ANNUAL REPORTS

OACIQ

FARCIQ

19

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

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AGIO

OACIQ

Mr. Éric Girard
Minister of Finance
Government of Québec

QUÉBEC

Dear Mr. Girard,

Allow us to present the Annual Report of the Organisme d'autoréglementation du courtage immobilier du Québec for the fiscal year ended December 31, 2019.

Yours sincerely,

Pierre Hamel
Chairman of the Board of Directors

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PROFILE **OF THE ORGANIZATION**

MISSION

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

VISION

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

VALUES

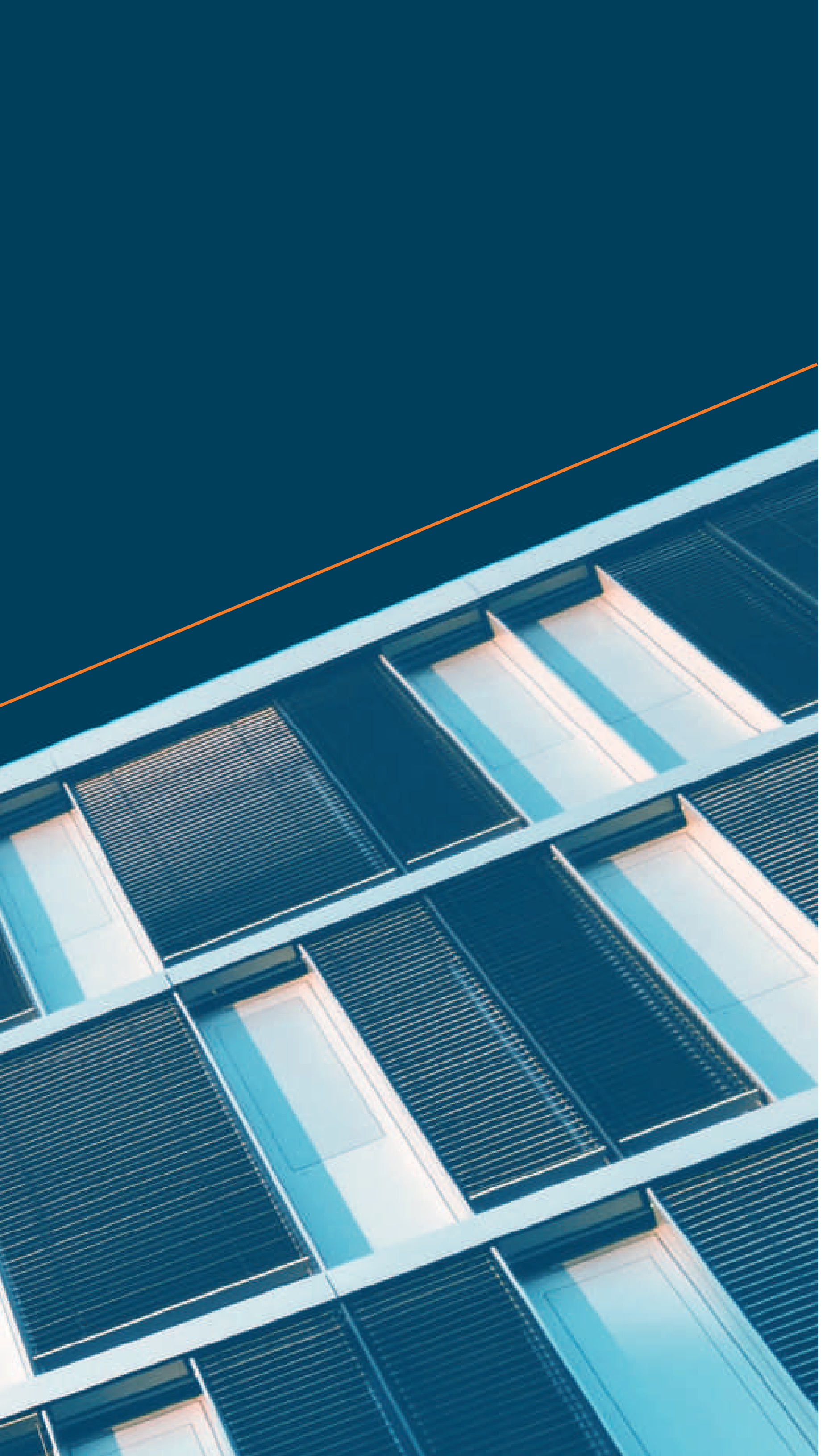
The directors and staff of the **OACIQ** fully embrace the Organization's values in their professional activities:

LEADERSHIP
COMPETENCE
INTEGRITY

GOVERNANCE

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

BALANCE ACROSS THE BOARD



MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

On behalf of the OACIQ Board of Directors, I am pleased to present the annual activity report of the Organisme d'autoréglementation du courtage immobilier du Québec (OACIQ) for 2019.

A new governance structure

In 2019, the Board of Directors, in compliance with the public protection mission mandated by the government via the *Real Estate Brokerage Act*, led by example by contributing fully to the implementation of its new governance structure and providing support to the management team for the rollout of the measures contained in Bill 141.

Here is an overview of the Board's activities in 2019:

- Implementation of the Board of Directors new governance structure;
- Integration of the business of the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (**FARCIQ**) into its own activities and those of its committees through the creation of the Professional Liability Insurance Decision-making Committee;
- Review of the Organization's *Internal By-Laws* and of Board and committee competency profiles in light of the integration of the **FARCIQ** business;
- Review of organizational policies in connection with the **FARCIQ**;
- Strategic monitoring of the transfer of mortgage brokerage to the Autorité des marchés financiers;
- New appointments and term renewals on the Organization's various standing committees;

- Discussions on the upcoming three-year strategic planning exercise;
- Election of the Chair and Vice-Chair under the new governance structure;
- Introduction of new directors appointed by the Minister of Finance;
- Adoption of the 2020-2022 strategic plan.

Impacts of new legislation

Bill 141 was not the only piece of legislation that had an impact on the **OACIQ**'s activities. There was also Bill 16, which was enacted in 2019 and came into force on January 20, 2020.

Like my fellow directors, I am confident that the decisions made, applied in an exemplary manner by management and staff, will have greatly contributed to the attainment of the strategic plan's objectives, and thus to public trust, and I thank them for this.

Elections

In 2019, the makeup of the Board of Directors underwent many changes, and these will continue in 2020.

Michel Léonard was reappointed as a director by acclamation. His term as a director working primarily in commercial real estate brokerage began on October 24. Roger Rhéaume was elected to the same position, also by acclamation. His first term on the **OACIQ** Board also started on October 24.

I AM CONFIDENT THAT THE OACIQ WILL CONTINUE TO FULFIL ITS VITAL ROLE AS REAL ESTATE BROKERAGE AUTHORITY WITH ALL THE NECESSARY LEADERSHIP.

In addition, four directors elected among licence holders, namely Mario Chouinard, Mario Lamirande, Luc Mailloux and Diane Ménard, completed their terms, while four directors representing the public were appointed, i.e. Richard Boivin, Dany Bergeron and Sébastien Boucher-Lavallée, and Nathalie Ebnoether, who was reappointed.

As a final change, in accordance with a new Bill 141 provision, the Chair of the Board elected by the directors is, for the first time, a representative of the public. I have served on the Board since 2017 and am honoured to have been chosen by my fellow board members to fulfil this role. I thank them for their trust. Michel Léonard is Vice-Chair.

I would like to acknowledge the contributions of all the directors I have had the pleasure of working with, as well as those who have just joined us. I also take this opportunity to acknowledge the excellent work accomplished by Michel Léonard as Chairman of the Board of Directors for the past three years, and I salute his willingness to continue to contribute to the well-being of the Organization as Vice-Chair.

On behalf of the Board, I would like to congratulate the management of the Organization for demonstrating, once again this year, their expertise and their ability to meet and exceed targets, while masterfully managing the budget.

Careful planning

The Board of Directors has adopted a robust strategic plan for the next three years. During this new cycle, in a market that will continue to evolve dramatically, all the talents of the Board, management and staff will be brought to bear on the plan.

With the quality and agility of the teams we have in place, I am confident that the **OACIQ** will continue to fulfill its vital role as real estate brokerage authority with all the leadership needed to maintain full and complete protection for consumers who use the services of a residential or commercial real estate broker.

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

MAINTAINING A BALANCE BETWEEN BEHAVIOUR AND KNOW-HOW

NADINE
LINDSAY

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

The year 2019 was marked by an increase in competence and thoroughness, and by a forward-looking approach. This year also saw the completion of our three-year 2017-2019 strategic plan, which has been fully implemented.

Ensuring the Organization's continuity

Many fine achievements took place during the year, including a change in the **OACIQ**'s application core, which will allow us to ensure the Organization's continuity. More than 50 computer systems that didn't talk to each other have been brought together into a single system, providing us with a 360-degree view of the real estate broker's professional life.

The excellent financial results achieved in 2019 through sound management, resulting in net assets of more than $22 million, will ensure the financial stability of the **OACIQ** and, of course, the availability of funds for the public.

Public protection

In 2019, we were present on several platforms to educate the public about the protections available under the *Real Estate Brokerage Act*, our role as a government-mandated regulator, and the support and services we offer to consumers.

WE SEE THIS FROM THE FEEDBACK WE GET FROM BROKERS AND CONSUMERS, THE OACIQ HAS BECOME AN EVEN MORE CREDIBLE AND RELEVANT REFERENCE.

We have also deployed a number of initiatives to ensure the ongoing reinforcement of all the protection mechanisms we provide in the areas of real estate brokerage oversight and commercial practices, to make sure members of the public are well protected as they engage in real estate transactions.

We have been working for several years to ensure appropriate oversight of co-ownership management and building inspections, two sectors which, until the end of 2019, were not adequately supervised. We are pleased that our efforts have come to fruition through Bill 16 introduced by the Minister of Municipal Affairs and Housing. The Bill introduces protection rules for these two activity sectors, providing added protection to members of the public in their real estate transactions.

Enhancement of broker skills

Significant improvements were made to our training offer to help brokers update their skills in both residential and commercial brokerage. Activities have been designed with even greater expertise to ensure that content is more specific and targets current issues. Environmental problems, ethics and commercial practices are all topics that have been given attention in order to provide training content that allows brokers to stay abreast of new trends and to be even more effective in their advisory role to the public.

New governance model

Through the new Bill 141, the business of the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec, or **FARCIQ**, has now been folded into the **OACIQ**, with one Board of Directors overseeing the activities of both organizations.

We also renewed the Board of Directors' governance model as we continue to improve our methods to be even better prepared to meet the future.

An outlook on tomorrow’s needs

The **OACIQ** has established a national presence, notably through its leadership as a member of the Real Estate Regulators of Canada (RERC). The Organization has also developed international relations with its peers and various stakeholders in order to stay abreast of new things and best practices.

We have also introduced a mechanism for monitoring emerging practices in order to provide coherent guidance through the development of new methods.

A dedicated and capable team

All these accomplishments were made possible thanks to a dedicated, efficient and professional team that I thank wholeheartedly. I am also grateful to the Board of Directors for its support in fulfilling our public protection mission.

Our surveys show – and we also see this for ourselves from the feedback we get from brokers and consumers – that the **OACIQ** has become an even more credible and relevant reference. We work together with various organizations, again to ensure adequate protection for consumers when it comes to their real estate transactions. We are very proud of the work accomplished and we are committed to pursuing our efforts.

A well-planned future

The year 2020 is set to be a pivotal year as we begin our new 2020-2022 strategic planning cycle. This plan contains concrete measures that will help the **OACIQ** maintain credible and relevant oversight of real estate brokerage by promoting a healthy and sustainable organization, increasing public trust by remaining the reference in real estate oversight in Québec, and continuing to protect the public while following the evolution of the real estate market. The real estate market is changing quickly, and the public’s need for information is ever-increasing. Consequently, the **OACIQ** plans to roll out a program to further educate consumers about concepts relating to residential and commercial real estate.

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

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., CPHR

* As at December 31, 2019.

2019 **IN NUMBERS**

OACIQ's **ACTIVITIES**

OVERSIGHT

INSPECTIONS

2,330
brokers and agencies inspected

PUBLIC ASSISTANCE

2,470
requests

SYNDIC

340
investigations opened

ILLEGAL PRACTICE

74
investigations opened

DISCIPLINE COMMITTEE

263
penalties imposed including:

100
fines totalling $195,000

81
licence suspensions

19
licence revocations

INDEMNITY

40
claims processed including:

5
claims approved

$70,678
in indemnities

EDUCATION AND CERTIFICATION

CONTINUING EDUCATION

557
training activities available under the MCEP*

369
new accredited training activities

188
trainings of the OACIQ

4,831
training sessions attended

187,387
continuing education units granted

**OACIQ's Mandatory Continuing Education Program*

CERTIFICATION

2,272
exams taken

1,962
licence applications processed

COMMUNICATIONS

INFO OACIQ

57,999
inquiries processed

OACIQ.COM

1,421,597
sessions

SYNBAD.COM

454,134
sessions

NEWSLETTERS

93

VISIBILITY

95.6 MILLIONS
people potentially reached

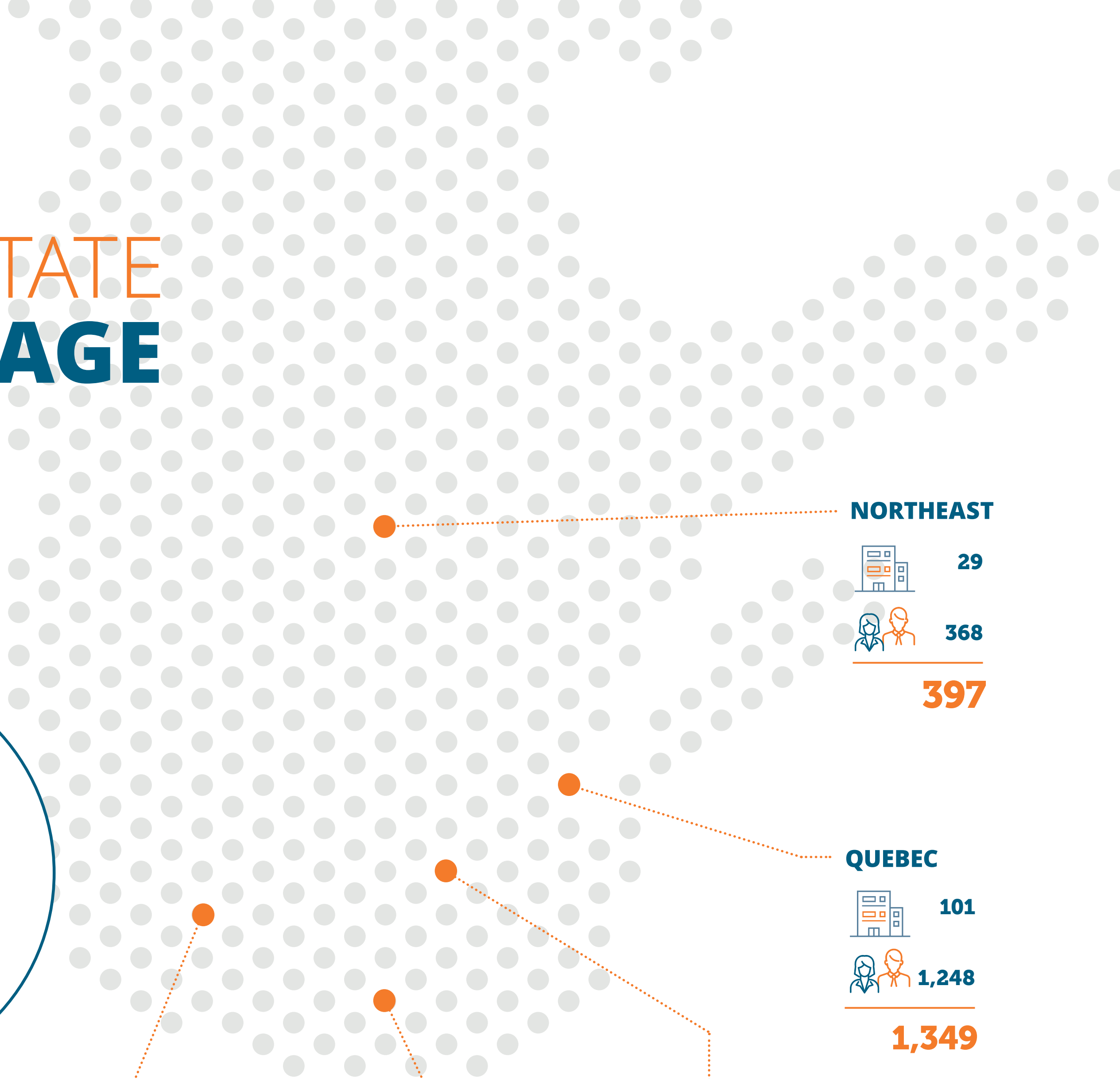
CURRENT STATE OF REAL ESTATE AND MORTGAGE BROKERAGE

The number of real estate or mortgage agencies and brokers with a valid practice licence stood at **16,601 as at December 31, 2019**.

REAL ESTATE		**MORTGAGE**	
973	14 ,662	46	920

TOTAL

AGENCIES	1,019
BROKERS	15,582
	16,601



NORTHEAST	29	368	**397**
QUEBEC	101	1,248	**1,349**
WESTERN	104	1,805	**1,909**
MONTREAL	699	11,031	**11,730**
CENTRAL	86	1,130	**1,216**

ACTIVITY **REVIEW**

OVERSIGHT

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 and mortgage agencies and brokers.

In 2019, many actions were initiated to ensure that licence holders uphold accepted standards, fulfil their advisory role and comply with ethical rules.

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 2019, **OACIQ** inspectors visited 171 establishments, including 157 agencies and brokers acting on their own account in residential real estate brokerage, 12 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, 1,422 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 in order 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, so that the public is better protected. Trust accounts were also put under scrutiny to ensure that deposits are rigorously handled.

Lastly, 120 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 AEO's 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 617 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, 524 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. These specifically concern the way a broker maintains his records and carries out the contracts and transaction proposals he has 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 2019, 226 requests for commitments to complete one or more training activities were issued by inspectors when significant deficiencies were identified in the course of an inspection.

Inspections of agencies and brokers acting on their own account – 2019

Reports to brokers, skills-based	617
Online self-inspections	1,422
Inspections on premises	171
Agency executive officers and brokers acting on their own account who attended a start-up session	120
Total inspections	2,330

Other interventions

- Close to 1,000 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;
- 15 interventions were made by inspectors prior to issuing licences to new agencies in order to ensure the immediate implementation of the Compliance Program.

Public Assistance

When someone wishes to file a complaint against the holder of a real estate or mortgage brokerage licence issued by the **OACIQ**, an analyst from the Public Assistance Department first reviews the complaint, decides on the appropriate course of action, then guides the plaintiff through the process. He also provides information on the **OACIQ**'s various resources and on the legislative and regulatory obligations of licence holders.

In 2019, 2,470 requests were received. This represents a 21% increase in the number of cases opened over the previous year.

Complaints processed – 2019

Active at the beginning of the year

504

Received during the year

2,470

Closed during the year

1,326

Active at the end of the year

1,684

In order to ensure public protection, analysts made several preventive interventions with brokers and their agency executive officers. In addition, analysts noted a number of deficiencies in the work of several brokers. To improve their oversight, 164 warnings were issued, and 103 commitments to complete one or more training activities were signed by brokers and their agency executive officers.

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 its administrator or executive officer. The Syndic will then investigate and determine whether a complaint should be filed with the **OACIQ** Discipline Committee. The Syndic recommends the application of deterrent and exemplary sanctions to protect the public.

The Syndic also maintained its attention on the role played by agency executive officers in the investigation of brokers under their supervision, as well as on the keeping of records, books and registers, in order to make them more accountable for the functions they perform.

Disciplinary investigations of brokers and agencies – 2019

Active at the beginning of the year
758

Received during the year
340

Closed during the year
319

Active at the end of the year
779

Illegal brokerage

When a real estate or mortgage 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 procedures are filed with the Court of Québec. The court will rule on the guilt of the individual concerned and on the penalty, if any, to be imposed.

Investigations of illegal brokerage – 2019

Active at the beginning of the year
145

Received during the year
74

Closed during the year
161

Active at the end of the year
58

Indemnity

A consumer who is the victim of fraud, fraudulent tactics or misappropriation of funds in the course of a real estate or mortgage transaction involving a broker may file a claim with the Indemnity Committee. This committee is responsible for ruling on the eligibility of claims and deciding on the amount of compensation to be paid.

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

Of note in 2019:

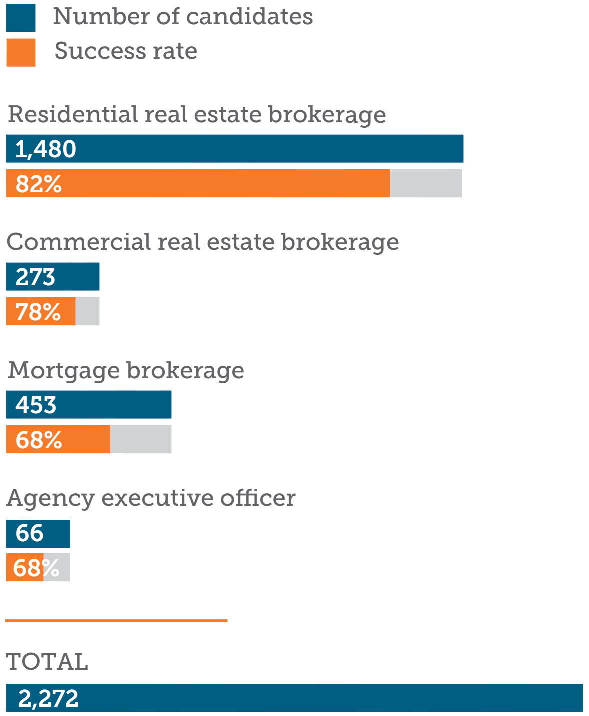
- **40 claims received** (including 5 requests for review);
- **39 claims processed and 1 closed** for administrative reasons*;
- **5 of the claims processed** by the Committee were approved;
- **$70,678 paid** in indemnities.

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

CERTIFICATION

The Certification Department handles the issuance of and changes to licences according to the *Real Estate Brokerage Act*, applicable to real estate and mortgage agencies and brokers authorized by the **OACIQ**. It also processes the applications of future licence holders. These operations are conducted in accordance with a strict regulatory framework with which applicants must comply. A total of 1,962 licence applications were processed in the course of the year. As at December 31, **OACIQ** licence holders numbered 16,601.

Certification examinations – 2019



EDUCATION

The role of the Education Department is to ensure that the skills of current and future professionals licensed by the **OACIQ** are optimal and regularly updated. This is done in two ways.

The first is by ensuring that any candidate to an **OACIQ** certification examination has successfully completed a basic training program recognized by the **OACIQ**. To this end, 22 establishments are certified to offer aspiring licence holders or agency executive officers a customized, quality training program. In 2019 the **OACIQ** increased its interventions with these establishments, targeting those that required adjustments in their recognized programs in order to properly prepare students for the practice of real estate brokerage. In addition, quarterly meetings were held with all establishments.

The **OACIQ** administered 2,272 certification examinations, including 23 examination sessions at its head office, 7 sessions in Québec City, and one session in La Prairie, representing a 13% increase in the total number of examinations administered by the Department. In addition, the follow-up actions with educational establishments paid off, including for the agency executive officer program, which saw its success rate increase by 12%.

To ensure that the skills of **OACIQ** licence holders remain optimal and up to date, the Education Department manages the Mandatory Continuing Education Program. It develops and implements a variety of training activities on the practice of real estate and mortgage brokerage, as well as on the functions of agency executive officer. The Department also accredits training activities provided by third parties. These activities are available in webinar, online, and classroom formats for the duration of a Mandatory Continuing Education Program cycle.

In 2019 licence holders completed the training requirements of the 2017-2019 MCEP cycle, which ended on April 30, 2019.

The new cycle, which began on May 1, 2019, is further refined by offering licence holders a continuing education path that is more closely adapted to their brokerage practice. Thus trainings targeting specific needs and others tackling current issues are developed and offered by the **OACIQ**, providing participants with an interactive approach. Training activities targeted at agency executive officers focus more on the managerial skills they need to perform their functions and help them provide better support. Finally, to ensure better control, a skills validation process is now included for licence holders in all new training activities mandated by the **OACIQ**.

Together with its 114 accredited providers, the **OACIQ** offers a variety of 557 training activities to brokers and agency executive officers as part of the 2019-2021 cycle of the Mandatory Continuing Education Program (MCEP).

Over 187,000 continuing education units (CEUs) were awarded to licence holders in the course of the year.

Continuing education activitiets offered by the OACIQ and providers

	Offered	Sessions	Participants	CEUs
Classroom	219	833	22,170	54,738
+ Online	132	2,882	25,696	36,781
+ Webinar	206	1,116	41,135	95,868
=	557	4,831	89,001	187,387

COMMUNICATIONS

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.

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

The new Buyer's Guide and Seller's Guide were put online and launched in September; over **1.4 million pages** have been viewed to date*;

57,999 requests for information were processed by the Info **OACIQ** information centre;

Our advertising campaigns, media initiatives and social media presence enabled us to reach **a potential audience of 95.6 million****;

Traffic on our public website **increased by 44% (over 1.4 million hits)**;

The Organization's recognition rate increased from 8.7% in 2018 to **13.1% in 2019**, representing **a jump of over 50%**;

We reached more than 171,220 people through our presence at 3 public events, including the National Home Show and Expo Habitat Québec.

A special 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.

Info OACIQ information centre

In 2010, the staff of the Info **OACIQ** information centre made its knowledge available to the public and to licence holders by responding to 57,999 requests for information. With a view to further increasing the efficiency of its services, this year again Info **OACIQ** conducted public satisfaction surveys. A 98% satisfaction rate was achieved on such topics as customer service quality, references and information provided.

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 29 access-to-information requests.

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

** *Number of potential exposures of our content to the public.*

BALANCED MANAGEMENT IS A SOURCE OF TRUST

GOVERNANCE AND ADMINISTRATION

Board of Directors as at December 31, 2019

DIRECTORS ELECTED AMONG LICENCE HOLDERS (BY THEIR PEERS)

Michel Léonard
VICE-CHAIRMAN
Commercial real estate brokerage

Georges Bardagi
Residential real estate brokerage

Joël Charron
Residential real estate brokerage

Stéphanie Gauthier
Residential real estate brokerage

Pierre Martel
Mortgage 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, B.A.A., A.V.A., C.A.A.S., FMA, CIM, FCSI

Richard Boivin, Lawyer

Sébastien Boucher-Lavallée, CPA, CGA

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

Nathalie Ebnoether, M.A.

FROM LEFT TO RIGHT

FRONT ROW

Stéphanie Gauthier,
Certified Real Estate Broker AEO

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

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

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

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

Nathalie Ebnoether, M.A.

Roger Rhéaume,
Certified Real Estate Broker AEO

BACK ROW

Joël Charron,
Certified Real Estate Broker AEO

Claudie Tremblay, LL.B., Adm.A, Mediator

Jacques Métivier,
Certified Real Estate Broker AEO

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

Pierre Martel, CHA,
Real Estate Broker

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

Sébastien Boucher-Lavallée, CPA, CGA

ABSENT FROM THE PHOTO

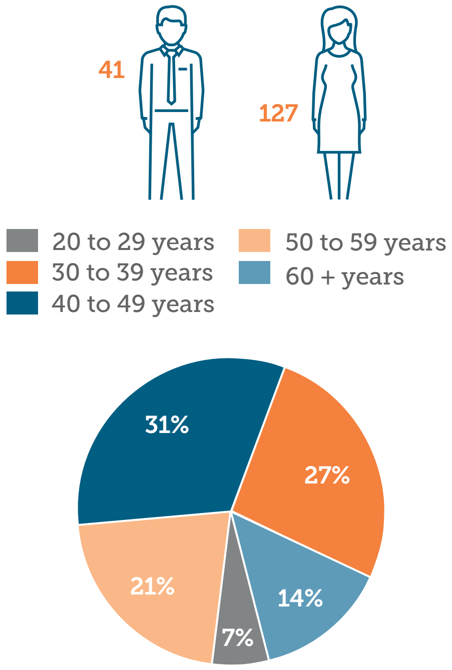
Dany Bergeron, B.A.A., A.V.A., C.A.A.S., FMA,
CIM, FCSI

Richard Boivin, Lawyer

Human Resources

The **OACIQ** had 179 employees (including **FARCIQ**) as at December 31, 2019. To maintain their expertise, employees have access to professional development programs. In 2019, employees attended over 3,599 hours of training. 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. Recipient organizations include Abri de la Rive-Sud, Revivre's J'EM walk (J'avance en marchant), the ALS Society (Amyotrophic Lateral Sclerosis) and Opération Père Noël.

Workforce distribution



Vacant positions: 11

Ombudsman

In an ongoing effort to improve services to the public and the oversight of brokers, and to ensure that its activities comply with its legal framework, the Organization has established an Ombudsman. The Ombudsman considers requests from the public, and reports his findings and recommendations to management. In 2019, 24 cases were referred to the Ombudsman. Of these, 14 were processed and 10 were redirected to the appropriate departments.

Information technologies

The role of **OACIQ** information technologies is to ensure the maintenance of information management systems, data security and integrity, and the evolution and development of technological infrastructures. In 2019 several initiatives were implemented to enable the **OACIQ** to fulfil its oversight mission over the practice of real estate and mortgage brokerage in Québec in an even more proactive manner.

For example, a technological security observation and analysis process was conducted with users and on technological processes. This approach led to the implementation of even more secure solutions (infrastructure, equipment and software). In addition, the Process Optimization Department was merged with the IT Department, which will help standardize the Organization's business practices.

The IT Department's major accomplishment this year was without a doubt the implementation of the Broker 360 project. This new CRM (customer relationship management) solution provides an integrated, centralized, scalable and secure solution for managing our relationships with licence holders. First-line department applications (Info **OACIQ**, Certification, Public Assistance and Syndic) were successfully deployed.

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 rules of conduct. 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, with no maximum. One member must be a licence holder and serve on the **OACIQ** Board of Directors.

Inspection Committee

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

Activities

In 2019, the Committee met four times and reviewed 70 inspection files*. Of these, 8 were referred to the Public Assistance Department for further review, and 55 to the Office of the Syndic for investigation into the commission of an offence under the Act or one of the regulations thereunder.

In 37 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 37 commitments, four included a requirement to complete one or more training activities, most of which involved *Managing trust accounts* and *The keeping of records and registers*. Four commitments included the need to draw up a remedial plan, and another six involved the duty of informing brokers in writing of their obligation to disclose any remuneration agreement in writing.

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 – Summary of deposits and withdrawals* 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 remuneration agreements with financial institutions regarding mortgage referrals;
- Receiving remuneration without being entitled to it.

** 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.*

In one situation, the Committee ordered a broker to complete several training activities.

Files – 2019

Number of files processed
70

Cases transferred to the Public Assistance Department
8

Cases transferred to the Office of the Syndic
55

Commitments ordered by the Committee
37

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 the coming into force of amendments to the REBA on July 13, 2018, the fines range from a minimum of $2,000 to a maximum of $50,000. In addition, the Act stipulates that the Committee must consider the injury suffered as a result of and the benefits derived from the offence.

Decisions

As at December 31, 2019, the **OACIQ** Syndic had filed 57 complaints with the Discipline Committee. During the year, the Committee held 70 hearings days, rendered 72 decisions on merit and imposed 263 penalties, i.e. per violation count:

23 reprimands;

100 fines totalling $195,000;

25 orders to complete a course or training activity;

5 cases of conditions or restrictions imposed on the licence;

81 licence suspensions;

19 licence revocations;

10 other orders.

Temporary suspensions imposed by the Discipline Committee in 2019 varied between 30 days and five years.

The *Real Estate Brokerage Act* allows for some of the Committee's decisions to be appealed before the Court of Québec. In 2019:

16 discipline Committee decisions were appealed before the Court of Québec;

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

Decisions

In 2019 the Committee received 19 requests for review, of which 16 were processed by the Committee and three remained active as of December 31.

The number of requests received and processed more than doubled from 2018. This is explained in part by the abolition of the administrative fee required for the application for review, which is intended to provide the public with greater access to this protection mechanism.

Of the cases reviewed by the Committee during the year, the Committee confirmed the Syndic's decision and concluded that there were no grounds to file a complaint before the Discipline Committee in 14 cases. In two of the cases, the Committee decided to suggest that the Syndic complete his investigation and render a new decision about the relevance of filing a complaint.

Files – 2019

Number of cases reviewed
16

Nature of opinions issued
16

No grounds for filing a complaint before the Discipline Committee*
14

Suggested that the Syndic complete his investigation*
2

** In one case, the Committee also suggested that the Syndic refer the file 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, penal or criminal conviction related to the performance of brokerage transactions.

In such situations, the Committee may impose the measures provided under the Act if necessary to protect the public.

Decisions

In 2019 the Committee processed 103 cases over the course of 17 sessions. The Committee reviewed the cases of 53 individuals applying for a real estate or mortgage brokerage licence, the cases of 40 licence holders, and 10 applications for advance decisions. The cases involved the following situations: 59 penal or disciplinary offences or criminal acts, and 53 assignments of property (including cases of advance opinions).

Thus, the Committee rendered the following 99 decisions:

39	licences issued without conditions or restrictions;
19	licences issued with conditions or restrictions;
19	licences maintained without conditions or restrictions;
16	licences maintained with conditions or restrictions;
2	licenses refused;
3	licenses suspended; and
1	license revoked.

Two decisions were appealed and remained pending as at December 31, 2019. In one case, an application for deferment of the enforcement of the Committee's decision was granted. In addition, two applications for judicial review before the Superior Court remained pending at the end of 2019.

During the year, there was a significant increase in the number of situations involving an assignment of property of licence applicants, which went from 10 cases out of 50 in 2018 to 20 cases out of 53 in 2019.

In addition, taking into account the number of cases processed, there was a continued increase in the number of decisions in which the Committee imposed conditions or restrictions on licences, from 24% of decisions concerned in 2018 to 34% in 2019.

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.

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 January 1, 2019, 26 claims were awaiting analysis.

In 2019 the Indemnity Committee met 9 times and analyzed and rendered decisions on 39 claims. Of these decisions, the Committee approved 5 claims, for which a total amount of $70,678 was paid in indemnities. During the year, 35 new claims were received and 5 were reopened following an application for review. In addition, one claim was closed for administrative reasons.*

As at December 31, 2019, 26 claims were awaiting analysis and two applications for judicial review filed in 2018 remained pending.

Indemnity – 2019

Claims awaiting analysis as at January	26
Claims received during the year[1]	40
Claims processed	39
Claims awaiting analysis at the end of the year	26
Claims approved	5
Indemnities paid	$70,678

[1] *This figure includes new claims (35 in 2019) and claims reopened following an application for review (5 in 2019).*

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

Professional Liability Insurance Decision-making Committee

The Professional Liability Insurance Decision-making Committee (PLIDC) is a new decision-making body. It was created following the revision of legislation governing the financial sector, more specifically the amendments made to the *Insurers Act*.

On June 13, 2019, the **OACIQ** Board of Directors of the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (**FARCIQ**) issued its report to the **OACIQ.** Since that date, the **OACIQ** Board of Directors has assumed the functions and powers relating to professional liability insurance. The PLIDC, for its part, exercises the functions and powers relating to the processing of claims. At the behest of the **OACIQ** Board of Directors, the PLIDC also makes recommendations on strategies relating to the **FARCIQ** reinsurance structure, premium and denomination, as well as the prevention program and claims statistics.

For more information on **FARCIQ** financial and statistical data, please see the Message from the General Manager that accompanies the **FARCIQ** financial statements (p. 74).

FINANCIAL **RESULTS**

Fiscal year 2019 ended with an excess of revenue over expenses of $4.4 million for the General Operating Fund and the Indemnity Fund. This is the result of considerable efforts in agility and efficiency, and of a number of initiatives and market factors, including:

- The intensification of basic training and examinations due to a buoyant real estate market and the continued attractiveness of the real estate brokerage activity;
- Increased interest in the **OACIQ** training offer, giving brokers added flexibility and attesting to the quality and credibility of the Organization as a training provider;
- The high performance of financial markets and constant vigilance on the part of the **OACIQ** over its investment policy.

Factors such as financial strength, process optimization, the deployment of high-performance technological tools, efficient supplier management, and the retention of competent human resources enabled the Organization to reduce its operating costs. These achievements also allowed us to put forward innovative and large-scale projects, including:

- Enhancement of real estate brokerage oversight leadership;
- Development of the **OACIQ**'s visibility nationally and internationally;
- A successful *Rendez-vous immobilier* on the theme of balance;
- Improvement of service accessibility for the public.

With its constantly evolving governance model and ongoing monitoring of emerging business models, the **OACIQ** is positioning itself as a forward-looking regulator that can confidently carry out its exclusive public protection role. In addition, in order to identify all the efforts made by the Organization to optimize its processes and control its costs, a corporate gains chart has been created.

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, 2019 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 (ASNPO).

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, 2019;
- 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 financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

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 ASNPO, 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
February 26, 2020

[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, 2019

	General Operating Fund	Indemnity Fund	TOTAL 2019	General Operating Fund	Indemnity Fund	TOTAL 2018
	$	$	$	$	$	$
ASSETS						
Current assets						
Cash	2,596,493	763,192	3,359,685	2,726,462	997,641	3,724,103
Investments (Note 3)	13,164,240	7,950,069	21,114,309	9,908,594	6,548,500	16,457,094
Accrued interest receivable	-	657	657	-	1,648	1,648
Accounts receivable (Note 4)	678,986	-	678,986	760,540	-	760,540
Interfund advance (Note 5)	58,506 *	-	-	34,512 *	-	-
Forms inventory	108,046	-	108,046	80,591	-	80,591
Prepaid expenses	514,495	-	514,495	395,311	-	395,311
	17,120,766	8,713,918	25,776,178	13,906,010	7,547,789	21,419,287
Investment in a limited partnership (Note 6)	4,057,939	-	4,057,939	3,874,600	-	3,874,600
Capital assets (Note 7)	3,524,813	-	3,524,813	3,732,314	-	3,732,314
Intangible assets (Note 8)	704,447	-	704,447	14,711	-	14,711
	25,407,965	8,713,918	34,063,377	21,527,635	7,547,789	29,040,912
LIABILITIES						
Current liabilities						
Deferred lease inducement, at net book value	3,056,364	6,779	3,063,143	2,271,951	4,601	2,276,552
Interfunds advance (Note 5)	-	58,506 *	-	-	34,512 *	-
Provision for claims (Note 10)	-	174,508	174,508	-	172,780	172,780
Deferred revenue	5,749,080	341,444	6,090,524	5,694,712	333,413	6,028,125
	8,805,444	581,237	9,328,175	7,966,663	545,306	8,477,457
Deferred lease inducement, at net book value	2,218,866	-	2,218,866	2,430,185	-	2,430,185
	11,024,310	581,237	11,547,041	10,396,848	545,306	10,907,642
Commitments and contingencies (Notes 11 and 12)						
Net assets						
Invested in capital assets and intangible assets	2,010,396	-	2,010,396	1,316,840	-	1,316,840
Internally restricted – Investment in a limited partnership (building)	250,000	-	250,000	-	-	-
Unrestricted	12,123,259	-	12,123,259	9,813,947	-	9,813,947
Indemnity Fund	-	8,132,681	8,132,681	-	7,002,483	7,002,483
	14,383,655	8,132,681	22,516,336	11,130,787	7,002,483	18,133,270
	25,407,965	8,713,918	34,063,377	21,527,635	7,547,789	29,040,912

* 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 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, 2019

	General Operating Fund				
	Invested in capital and intangible assets	Internally restricted	Unrestricted	Indemnity Fund	TOTAL
	$	$	$	$	$
Balance as at December 31, 2017	1,471,137	-	6,851,456	6,303,692	14,626,285
Excess (deficiency) of revenue over expenses	(303,689) *	(771,934) ***	3,883,817	698,791	3,506,985
Investment in capital assets and intangible assets	149,392 **	-	(149,392)	-	-
Internally restricted for Outreach – Appendix	-	771,934 ***	(771,934)	-	-
BALANCE AS AT DECEMBER 31, 2018	1,316,840	-	9,813,947	7,002,483	18,133,270
Excess (deficiency) of revenue over expenses	(298,271) *	250,000 ****	3,301,139	1,130,198	4,383,066
Investment in capital assets and intangible assets	991,827 **	-	(991,827)	-	-
BALANCE AS AT DECEMBER 31, 2019	2,010,396	250,000	12,123,259	8,132,681	22,516,336

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* Represents the amortization of capital assets and intangible assets of $509,592 ($515,010 in 2018), net of deferred lease inducement amortization of $211,319 ($211,321 in 2018) for leasehold improvements.

** Represents the investment in capital assets and intangible assets of $991,827 ($149,392 in 2018).

*** Until June 23, 2018, the Financing Fund, which was established in accordance with Section 47 of the Real Estate Brokerage Act (Quebec), was to be used particularly for the production and dissemination of information relating to the rights of the public in real estate brokerage and the promotion of the quality of broker and agency services. On that date, Section 47 of the Real Estate Brokerage Act (Quebec) was repealed and replaced with PL 141, which abolished the Financing Fund. The production and dissemination of information activities now fall under the General Operating Fund, hence the withdrawal of the internal allocation from net assets in 2019.

**** During the year, the Board of Directors charged an amount of $250,000 (nil in 2018) to the internally restricted fund as a contingency Operating fund for the maintenance of the building.

ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of income · Year ended December 31, 2019

	General Operating Fund	Indemnity Fund	TOTAL 2019	General Operating Fund	Indemnity Fund	TOTAL 2018
	$	$	$	$	$	$
REVENUE						
Licence maintenance	14,573,869	1,010,375	15,584,244	14,263,255	985,991	15,249,246
Issuance fees	1,263,863	-	1,263,863	1,112,398	-	1,112,398
Issuance file study	970,870	-	970,870	941,404	-	941,404
Administrative income – Certification	317,918	-	317,918	307,276	-	307,276
Continuing education – Appendix	3,413,354	-	3,413,354	2,192,509	-	2,192,509
Basic training and examinations – Appendix	1,650,291	-	1,650,291	1,438,338	-	1,438,338
Forms – Appendix	965,977	-	965,977	1,040,109	-	1,040,109
Discipline and syndic – Appendix	282,411	-	282,411	371,699	-	371,699
Illegal brokerage practices – Appendix	49,191	-	49,191	64,117	-	64,117
Outreach – Appendix	292,093	-	292,093	168,439	-	168,439
Management fees (Note 14)	220,391	-	220,391	198,098	-	198,098
Net income share of investment in a limited partnership (Note 6)	183,339	-	183,339	83,364	-	83,364
Investment income (loss) (Note 13)	883,257	470,332	1,353,589	(81,806)	(33,579)	(115,385)
Other revenues	34,359	26,380	60,739	31,962	95,894	127,856
	25,101,183	1,507,087	26,608,270	22,131,162	1,048,306	23,179,468

ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of income · Year ended December 31, 2019 (continued)

	General Operating Fund	Indemnity Fund	TOTAL 2019	General Operating Fund	Indemnity Fund	TOTAL 2018
	$	$	$	$	$	$
EXPENSES						
Continuing education – Appendix	1,623,775	-	1,623,775	1,113,734	-	1,113,734
Basic training and examinations – Appendix	878,188	-	878,188	717,588	-	717,588
Forms – Appendix	240,582	-	240,582	282,802	-	282,802
Discipline and syndic – Appendix	3,154,034	-	3,154,034	2,898,847	-	2,898,847
Illegal brokerage practices – Appendix	450,497	-	450,497	98,754	-	98,754
Outreach – Appendix	1,304,898	-	1,304,898	940,373	-	940,373
Board of Directors and committees	636,532	35,073	671,605	622,080	40,664	662,744
Review of the *Real Estate Brokerage Act* (Quebec)	412,298	-	412,298	288,672	-	288,672
Contribution to the Ministère des Finances du Québec	194,285	-	194,285	191,355	-	191,355
Salaries and employee benefits	9,488,211	108,509	9,596,720	8,999,314	85,392	9,084,706
Training and membership fees	173,304	2,441	175,745	189,698	3,468	193,166
Travel	83,224	-	83,224	104,239	-	104,239
Occupancy expenses	972,879	5,752	978,631	986,763	5,591	992,354
Insurance	108,934	1,075	110,009	99,301	1,131	100,432
Amortization of capital assets and intangible assets (Notes 7 and 8)	376,171	3,524	379,695	379,329	4,320	383,649
Office expenses	266,768	1,450	268,218	241,086	1,873	242,959
Information technology	382,122	2,605	384,727	107,763	806	108,569
Repairs and maintenance	41,973	414	42,387	81,671	930	82,601
Professional fees	581,211	109,615	690,826	579,151	104,941	684,092
Financial expenses	478,429	34,025	512,454	400,448	34,534	434,982
Indemnities (Note 15)	-	72,406	72,406	-	65,865	65,865
	21,848,315	376,889	22,225,204	19,322,968	349,515	19,672,483
EXCESS OF REVENUE OVER EXPENSES	3,252,868	1,130,198	4,383,066	2,808,194	698,791	3,506,985

ORGANISME D’AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of cash flows · Year ended December 31, 2019

	General Operating Fund	Indemnity Fund	TOTAL 2019	General Operating Fund	Indemnity Fund	TOTAL 2018
	$	$	$	$	$	$
OPERATING ACTIVITIES						
Excess of revenue over expenses	3,252,868	1,130,198	4,383,066	2,808,194	698,791	3,506,985
Items not affecting cash:						
Realized and unrealized loss (gain) on investments (Note 13)	(495,448)	(280,581)	(776,029)	305,233	276,571	581,804
Net income share of investment in a limited partnership	(183,339)	-	(183,339)	(83,364)	-	(83,364)
Amortization of capital assets and intangible assets	509,592	-	509,592	515,010	-	515,010
Amortization of deferred lease inducement	(211,319)	-	(211,319)	(211,321)	-	(211,321)
	2,872,354	849,617	3,721,971	3,333,752	975,362	4,309,114
Change in non-cash operating working capital items	749,702	36,922	786,624	(270,740)	56,175	(214,565)
	3,622,056	886,539	4,508,595	3,063,012	1,031,537	4,094,549
INVESTING ACTIVITIES						
Refund of advance in capital from investment in a limited partnership (Note 6)	-	-	-	350,000	-	350,000
Acquisition of investments	(16,195,198)	(1,383,988)	(17,579,186)	(11,782,890)	(1,316,616)	(13,099,506)
Proceeds on sale of investments	13,435,000	263,000	13,698,000	10,640,967	1,137,260	11,778,227
Acquisition of capital assets and intangible assets	(991,827)	-	(991,827)	(149,392)	-	(149,392)
	(3,752,025)	(1,120,988)	(4,873,013)	(941,315)	(179,356)	(1,120,671)
FINANCING ACTIVITIES						
Net increase (decrease) in cash	(129,969)	(234,449)	(364,418)	2,121,697	852,181	2,973,878
Cash, beginning of year	2,726,462	997,641	3,724,103	604,765	145,460	750,225
CASH, END OF YEAR	2,596,493	763,192	3,359,685	2,726,462	997,641	3,724,103

ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

Notes to the financial statements · December 31, 2019

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 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.

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, licence and technology	3 to 7 years

Impairment of long-lived assets

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

Controlled entity

The 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. Complaints 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 ensure the professional liability of holders of licences issued by the **OACIQ.** The assets of **FARCIQ** constitute a separate patrimony of the **OACIQ** intended exclusively for the insurance

2. Accounting policies (continued)

Controlled entity (continued)

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.

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.

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

Deferred revenue

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

Deferred lease inducement

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

Income taxes

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

2. Accounting policies (continued)

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 sales:

- 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.

Indemnity Fund investments consist of provincial and municipal bonds, which earn interest from 4.00% to 5.00% (4.00% to 5.00% as at December 31, 2018), and mature between June 2021 and January 2023, and bond funds and shares.

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

3. Investments (continued)

	2019		2018	
	General Operating Fund	Indemnity Fund	General Operating Fund	Indemnity Fund
	$	$	$	$
AT COST				
Bonds and bond funds	10,597,848	6,332,270	7,952,102	5,277,390
Shares and equity funds	2,451,120	1,463,264	2,216,736	1,413,909
	13,048,968	7,795,534	10,168,838	6,691,299
AT FAIR VALUE				
Bonds and bond funds	10,625,970	6,394,168	7,924,521	5,263,002
Shares and equity funds	2,538,270	1,555,901	1,984,073	1,285,498
	13,164,240	7,950,069	9,908,594	6,548,500

4. Accounts receivable

	2019	2018
	$	$
GENERAL OPERATING FUND		
Trade	725,886	981,651
Allowance for doubtful accounts	(151,038)	(261,955)
	574,848	719,696
Sales taxes	104,138	40,844
	678,986	760,540

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, 2019 is as follows:

	2019	2018
	$	$
BALANCE SHEET		
Assets		
Rental property, at cost	10,478,366	10,478,366
Other assets	1,779,171	1,591,648
	12,257,537	12,070,014
Liabilities		
Bank loans	8,081,100	8,381,528
Other liabilities	91,425	88,165
	8,172,525	8,469,693
Net equity	4,085,012	3,600,321
	12,257,537	12,070,014

The OACIQ's share in a limited partnership's net income for the year ended December 31, 2019 is as follows:

STATEMENT OF INCOME		
Revenue	1,612,308	1,476,035
Expenses	1,127,618	1,091,320
Income before amortization	484,690	384,715
Amortization	(301,351)	(301,351)
Net income share of investment in a limited partnership	183,339	83,364

The OACIQ's share in a limited partnership's cash flows for the year ended December 31, 2019 is as follows:

Cash flows		
Operating activities	607,426	512,062
Investing activities	(169,211)	(33,931)
Financing activities	(319,440)	(656,385)
	118,775	(178,254)

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

There were no transactions between these two parties except for the payment of the $1,970,898 lease and related costs in 2019 ($1,955,593 in 2018). No amount due is included in accounts payable and accrued liabilities (nil in 2018). Related party transactions occurred in the normal course of operations and were measured at the exchange amount.

As at December 31, 2019 and 2018, 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, 2019 is as follows:

	2019	2018
	$	$
Balance, beginning of year	3,874,600	4,141,236
Refund of advance in capital	-	(350,000)
Share of net income after amortization	183,339	83,364
BALANCE, END OF YEAR	4,057,939	3,874,600

7. Capital assets

	2019			2018
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
GENERAL OPERATING FUND				
Computer equipment	285,411	143,393	142,018	97,901
Office equipment	11,241	11,141	100	5,710
Telephone equipment	3,973	3,854	119	928
Furniture	1,919,452	1,243,648	675,804	759,562
Leasehold improvements	4,911,909	2,205,137	2,706,772	2,868,213
	7,131,986	3,607,173	3,524,813	3,732,314

Amortization of capital assets and intangible assets amount to $509,592 ($515,010 in 2018). An amount of $376,171 ($379,329 in 2018) 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 is comprised of $475,679 ($484,100 in 2018) for capital assets and $33,913 ($30,910 in 2018) for intangible assets.

8. Intangible assets

	2019			2018
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
GENERAL OPERATING FUND				
Software and licence	12,167	12,167	-	14,711
Technology	723,649	19,202	704,447	-
	735,816	31,369	704,447	14,711

9. Accounts payable and accrued liabilities

	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

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

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 between June 2020 and June 2024. Minimum future payments aggregate to $24,624,137 and include the following amounts due over the next five years:

	$
2020	2,858,933
2021	2,363,837
2022	2,342,926
2023	2,176,088
2024	2,146,171

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, 2019 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 (loss)

	2019			2018		
	General Operating Fund	Indemnity Fund	TOTAL	General Operating Fund	Indemnity Fund	TOTAL
	$	$	$	$	Fund	$
Reinvested revenue	385,198	178,988	564,186	217,891	101,616	319,507
Interest revenue	2,611	10,763	13,374	5,536	141,376	146,912
	387,809	189,751	577,560	223,427	242,992	466,419
Realized gain (loss) on investments	119,932	(16,753)	103,179	(175,763)	(16,979)	(192,742)
Unrealized gain (loss) on investments	375,516	297,334	672,850	(129,470)	(259,592)	(389,062)
	495,448	280,581	776,029	(305,233)	(276,571)	(581,804)
INVESTMENT INCOME (LOSS)	883,257	470,332	1,353,589	(81,806)	(33,579)	(115,385)

14. OACIQ's Professional Liability Insurance Fund

The summary financial statements as at December 31, 2019 and 2018 of the FARCIQ are as follows:

	2019	2018
	$	$
BALANCE SHEET		
Assets	60,587,580	58,251,197
Liabilities	18,211,606	17,223,853
Accumulated surplus	42,375,974	41,027,344
	60,587,580	58,251,197
STATEMENT OF INCOME		
Revenue	6,959,098	6,733,628
Expenses	6,933,021	6,784,508
Earnings (loss) for the year	26,077	(50,880)
Unrealized gain (loss) on available for sale securities	1,828,037	(653,224)
Portion reclassified to income from available for sale securities	(505,484)	(359,277)
Comprehensive income (loss)	1,348,630	(1,063,381)
CASH FLOWS		
Operating activities	1,139,139	1,306,377
Investing activities	(821,208)	809,130

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

During the year, the **OACIQ** received from the **FARCIQ** management fees and sponsorship fees totalling $87,418 ($69,325 in 2018), and incurred occupancy expenses for an amount of $114,345 ($112,739 in 2018). These amounts are in addition to expense reimbursement totalling $194,525 ($132,532 in 2018). These transactions were carried out in the ordinary course of business and were measured at the exchange amount agreed to by the parties. As at December 31, 2019, an amount of $57,006 is included in accounts receivable ($13,768 in 2018) in connection with these transactions. Accounts payable and accrued liabilities include an amount payable of $13,357 ($15,223 in 2018) for the premiums collected by the **OACIQ** for the **FARCIQ**.

15. Indemnities

	2019	2018
	$	$
Indemnities paid during the year	70,678	138,877
Net change in indemnities provision	1,728	(73,012)
	72,406	65,865

16. Financial instruments

Market risk

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

i) Interest rate risk

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

ii) Other price risk

Other price risk is the risk that the fair value 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, 2019, the most significant financial liabilities are accounts payable and accrued liabilities.

17. Subsequent events

As part of the review of the Act CQLR, c. C-73.2, the framework for mortgage brokerage will be transferred to the Autorité des marchés financiers. This legislative change, taking place as of May 1, 2020, will have little impact on the financial resources of the **OACIQ** for the year 2020.

APPENDIX

Revenue and expenses · Year ended December 31, 2019

CONTINUING EDUCATION	2019	2018
	$	$
REVENUE		
Continuing education	3,413,354	2,192,509
DIRECT EXPENSES		
Salaries and employee benefits	1,124,663	752,367
Travel	73,666	36,173
Occupancy expenses	163,303	158,747
Insurance	11,187	8,053
Amortization of capital assets and intangible assets	36,660	30,764
Office expenses	22,494	19,525
Information technology	38,989	5,742
Repairs and maintenance	4,310	6,624
Professional fees	101,349	49,058
Financing expenses	47,154	46,681
	1,623,775	1,113,734
EXCESS OF REVENUE OVER EXPENSES	1,789,579	1,078,775

APPENDIX (CONTINUED)

Revenue and expenses · Year ended December 31, 2019

BASIC TRAINING AND EXAMINATIONS	2019	2018
	$	$
REVENUE		
Revenue related to basic training and examinations	1,650,291	1,438,338
DIRECT EXPENSES		
Salaries and employee benefits	624,175	478,359
Travel	3,779	1,643
Occupancy expenses	156,600	152,231
Insurance	6,610	5,532
Amortization of capital assets and intangible assets	21,662	21,131
Office expenses	15,867	19,574
Information technologies	16,014	3,944
Repairs and maintenance	2,547	4,550
Financing expenses	30,934	30,624
	878,188	717,588
EXCESS OF REVENUE OVER EXPENSES	772,103	720,750

APPENDIX (CONTINUED)

Revenue and expenses · Year ended December 31, 2019

FORMS	2019	2018
	$	$
REVENUE		
Sales of forms	965,977	1,040,109
DIRECT EXPENSES		
Salaries and employee benefits	27,593	27,953
Forms	93,407	114,681
Occupancy expenses	-	12,804
Professional fees	97,213	105,219
Financing expenses	22,369	22,145
	240,582	282,802
EXCESS OF REVENUE OVER EXPENSES	725,395	757,307

APPENDIX (CONTINUED)

Revenue and expenses · Year ended December 31, 2019

DISCIPLINE AND SYNDIC	2019	2018
	$	$
REVENUE		
Fines and disbursements	282,411	371,699
DIRECT EXPENSES		
Salaries and employee benefits	2,290,633	1,859,373
Attendance fees	116,854	157,050
Travel	35,145	53,141
Occupancy expenses	287,497	279,476
Insurance	19,774	18,620
Amortization of capital assets and intangible assets	64,798	71,128
Office expenses	22,832	134,080
Information technology	47,902	13,276
Repairs and maintenance	7,619	15,314
Professional fees	252,986	289,475
Financing expenses	7,994	7,914
	3,154,034	2,898,847
DEFICIENCY OF REVENUE OVER EXPENSES	(2,871,623)	(2,527,148)

APPENDIX (CONTINUED)

Revenue and expenses · Year ended December 31, 2019

ILLEGAL BROKERAGE PRACTICES	2019	2018
	$	$
REVENUE		
Penalties	49,191	64,117
DIRECT EXPENSES		
Salaries and employee benefits	81,407	59,122
Travel	2,337	3,711
Occupancy expenses	9,599	9,331
Insurance	660	586
Amortization of capital assets and intangible asets	2,162	2,238
Office expenses	820	1,597
Information technology	1,599	418
Repairs and maintenance	254	482
Professional fees	350,280	19,904
Financing expenses	1,379	1,365
	450,497	98,754
DEFICIENCY OF REVENUE OVER EXPENSES	(401,306)	(34,637)

APPENDIX (CONTINUED)

Revenue and expenses · Year ended December 31, 2019

OUTREACH	2019	2018
	$	$
REVENUE		
Outreach	292,093	168,439
DIRECT EXPENSES		
Salaries and employee benefits	201,474	209,675
Travel	80,788	41,741
Occupancy expenses	65,567	63,738
Insurance	1,408	1,597
Amortization of capital assets and intangible assets	4,615	6,100
Office expenses	105,008	82,699
Information technology	3,412	1,139
Repairs and maintenance	543	1,313
Honoraires	121,990	81,442
Financing expenses	25,069	12,732
Advertising and representation	695,024	438,197
	1,304,898	940,373
DEFICIENCY OF REVENUE OVER EXPENSES	(1,012,805)	(771,934)

SEEKING BALANCE
FOR THE PUBLIC

ANNUAL REPORT 2019

FARCIQ

Fonds d'assurance responsabilité professionnelle
du courtage immobilier du Québec

TABLE **OF CONTENTS**

OUR **MISSION**

PROTECT OUR POLICYHOLDERS’ ASSETS THROUGH PROFESSIONAL LIABILITY INSURANCE.

Our role is divided into three parts.

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

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

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

MESSAGE FROM THE GENERAL MANAGER

On behalf of the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (FARCIQ), I am proud to present the Fund's results for 2019.

Essential financial strength

The **FARCIQ**'s financial results are once again very positive this year. Although the **FARCIQ** maintained a subsidized premium in 2019 (i.e. lower than its actual cost), it managed to generate an operating profit of $26,077 and a positive overall result of $1,348,630, due to real investment income and the favourable change in anticipated but unrealized investments.

Year after year, the Fund is managed in a prudent and balanced manner. The result is an accumulated surplus of $42.4 million, which greatly contributes to ensuring the insurance Fund's stability in the mid-term.

Rising claims

In 2019, 697 new claims were processed compared to 645 in 2018, an increase of 8%. However, the total cost of claims paid remained stable at $1.5 million.

Although the **FARCIQ** is showing good financial results, the claims-related costs are on the rise and generating a growing technical deficit. This will have to be taken into consideration in coming years as we assess and set the insurance premium.

AN ACCUMULATED SURPLUS OF $42.4 MILLION, GREATLY CONTRIBUTES TO ENSURING THE INSURANCE FUND'S STABILITY IN THE MID-TERM.

An active and positive presence

The **FARCIQ** places a great deal of importance on claims prevention.

For this reason, as part of the **OACIQ**'s Mandatory Continuing Education Program, the Fund offers free training activities to policyholders. In 2019, over 2,500 CEUs were awarded for training sessions offered by the **FARCIQ**, including *My professional liability* and *Annual review of the jurisprudence pertaining to real estate brokerage professional liability*.

In addition, the **FARCIQ** takes proactive action throughout the year, notably by:

- attending various industry events as sponsor or exhibitor, including RDV **OACIQ**, or through training presentations in agencies;
- making regular contributions to the PRO@CTIVE newsletter;
- providing more than 1,300 insurance kits to new brokers.

Renewed governance

As announced in the previous annual report and in accordance with a legislative measure adopted by the government as part of Bill 141, since June 13, 2019 all of the **FARCIQ**'s insurance business comes under the **OACIQ** Board of Directors. The Organization remains the holder of the insurer's licence and is governed by the rules set out in the *Insurers Act*.

In accordance with this Act, a Professional Liability Insurance Decision-making Committee (PLIDC) was created. This new committee is responsible for processing notices of loss. Its members are appointed by the **OACIQ** Board of Directors.

The Committee is made up of experts with a diversified collective background who are very familiar with the **FARCIQ** for having served on its Board of Directors. They are: Martin Dupras, Louis-Georges Pelletier, Marc Simard and Michel Léonard.

I wish to thank the members of the outgoing **FARCIQ** Board of Directors for their outstanding contribution. I am also grateful to the members of the new PLIDC, who are helping to ensure that the implementation of this committee and the processing of claims can be carried out in a thorough manner. Finally, I wish to express my gratitude to our employees for their dedication and their contribution to the Fund's achievements.

2020: FARCIQ, a first-rate insurer

As part of its 2020-2022 strategic plan adopted by the **OACIQ** Board of Directors, the **FARCIQ** will soon be embarking enthusiastically on an important examination of the best ways to consolidate its role as a fair and compliant insurer, while contributing to the oversight of policyholders.

THE FUND IS MANAGED IN A PRUDENT AND BALANCED MANNER.

M^{e} Alain Chouinard, MBA
General Manager

THE ASSURANCE
OF DOING BETTER

INDEPENDENT AUDITOR’s REPORT

TO THE BOARD OF DIRECTORS OF 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, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2500
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, 2019;
- 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 financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Montréal, Quebec
February 24, 2020

[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, 2019

(expressed in Canadian dollars)

	2019	2018
	$	$
ASSETS		
Cash	1,855,537	2,032,326
Treasury bills (interest rate of 1.65%; 1.60% as at December 31, 2018) and banker's acceptance	219,457	383,510
Investments	56,787,109	54,002,709
Investment income receivable	247,943	245,583
Premiums and other receivables (note 12)	75,051	45,016
Amount recoverable from reinsurers for claims liabilities (note 7)	507,000	737,000
Deductibles recoverable from policyholders for claims liabilities	803,368	757,776
Prepaid expenses	32,729	32,102
Property plant and equipment	10,249	15,175
Intangible assets	49,137	-
	60,587,580	58,251,197
LIABILITIES		
Accounts payable and accrued liabilities	615,233	484,155
Unearned premiums	1,916,005	1,909,922
Claims liabilities (note 7)	15,680,368	14,829,776
	18,211,606	17,223,853
ACCUMULATED SURPLUS		
Accumulated surplus, end of year	39,870,518	39,844,441
Accumulated other comprehensive income	2,505,456	1,182,903
	42,375,974	41,027,344
	60,587,580	58,251,197

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

Approved by the Board of Directors

Pierre Hamel
Chairman

Michel Léonard
Vice-Chair

FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of Income and Comprehensive Income · For the year ended December 31, 2019

(expressed in Canadian dollars)

	2019	2018
	$	$
REVENUES		
Earned premiums	5,649,873	5,615,321
Reinsurance premiums ceded (note 9)	(404,700)	(404,700)
Net earned premiums (note 9)	5,245,173	5,210,621
EXPENSES		
Claims and loss adjustment expenses	5,581,570	5,480,575
General expenses	1,351,451	1,303,933
	6,933,021	6,784,508
UNDERWRITING LOSS	(1,687,848)	(1,573,887)
INVESTMENT AND OTHER INCOME (NOTE 4)	1,713,925	1,523,007
NET INCOME (LOSS) FOR THE YEAR	26,077	(50,880)
OTHER COMPREHENSIVE INCOME		
Items that will be subsequently reclassified to profit or loss		
Unrealized gain (loss) on available for sale securities	1,828,037	(653,224)
Portion reclassified to income from available for sale securities	(505,484)	(359,277)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	1,322,553	(1,012,501)
COMPREHENSIVE INCOME FOR THE YEAR	1,348,630	(1,063,381)

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, 2019

(expressed in Canadian dollars)

			2019	2018
	Accumulated surplus	Accumulated other comprehensive income	Net amount	Net amount
	$	$	$	$
BALANCE – BEGINNING OF YEAR	39,844,441	1,182,903	41,027,344	42,090,725
Net income (loss) for the year	26,077	-	26,077	(50,880)
Other comprehensive income for the year	-	1,322,553	1,322,553	(1,012,501)
BALANCE – END OF YEAR	39,870,518	2,505,456	42,375,974	41,027,344

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, 2019

(expressed in Canadian dollars)

	2019	2018
CASH FLOWS FROM (USED IN):	$	$
OPERATING ACTIVITIES		
Net income (loss) for the year	26,077	(50,880)
Adjustments for		
Amortization of property plant and equipment	4,926	4,074
Amortization of premiums and investment discounts	203,942	169,678
Realized gain on disposal of investments	(505,484)	(359,277)
Income on reinvested dividends	(388,234)	(331,572)
	(658,773)	(567,977)
Change in non cash working capital items		
Investment income receivable	(2,360)	(10,762)
Premiums and other accounts receivable	(30,035)	111,276
Amount recoverable from reinsurers for claims liabilities	230,000	361,000
Deductibles recoverable from policyholders for claims liabilities	(45,592)	(74,111)
Prepaid expenses	(627)	(982)
Accounts payable and accrued liabilities	131,078	209,217
Unearned premiums	6,083	24,628
Claims liabilities	850,592	686,111
	1,139,139	1,306,377
	480,366	738,400
INVESTING ACTIVITIES		
Acquisition of capital assets	-	(13,439)
Acquisition of intangible assets	(49,137)	-
Acquisition of investments	(38,965,454)	(26,817,692)
Proceeds on disposal of investments	38,193,383	27,640,261
	(821,208)	809,130
NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(340,842)	1,547,530
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	2,415,836	868,306
CASH AND CASH EQUIVALENTS – END OF YEAR	2,074,994	2,415,836
Cash and cash equivalents consist of the following:		
Cash	1,855,537	2,032,326
Treasury bills and banker's acceptance	219,457	383,510
	2,074,994	2,415,836

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, 2019

(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 Québec'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 agencies and real estate and mortgage brokers in Quebec. The Fund's head office is located at 4905 Lapinière Blvd., Suite 2800, Brossard, Québec, Canada. **FARCIQ** is not subject to the Income Tax Act (Canada).

2. Basis of presentation

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") in force on the date of publication. These financial statements and the accompanying notes were authorized for issue in accordance with a resolution of the Board of Directors on February 24, 2020.

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

3. Main accounting policies

Insurance contracts

Insurance contracts are contracts that, at their effective date, transfer significant insurance risk. Insurance risk is transferred when the 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 significant insurance risk and are therefore treated as insurance contracts.

Claims liabilities

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

3. Main accounting policies (continued)

Unearned premiums

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

Reinsurance

Claims are presented in the statement of 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 taking into account the time value of money.

Cash and cash equivalents

Cash and cash equivalents include cash, Treasury bills and bankers' acceptances that have a maturity of three months or less from the acquisition date. Interest income on cash and cash equivalents is recognized when earned and is included in the statement of 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. Main 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 on the statement of financial position, the Fund categorizes 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 the net asset value for units of mutual funds.

Property, plant and equipment

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

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

Intangible assets

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

Impairment of long lived assets

Long lived assets 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.

3. Main accounting policies (continued)

Change to accounting standards

IFRS 16, "Revenue from Contracts with Customers"

On January 1, 2019, the Fund adopted IFRS 16, "Leases" which will replace IAS 17, "Leases" and the related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 introduces a single accounting model for a lessee, which requires the recognition of lease assets and liabilities for most leases on the balance sheet, eliminating the distinction between operating and finance leases. For the lessor, the distinction between operating and finance leases remains minimal.

The Fund estimates that the adoption of IFRS 16 did not have any significant impact.

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" on the next page.

3. Main accounting policies (continued)

Standards issued but not yet effective (continued)

B. IFRS 4, "Insurance Contracts"

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

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

The Fund has elected to apply the temporary exemption to continue applying IAS 39, deferring the application date of IFRS 9 to January 1st, 2021 (however, an exposure draft suggests to postpone this date to January 1st, 2022).

C. IFRS 17, "Insurance Contracts"

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

IFRS 17 requires that insurance contract liabilities be measured using a general model based on current value. This general model uses assumptions as at the reporting date to estimate the amount, timing and uncertainty of future cash flows and takes into account market interest rates and the impact of insurance contract holder options and guarantees. In addition, 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 2019, the IASB published an Exposure Draft proposing amendments to IFRS 17, including a one year deferral of the effective date of January 1st, 2022. The comment period on the Exposure Draft ended in September 2019 and final amendments to the standard are expected to be published in 2020. The Fund is currently assessing the impact of the adoption IFRS 17.

3. Main accounting policies (continued)

Significant accounting estimates and assumptions

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

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

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

4. Investments

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

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

Certain financial instruments whose fair values are not based on observable market inputs must be measured using a valuation technique or model based on assumptions that are neither supported by prices from observable current market transactions for the same instrument nor based on available market data [Level 3]. The Fund held no Level 3 securities as at December 31, 2018 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 on the next page.

4. Investments (continued) · Fair value hierarchy

	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

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

4. Investments (continued) · Investment maturities

	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

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

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

	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

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

4. Investments (continued) · Investment and other income

	2019	2018
	$	$
Interest income	1,217,184	1,188,092
Dividend income	388,234	331,572
Variation of bond discount	(203,942)	(169,678)
Realized gain on disposal of investments	505,484	359,277
Management fees	(193,035)	(186,256)
	1,713,925	1,523,007

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 $447,087 decrease (increase) in investment income ($435,602 as at December 31, 2018).

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, 2019, the Fund indirectly held, through its fund units, $12,078,420 ($10,442,512 as at December 31, 2018) in securities traded on stock markets. As a result, a 1% change in the fair value of these assets would have an impact of $120,784 ($104,425 as at December 31, 2018) 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, 2018). The Fund uses the AM Best ratings 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:

	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

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

5. Additional information on financial instruments (continued)

Maximum credit risk exposure arising from financial instruments

	2019	2018
	$	$
Cash	1,855,537	2,032,326
Treasury bills and banker's acceptance	219,457	383,510
Canadian, provincial and municipal government bonds	31,621,096	30,815,035
Corporate bonds	13,087,593	12,745,162
Investment income receivable	247,943	245,583
Premiums and other accounts receivable	75,051	45,016
Amount recoverable from reinsurers for claims liabilities	507,000	737,000
Deductibles recoverable from policyholders for claims liabilities	803,368	757,776
	48,417,045	47,761,408

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 type of industry. All of the securities held are issued in Canada.

Liquidity risk

Liquidity risk is the risk that an entity will have difficulty meeting obligations associated with financial instruments that are settled in cash. To manage its cash flow requirements, the Fund maintains a portion of its invested assets in liquid securities. On December 31, 2019 and 2018, 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

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

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

A. Underwriting

Policies generally cover a twelve-month period with a renewal date of May 1 each year. The insurance business is cyclical in nature: the industry generally reduces insurance rates following periods of increased profitability, while it generally increases rates following periods of sustained loss. The 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 2018 and maintained at $345 in 2019 for real estate brokers and agencies, and at $245 in 2018 and 2019 for mortgage brokers. 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 outside of the Fund's risk tolerance level

6. Insurance risk (continued)

Insurance risk and management (continued)

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. Furthermore, the Fund enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that could negatively impact the business. The PLIDC analyses claims and contentious matters in order to ensure that sufficient claims liabilities are established.

C. Sensitivity to insurance risk

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

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

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

Most or all of the qualitative factors are not directly quantifiable, particularly on a prospective basis, and the effects of these factors and unforeseen factors could negatively impact the 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 amount of the settlement of these liabilities will vary from the best estimate for a variety of reasons, including additional information obtained on the facts and circumstances concerning the claims incurred.

Unpaid claims and amounts recoverable from reinsurers

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

Unpaid claims were reduced in a net amount of $410,106 as at December 31, 2019 ($527,600 as at December 31, 2018) to reflect the time value of money, using an average discount rate of 1.90% (2.29% in 2018) on the underlying claim settlement statistics. The provision for adverse deviations increased unpaid claims in a net amount of $1,664,997 as at December 31, 2019 ($1,420,243 as at December 31, 2018).

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 $233,792 negative impact on the value of unpaid claims as at the date of the statement of financial position ($233,508 as at December 31, 2018), while a 1% decrease in the discount rate would have a $242,817 positive impact on the value of unpaid claims as at the date of the statement of financial position ($243,130 as at December 31, 2018).

Prior year claims development

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

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	TOTAL
	$	$	$	$	$	$	$	$	$	$
As at end of underwriting year	6,073,405	5,608,678	5,283,626	4,749,235	5,407,964	4,615,194	4,948,557	5,524,969	4,951,093	
One year later	4,671,308	4,468,644	4,069,840	4,607,025	5,439,827	4,137,714	4,713,490	4,865,831		
Two years later	4,077,761	4,144,194	3,301,052	4,552,032	5,138,710	3,604,401	4,530,731			
Three years later	3,245,717	3,543,060	3,288,660	4,561,616	5,048,986	3,671,419				
Four years later	3,125,725	3,551,053	3,347,492	4,254,503	5,012,496					
Five years later	3,247,652	3,343,806	3,005,507	4,314,815						
Six years later	3,241,606	3,323,517	2,943,504							
Seven years later	3,167,900	3,258,499								
Eight years later	3,120,618									
Ultimate incurred claims estimate	3,120,618	3,258,499	2,943,504	4,314,815	5,012,496	3,671,419	4,530,731	4,865,831	4,951,093	36,669,006
Paid claims	3,120,618	3,225,216	2,857,515	3,914,795	4,546,943	2,860,226	1,972,943	1,694,459	581,203	24,773,918
Unpaid claims	-	33,283	85,989	400,020	465,553	811,193	2,557,788	3,171,372	4,369,890	11,895,088
Effect of discounting and margins										1,136,410
Other										1,845,502
FINAL UNPAID CLAIMS										14,877,000

Note: The amounts in this table are net of $803,368 in deductibles recoverable from policyholders for claims liabilities.

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

	2019			2018		
	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	14,072	737	13,335	13,460	1,098	12,362
Changes in estimated losses and expenses for claims incurred in prior years	(1,259)	(230)	(1,029)	(2,180)	(467)	(1,713)
Losses and expenses on claims incurred in the current year	6,526	-	6,526	7,108	106	7,002
Less: recoveries received (amounts paid) in respect of incurred claims						
During the current year	(955)	-	(955)	(1,082)	-	(1,082)
During prior years	(3,507)	-	(3,507)	(3,234)	-	(3,234)
BALANCE – END OF YEAR	14,877	507	14,370	14,072	737	13,335

Note : The amounts in this table are net of $803,368 in deductibles recoverable from policyholders for claims liabilities ($757,776 in 2018).

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, 2019 to January 1, 2020.

9. Net earned premiums

	2019	2018
	$	$
GROSS PREMIUMS WRITTEN	5,655,955	5,638,376
Reinsurance premiums ceded	(404,700)	(404,700)
Net premiums written	5,251,256	5,233,676
Change in unearned premiums	(6,083)	(23,055)
NET EARNED PREMIUMS	5,245,173	5,210,621

No allowance for doubtful accounts was deducted from net earned premiums in 2019 and 2018, 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 the 150% 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:

	2019	2018
	$	$
Capital available	42,327	41,027
Capital required	5,509	5,128
Excess of capital available over capital required	36,818	35,899
MCT (AS A %)	768,32 %	800,06 %

11. Transactions with the OACIQ

By various agreements with the **OACIQ**, the Fund received certain management services and provided sponsorships, totaling $83,965 ($64,508 in 2018), in addition to rent expenses of $114,345 ($112,739 in 2018). To these amounts are added other paid expenses totaling $197,978 ($137,350 in 2018). These transactions were concluded in the normal course of business and measured at the value agreed between the parties. As at December 31, 2019, an amount of $57,005 was payable ($13,768 as at December 31, 2018) in connection with these transactions. Premiums and other accounts receivable include an amount of $13,357 ($15,223 in 2018) for premiums and deductibles collected by the **OACIQ** on behalf of the Fund.

12. Premiums and accounts receivable

	2019	2018
	$	$
Deductibles receivable	64,750	31,900
Premiums receivable	10,187	13,116
Other amounts receivable	114	-
	75,051	45,016

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 total compensation for 2019 amounted to $262,394 ($303,759 for 2018).

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, 2019 and their change in the statement of income for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

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

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

Claim Liabilities	Carried in Annual Return ($000)	Actuary's estimate ($000)
(1) Direct unpaid claims and adjustment expenses	14,877	14,877
(2) Assumed unpaid claims and adjustment expenses	0	0
(3) Gross unpaid claims and adjustment expenses (1) + (2)	14,877	14,877
(4) Amounts recoverable from reinsurers	507	507
(5) Other recoverables on unpaid claims	803	803
(6) Other liabilities	803	803
(7) Net unpaid claims and adjustment expenses (3) – (4) – (5) + (6)	14,370	14,370

Premium liabilities	Carried in Annual Return (col. 1) ($000)	Actuary's estimate (col. 2) ($000)
(1) Gross unearned premium liabilities		2,114
(2) Net unearned premium liabilities		2,249
(3) Gross unearned premiums	1,916	
(4) Net unearned premiums	1,916	
(5) Premium deficiency	333	333
(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 21, 2020

Date opinion was rendered

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4905 Lapinière Boulevard, Suite 2200
Brossard (Quebec) J4Z 0G2

Info OACIQ: 450-462-9800 or 1-800-440-7170
oaciq.com • info@oaciq.com