4,633,002	
One year later	4,468,644	4,069,840	4,607,025	5,439,827	4,137,714	4,713,490	4,865,831	4,346,239		
Two years later	4,144,194	3,301,052	4,552,032	5,138,710	3,604,401	4,530,731	5,004,617			
Three years later	3,543,060	3,288,660	4,561,616	5,048,986	3,671,419	4,240,115				
Four years later	3,551,053	3,347,492	4,254,503	5,012,496	3,525,675					
Five years later	3,343,806	3,005,507	4,314,815	5,057,232						
Six years later	3,323,517	2,943,504	4,266,301							
Seven years later	3,258,499	2,909,086								
Eight years later	3,258,499									
Ultimate incurred claims estimate	3,258,499	2,909,086	4,266,301	5,057,232	3,525,675	4,240,115	5,004,617	4,346,239	4,633,002	37,240,766
Paid claims	3,225,287	2,874,879	3,941,229	4,625,176	3,064,870	2,693,735	2,641,767	1,542,934	433,277	25,043,154
Unpaid claims	33,212	34,207	325,072	432,056	460,805	1,546,380	2,362,850	2,803,305	4,199,725	12,197,612
Effect of discounting and margins										1,476,259
Other										2,029,129
FINAL UNPAID CLAIMS										15,703,000

Note: The amounts in this table are net of $1,029,790 in deductibles recoverable from policyholders for claims liabilities.

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

	2020			2019		
	Direct claims liabilities	Ceded claims liabilities	Net claims liabilities	Direct claims liabilities	Ceded claims liabilities	Net claims liabilities
	$	$	$	$	$	$
	(In thousands of dollars)			(In thousands of dollars)		
BALANCE – BEGINNING OF YEAR	14,877	507	14,370	14,072	737	13,335
Changes in estimated losses and expenses for claims incurred in prior years	(1,290)	(26)	(1,264)	(1,259)	(230)	(1,029)
Losses and expenses on claims incurred in the current year	6,423	-	6,423	6,526	-	6,526
Less: recoveries received (amounts paid) in respect of incurred claims						
During the current year	(886)	-	(886)	(955)	-	(955)
During prior years	(3,421)	-	(3,421)	(3,507)	-	(3,507)
BALANCE – END OF YEAR	15,703	481	15,222	14,877	507	14,370

Note: The amounts in this table are net of $1,029,790 in deductibles recoverable from policyholders for claims liabilities ($803,368 in 2019).

8. Reinsurance

The limit of coverage provided by the 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 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 Fund retention of $6,000,000 from January 1, 2020 to January 1, 2021.

9. Net earned premiums

	2020	2019
	$	$
GROSS PREMIUMS WRITTEN	5,381,716	5,655,956
Reinsurance premiums ceded	(402,325)	(404,700)
Net premiums written	4,979,391	5,251,256
Change in unearned premiums	91,663	(6,083)
NET EARNED PREMIUMS	5,071,054	5,245,173

No allowance for doubtful accounts was deducted from net earned premiums in 2020 and 2019, 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 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 above the 210% supervisory target level.

The 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 Fund has exceeded both the imposed minimum threshold and its own internal target for capital required.

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

	2020	2019
	$	$
Capital available	43,413	42,327
Capital required	6,510	5,509
Excess of capital available over capital required	36,903	36,818
MCT (AS A %)	**666.87 %**	768.32 %

11. General expenses

Certain general expenses are paid by the OACIQ. They are then allocated between the OACIQ and the Fund using activity-based management. Through this method, general expenses of the OACIQ are associated through inducers with the activities it carries out. These activities are then charged to the related products and services, at their actual cost, including the administration of the Fund. For the year ended December 31, 2020, an expense of $639,576 relating to this allocation was recorded in "General expenses" ($396,288 in 2019).

As at December 31, 2020, an amount of $53,923 is payable to the OACIQ ($57,005 as at December 31, 2019).

12. Premiums and accounts receivable

	2020	2019
	$	$
Deductibles receivable	103,763	64,750
Premiums receivable	13,791	10,187
Other amounts receivable	29,927	114
	147,481	75,051

Premiums and other accounts receivable include an amount of $16,290 ($13,357 in 2019) for premiums and deductibles collected by the OACIQ on behalf of the Fund.

13. Compensation of key executive officers

Key executive officers consist of all members of the Board of Directors and the executive officers of the Fund. Their compensation for 2020 totaled $271,255 ($262,394 for 2019).

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, 2020 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	15,703	15,703
(2) Assumed unpaid claims and adjustment expenses	0	0
(3) Gross unpaid claims and adjustment expenses (1) + (2)	15,703	15,703
(4) Amounts recoverable from reinsurers		481
(5) Other recoverables on unpaid claims	1,030	1,030
(6) Other liabilities	1,030	1,030
(7) Net unpaid claims and adjustment expenses (3) – (4) – (5) + (6)	15,222	15,222

PREMIUM LIABILITIES	Carried in Annual Return (col. 1) ($000)	Actuary's estimate (col. 2) ($000)
(1) Gross unearned premium liabilities		2,310
(2) Net unearned premium liabilities		2,444
(3) Gross unearned premiums	1,824	
(4) Net unearned premiums	1,824	
(5) Premium deficiency	620	620
(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 24, 2020

Date opinion was rendered

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