ANNUAL REPORT 2016

FARCIQ

Fonds d'assurance responsabilité professionnelle
du courtage immobilier du Québec

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OUR MISSION

Protect our policyholders' assets through professional liability insurance.

OUR ROLE IS DIVIDED INTO THREE COMPONENTS.

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

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

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

FARCIQ DIRECTORS

As at December 31, 2016

CHAIRMAN OF THE BOARD OF DIRECTORS

Mr. Martin Dupras, A.S.A., F. Pl., M. Tax., ASC
President of ConFor financiers inc.

Chair of the Governance Committee, Member of the Audit Committee, the Professional Ethics Committee, the Claims and Prevention Committee, and the Investments Committee

VICE-CHAIR OF THE BOARD OF DIRECTORS

Mrs. Christiane St-Jean
Chartered Real Estate Broker and Agency Executive Officer
President of RE/MAX ACCÈS inc.

Member of the Professional Ethics Committee

TREASURER

Mr. Bernard Deschamps, MPA, CPA, CMA
Chief Executive Officer, Groupe Ultima

Chair of the Audit Committee, Chair of the Investments Committee, Member of the Governance Committee

DIRECTORS

Mr. Xavier Lecat
Real Estate Broker, L'Expert Immobilier PM inc.

Member of the Audit Committee and the Investments Committee

Mrs. Christine Lemieux, B.B.A., AMP
Chartered Real Estate Mortgage Broker
and Agency Executive Officer
President of Dominion-Phénix Lending Centres

Member of the Claims and Prevention Committee

Mr. Louis-Georges Pelletier, CIP
Damage Insurance Broker

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

M^{e} Marc Simard
Partner, Bélanger Sauvé

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

FROM LEFT TO RIGHT

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

Seated:
Bernard Deschamps
Martin Dupras
Christiane St-Jean


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MESSAGE FROM THE
CHAIRMAN OF THE BOARD OF DIRECTORS

As Chairman of the Board of Directors of the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (**FARCIQ**), it is my pleasure to present our results for 2016, which are in accordance with expectations and the Fund's mission.

Stability and creativity

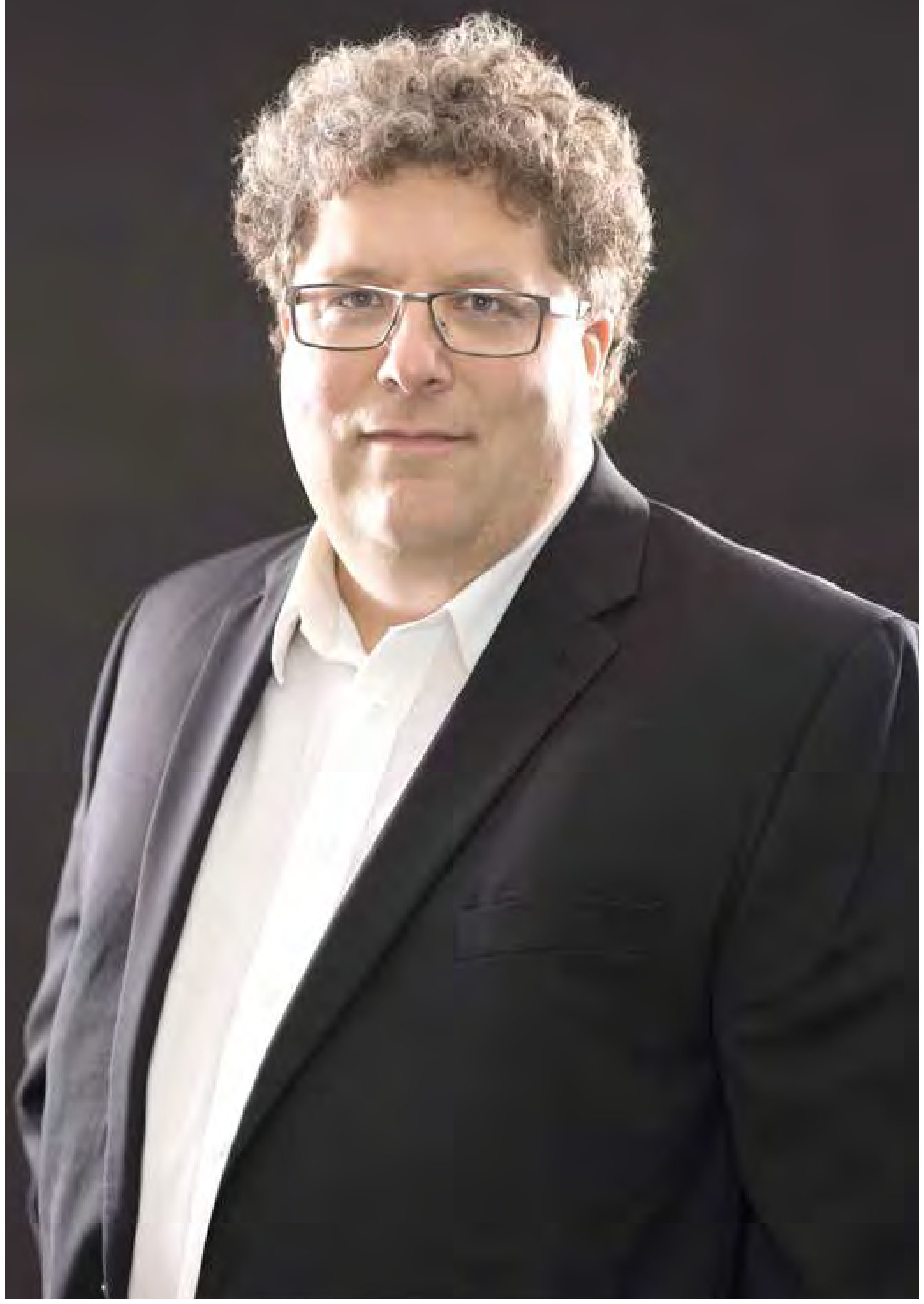
The main focus for the directors of the Fund has always been to maintain a balance between the premiums paid by policyholders, the insurance coverage and the cost of claims. Thanks to the success we have achieved year after year, we can continue to offer coverage that is better tailored to brokers while benefitting consumers in their transactions – often the most important financial decision they will make in their lives.

With this in mind, since I took office in September 2016, I also undertook to preserve the ground covered by my predecessors, which allowed the Fund to celebrate its 10th anniversary in 2016. We marked this milestone notably by unveiling a new and dynamic brand image and by taking part in a large number of events..

A challenging and stimulating process

The number of insured brokers was maintained in 2016, standing at 16,429 at the end of the year, compared to 16,438 as at December 31, 2015. During the same period, the number of claims received by the Fund decreased slightly, going from 659 in 2015 to 614 in 2016, but like last year, an increase in claim amounts was recorded. It is important to note that the **FARCIQ** awarded some $1,053,698 in indemnities in 2016.

MR. MARTIN DUPRAS
Chairman of the Board of Directors



"WE ACCOMPLISHED A LOT IN 2016 TO STAY IN TUNE WITH OUR POLICYHOLDERS"

The premium payable on May 1, 2016 for each licence category remained unchanged, i.e. $345 for real estate brokers and real estate and mortgage agencies, and $245 for brokers restricted to mortgage brokerage. In addition, since May 1, 2016, agencies are protected when a broker sells his own property.

We ended the year with an operating loss of $82,772. Thanks to the anticipated (but unrealized) return on our investments, the **FARCIQ** has a comprehensive income of $1,349,769 for fiscal year 2016. The Fund's accumulated surplus remains comfortable at $40,144,821, one of the highest insurance reserve funds in Québec. This is reassuring for our policyholders and for the public, since it means that the **FARCIQ** has the necessary resources to process, approve and settle any legitimate claim.

Another sign of the **FARCIQ**'s excellent financial health: the Fund's solvency level continues again this year above the internal target of 375%, while meeting the criteria established by the Autorité des marchés financiers (AMF) and our actuary.

Secure in our ability to control and manage risks, we have undertaken prevention efforts that will intensify in 2017.

After a decade of operation, I am proud to be able to say that our goal of offering the broadest possible coverage to our policyholders, at a fair premium, while adequately compensating the public has been achieved. Better yet, we have set down the necessary foundation to ensure that this goal will continue to be met in coming years.

2017: The importance of prevention

The increase in the number and severity of claims is a notable trend. Because we are determined to keep premiums down, this will present some challenges going forward, but we will be ready to face them. Thanks to the initial vision of its founders, the Fund has enough of a reserve fund to be able to make it through the most difficult periods.

"THE FUND'S GOOD FINANCIAL HEALTH GUARANTEES ITS ABILITY TO COMPENSATE CONSUMERS."

However, because of the relatively modest rate of return on our assets based on financial market long-range forecasts, maintaining the Fund will require diligent risk management, and this includes better prevention at the broker level.

Prevention is everything, which is why the Board of Directors has approved an action plan to setup initiatives aimed at educating brokers and preventing claims. These efforts will continue, including with the introduction of a new dynamic online continuing education activity.

We are confident that these measures will have a positive long-term impact, which it will be our challenge to gauge.

I wish to thank outgoing Chairman of the Board of Directors Michel Léonard for the professionalism he brought to the post from 2011 to 2016. His leadership and deep understanding of Fund issues allowed the FARCIQ to consolidate its assets and cement its legitimacy.

I would also like to thank all the members of the Board, especially new Vice-Chair Christiane St-Jean and Treasurer Bernard Deschamps. Their continued involvement greatly contributes to the Fund's success.

And lastly, I would like to congratulate General Manager Alain Chouinard and his team, who work closely with us in a climate of collaboration and trust.

We accomplished a lot in 2016 to stay in tune with our policyholders. The new governance implemented on the Board of Directors will allow us to maintain our momentum and our focus, and ensure that the FARCIQ can fulfil its role effectively.

The Chairman of the Board of Directors,

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

MANAGEMENT REPORT FROM THE GENERAL MANAGER

The past year was marked by new challenges for the FARCIQ team, both at the operational and the organizational levels. In addition to changes in the makeup of the Board of Directors, I was officialized in my position as General Manager in July 2016, after serving as Interim General Manager.

Proactive prevention

The year 2016 saw the implementation of proactive initiatives to promote prevention with brokers. They included:

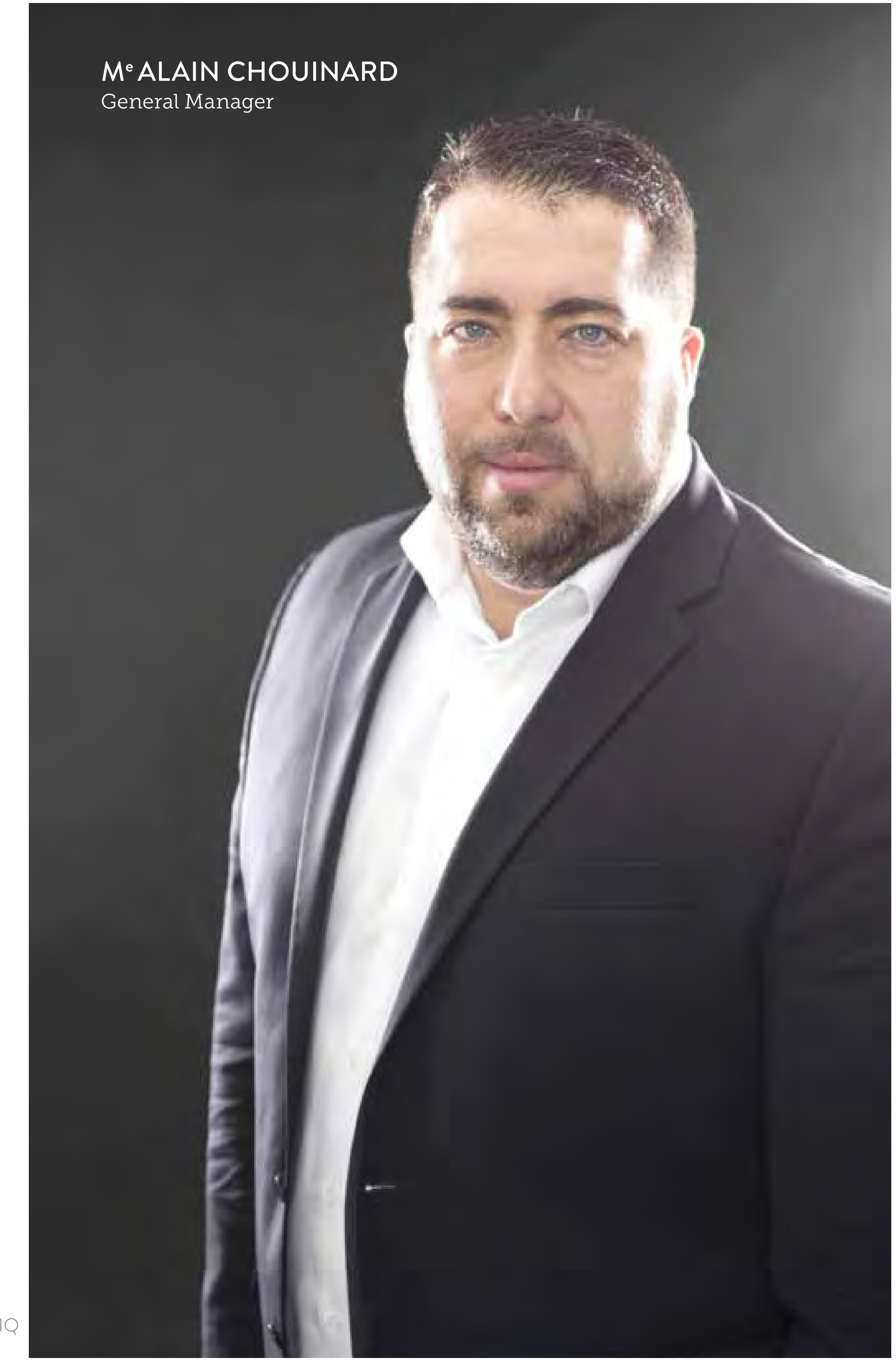
- publication of a reference guide for brokers targeted by a claim in Small Claims Court;
- ongoing dissemination of information capsules in the brokers' newsletter (PRO@CTIVE);
- increased presence at some 20 field events;
- input in the new broker's kit;
- airing of a video capsule as part of online trainings on the OACIQ website;
- development of a new online training activity.

Claims and organizational policies

The increase in the frequency and severity of claims observed in 2015 continued in 2016. There was also an increase in claim values, with more than 50 claims involving amounts in excess of $250,000.

As part of our sustained efforts to offer protection adapted to the realities of the profession, we were able to maintain at their current level the premiums payable on May 1, 2016 for all policyholder categories.

The coverage for agencies went from $2 million to $5 million this year. In addition, agencies are now covered in cases where one of their brokers sells his own property.



As a good manager, the **FARCIQ** has guarded against any unforeseen hike in the number and total value of claims by opting for an increased level of reinsurance. This allows the Fund to benefit from total reinsurance coverage of $11 million instead of $4.5 million.

Finally, this year we again reviewed and updated our organizational policies to ensure compliance with the guidelines set by the Autorité des marchés financiers. In 2016 we also added a capital management program, which is a new requirement of the AMF.

“THE PAST YEAR WAS MARKED BY NEW CHALLENGES FOR THE FARCIQ TEAM, BOTH AT THE OPERATIONAL AND THE ORGANIZATIONAL LEVELS.”

A symbolic anniversary

The year 2016 marked the **FARCIQ**’s 10th anniversary. The entire organization took part in celebrating this milestone, which solidifies the purpose of the Fund. Several staff members went out in the field and took part in numerous events where they exchanged with various real estate industry stakeholders. This initiative helped us get closer to brokers and agencies to ensure they are well informed about the services available to them.

> “WE WILL MAINTAIN OUR EFFORTS TO PROMOTE PREVENTION IN 2017.”

2017

As mentioned by our Chairman, we will maintain our efforts to promote prevention in 2017. To this end, we have developed a training activity to help licence holders prevent professional errors. In case of dispute, these recommendations will help them be better prepared to defend themselves and justify their actions.

As part of our prevention efforts we plan to hire an additional resource, so that we can provide more conferences on insurance coverages and better educate policyholders about professional liability. Prevention is an ally for brokers and agencies: it benefits everyone.

I would like to thank all **FARCIQ** Directors for their support and cooperation, and all the staff for their dedication and professionalism. Without them the Fund could not achieve the same success. Our results for 2016 show that everyone is committed to the Fund’s mission. You may be assured that we will continue to strive towards this goal in 2017.

M^e^ Alain Chouinard
General Manager, MBA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INDEPENDENT AUDITOR'S
REPORT

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

We have audited the accompanying financial statements of the Fonds d'assurance reponsabilité professionnelle du courtage immobilier du Québec (the "Fund"), which comprise the statement of financial position as at December 31, 2016 and the statements of income and comprehensive income, statement of changes in accumulated surplus and statement of cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

The financial statements of the Fund for the year ended December 31, 2015, were audited by another auditor who expressed an unmodified opinion on those statements on February 23, 2016.

PricewaterhouseCoopers LLP[1]

February 21, 2017

[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, 2016

(In Canadian dollars)

	2016	2015
	$	$
Assets		
Cash	839,901	1,199,715
Treasury bills (interest rate of 0.46%; 0.1% as at December 31, 2015) and banker's acceptance	499,400	49,954
Investments (note 4)	53,552,782	52,716,372
Investment income receivable	227,805	194,623
Premiums and other receivables (note 14)	74,875	105,139
Amounts recoverable from reinsurers for claims liabilities (note 9)	1,471,000	1,617,000
Deductibles recoverable from policyholders for claims liabilities	693,424	624,722
Prepaid expenses	21,509	33,311
Property, plant and equipment (note 7)	3,980	6,785
Intangible asset (note 8)	27,374	67,795
	57,412,050	56,615,416
Liabilities		
Accounts payable and accrued liabilities	222,965	303,108
Due to OACIQ (note 13)	3,838	17,333
Unearned premiums	1,927,002	1,931,201
Claims liabilities (note 9)	15,113,424	15,568,722
	17,267,229	17,820,364
Accumulated surplus		
Accumulated surplus, end of year	38,948,717	39,031,489
Accumulated other comprehensive income	1,196,104	(236,437)
	40,144,821	38,795,052
	57,412,050	56,615,416

Commitments (note 16)

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

Approved by the Board,

Martin Dupras
President

Bernard Deschamps
Treasurer

FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of income and comprehensive income · Year ended December 31, 2016

(In Canadian dollars)

	2016	2015
	$	$
Revenues		
Earned premiums (note 11)	5,650,999	6,066,574
Reinsurance premiums ceded (note 11)	(414,700)	(374,067)
Net earned premiums	5,236,299	5,692,507
Expenses		
Claims and loss adjustment expenses	4,209,970	3,954,517
General expenses	1,570,208	1,359,462
	5,780,178	5,313,979
Underwriting (loss) profit	(543,879)	378,528
Investment and other income (note 4)	461,107	1,272,521
Net income (loss) for the year	(82,772)	1,651,049
Other comprehensive income		
Items that will be subsequently reclassified to profit or loss		
Unrealized gain on available-for-sale securities	766,476	(631,366)
Portion reclassified to income from available-for-sale securities	666,065	(113,613)
Other comprehensive income for the year	1,432,541	(744,979)
COMPREHENSIVE INCOME	1,349,769	906,070

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

FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of changes in accumulated surplus · Year ended December 31, 2016

(In Canadian dollars)

			2016	2015
	Accumulated surplus	Accumulated other comprehensive income	Net amount	Net amount
	$	$	$	$
Balance, beginning of year	39,031,489	(236,437)	38,795,052	37,888,982
Net income (loss) for the year	(82,772)	-	(82,772)	1,651,049
Other comprehensive income	-	1,432,541	1,432,541	(744,979)
BALANCE, END OF YEAR	38,948,717	1,196,104	40,144,821	38,795,052

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

FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of cash flows · Year ended December 31, 2016

(In Canadian dollars)

	2016	2015
	$	$
Cash flows from (used in):		
Operating activities		
Net income (loss) for the year	(82,772)	1,651,049
Adjustments for:		
Amortization of property, plant and equipment	2,805	12,669
Amortization of intangible asset	40,420	40,420
Amortization of premiums and investment discounts	205,801	218,281
Loss (gain) on disposal of investments	666,065	(113,613)
Income of reinvested dividends	(339,766)	(309,653)
	492,553	1,499,153
Change in non-cash working capital items		
Investment income receivable	(33,182)	(2,048)
Premiums and other receivables	30,264	(42,878)
Prepaid expenses	11,802	(19,105)
Amounts recoverable from reinsurers for claims liabilities	146,000	(862,000)
Prepaid reinsurance	-	374,067
Deductibles recoverable from policyholders for claims liabilities	(68,702)	(151,460)
Accounts payable and accrued liabilities	(80,143)	120,367
Due to OACIQ	(13,495)	5,037
Unearned premiums	(4,199)	(364,243)
Claims liabilities	(455,298)	923,460
	(466,953)	(18,803)
Investing activities		
Acquisition of investments	(34,057,006)	(38,590,834)
Proceeds on disposal of investments	34,121,038	36,083,634
	64,032	(2,507,200)
(Decrease) increase in cash and cash equivalents during the year	89,632	(1,026,850)
Cash and cash equivalents, beginning of year	1,249,669	2,276,519
Cash and cash equivalents, end of year	1,339,301	1,249,669
Cash and cash equivalents consist of:		
Cash	839,901	1,199,715
Treasury bills and banker's acceptance	499,400	49,954
	1,339,301	1,249,669

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

FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

Notes to the financial statements · December 31, 2016

(In Canadian dollars)

1. Incorporation and nature of operations

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

2. Basis of presentation

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") in force on the date of publication. These financial statements and the accompanying notes were authorized for issue in accordance with a resolution of the Board of Directors on February 21, 2017.

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

3. Main accounting policies

Insurance contracts

Insurance contracts are contracts that, at their effective date, transfer significant insurance risk. Insurance risk is transferred when the Insurance Fund agrees to compensate a policyholder if an uncertain future event specified in the contract adversely affects the policyholder. All contracts issued by the Insurance 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 of the Insurance Fund, evaluates the adequacy of claims liabilities using appropriate actuarial techniques.

Unearned premiums

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

3. Main accounting policies (continued)

Reinsurance

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

Amounts recoverable from reinsurers are assessed in the same manner as unpaid claims and are recorded to reflect the time value of money.

Cash and cash equivalents

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

Financial instruments

Financial instruments consist of available-for-sale ("AFS") financial assets and loans and receivables.

AFS 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. AFS assets are acquired for an indefinite period and may be sold to meet liquidity requirements.

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

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

Financial liabilities at amortized cost

Financial liabilities, which are listed as accounts payable and accrued liabilities, and due to OACIQ, are measured at amortized cost.

Fair value of financial instruments

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

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

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

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

3. Main accounting policies (continued)

Revenue and expense recognition 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 earned.

Determination of 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 bid price for bonds and net asset value for mutual fund units.

Property, plant and equipment

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

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

Intangible asset

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

Impairment of long-lived assets

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

Standards issued but not yet effective

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

A. **Financial instruments: Classification and measurement**

   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 a single impairment model being applied to all financial instruments, thereby removing a source of complexity associated with previous accounting requirements.

3. Main accounting policies (continued)

Standards issued but not yet effective (continued)

A. Financial instruments: Classification and measurement (continued)

IFRS 9, as amended, introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. 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.

B. 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 the forthcoming new insurance contracts IFRS standard.

The amendments allow, but do not require, an entity that issues insurance contracts to choose between two options. The first option consists in applying a temporary exemption to continue using IAS 39 *Financial instruments: Recognition and Measurement*, rather than IFRS 9, for fiscal years beginning before January 1, 2021 if the entity has not previously applied IFRS 9 and if its predominant activities are insurance-related. The second option allows an entity to apply 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 **Insurance Fund** is currently assessing the impact of the options proposed by these amendments, which will have to be implemented. If one of the two options is selected, it shall be applied for annual periods beginning on or after January 1, 2018.

C. Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which introduces a single, comprehensive accounting model for all contracts with clients, with the exception of those falling within the scope of other standards such as financial instruments, insurance contracts and leases. IFRS 15 supersedes the two major revenue recognition standards, namely IAS 18 *Revenue* and IAS 11 *Construction Contracts* and related interpretations. The basic principle of this standard is that the recognition of a revenue must reflect the transfer of goods or services in an amount that reflects the value of the consideration received or expected to be received in exchange for such goods or services. The new standard also provides more guidance on certain types of transactions and will result in increased disclosure of revenue information.

In September 2015, the IASB issued an amendment to IFRS 15 to postpone its effective date to January 1, 2018.

3. Main accounting policies (continued)

D. Leases

In January 2016, the IASB issued IFRS 16 Leases, which will replace the current IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 introduces a single accounting model for a lessee, which requires the recognition of lease assets and liabilities for most leases on the balance sheet, eliminating the distinction between operating and finance leases. For the lessor, the distinction between operating and finance leases remains unchanged. The **Insurance Fund** is currently assessing the impact of the adoption of IFRS 16, which will be effective for annual periods beginning on or after January 1, 2019.

Significant accounting estimates and assumptions

The carrying values of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have 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 observed development of 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 bid prices for bonds and net asset value for mutual fund units.

In the absence of an active market, fair values are based on inputs other than quoted prices that are 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 of the most recent trade date subject to liquidity adjustments or average brokers' quotes when trades are too sparse to constitute an active market. Specifically, the fair value of bonds is determined by discounting 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 financial information. As for investment funds, fair value is based on their net asset value.

Certain financial instruments whose fair values are not based on observable market inputs are to 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 Insurance Fund held no Level 3 securities as at December 31, 2016. During the year, there have been no transfers of amounts between Level 1 and Level 2.

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

4. Investments (continued) · Fair value hierarchy

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

	2015		
	Level 1	Level 2	Total
	$	$	$
Provincial government bonds	-	5,647,139	5,647,139
Municipal government bonds	-	17,070,845	17,070,845
Corporate bonds	-	14,073,605	14,073,605
Investment funds	-	9,612,971	9,612,971
Preferred shares	6,311,812	-	6,311,812
	6,311,812	46,404,560	52,716,372

4. Investments (continued) · Investment maturities

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

	2015				
	Under 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
	$	$	$	$	$
Provincial government bonds	-	143,369	5,503,770	-	5,647,139
Municipal government bonds	3,754,073	12,915,858	400,914	-	17,070,845
Corporate bonds	3,148,236	8,773,264	2,152,105	-	14,073,605
Investment funds	-	-	-	9,612,971	9,612,971
Preferred shares	-	-	-	6,311,812	6,311,812
	6,902,309	21,832,491	8,056,789	15,924,783	52,716,372

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

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

	2015			
	Amortized cost	Gains	Losses	Fair value
	$	$	$	$
Provincial government bonds	5,443,805	203,995	(661)	5,647,139
Municipal government bonds	16,956,917	133,991	(20,063)	17,070,845
Corporate bonds	13,955,493	158,277	(40,165)	14,073,605
Investment funds	9,892,507	-	(279,536)	9,612,971
Preferred shares	6,704,087	20,042	(412,317)	6,311,812
	52,952,809	516,305	(752,742)	52,716,372

4. Investments (continued) · Investment and other income

	2016	2015
	$	$
Interest income	1,045,625	1,027,355
Dividend income	467,120	536,071
Amortization of premiums and discounts	(205,801)	(218,281)
Gain (loss) from disposal of investments	(666,065)	113,612
Management fees	(179,772)	(186,236)
	461,107	1,272,521

5. Additional information about financial instruments

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

Market risk

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

Currency risk

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

Interest rate risk

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

A 1% change in interest rates would result in a $418,034 decrease (increase) in investment income ($1,754,029 in 2015).

Market price risk

Stock market price risk arises from uncertainty related to the fair value of assets traded on stock markets. The Insurance Fund's investment policy limits the acquisition of 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, 2016, the Insurance Fund holds $11,749,406 in securities traded on stock markets. As a result, a 1% change in the fair value of these assets would have an impact of $117,494 on the Insurance Fund's comprehensive income.

Credit risk

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

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

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

5. Additional information about financial instruments (continued)

Maximum credit risk exposure arising from financial instruments

	2016	2015
	$	$
Cash	839,901	1,199,715
Treasury bills and banker's acceptance	499,400	49,954
Canadian, provincial and municipal government bonds	28,103,057	22,717,984
Corporate bonds	13,700,319	14,073,605
Investment funds	11,749,406	9,612,971
Preferred shares	-	6,311,812
Investment income receivable	227,805	194,623
Premiums and other receivables	74,875	105,139
Amounts recoverable from reinsurers for claims liabilities	1,471,000	1,617,000
Deductibles recoverable from policyholders for claims liabilities	693,424	624,722
	57,359,187	56,507,525

5. Additional information about financial instruments (continued)

Credit risk concentration

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

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments that are settled by delivering cash. To manage its cash flow requirements, the Insurance Fund maintains a portion of its invested assets in liquid securities. On December 31, 2016 and 2015, financial liabilities are all due in the following year.

Cash flow risk

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

Fair value

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

6. Insurance risk

Insurance risk and management

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

- Underwriting and pricing;
- Fluctuation 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 Insurance Fund's profitability tends to follow this cyclical market pattern. In addition, the Insurance Fund is at risk from changes in professional liability insurance legislation and the economic environment.

In order to properly monitor the Insurance Fund's risk appetite, annual premium pricing is established using an internal return on equity model and a risk-based capital model as published by the Autorité des marchés financiers ("AMF"). The annual premium established at $345 in 2015, was maintained at $345 in 2016 for real estate brokers and agencies and at $245 in 2016 for mortgage brokers. In addition, the limit of guarantee offered to the insured remained the same. See Note 10.

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

6. Insurance risk (continued)

B. Claims management and reinsurance

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

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

C. Sensitivity to insurance risk

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

Claims liabilities estimates are also based on various quantitative and qualitative factors, including:

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

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

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

7. Property, plant and equipment

			2016	2015
	Cost	Accumulated amortization	Net amount	Net amount
	$	$	$	$
Telephone system	22,927	22,927	-	-
Leasehold improvements	55,343	55,343	-	248
Furniture and equipment	88,090	84,110	3,980	5,897
Computer hardware	41,105	41,105	-	640
	207,465	203,485	3,980	6,785

	Additions (disposals)	Amortization	Total	Total
	$	$	$	$
Reconciliation of carrying value				
Leasehold improvements	-	247	247	248
Furniture and equipment	-	1,918	1,918	5,897
Computer hardware	-	640	640	640
	-	2,805	2,805	6,785

8. Intangible asset

			2016	2015
	Cost	Accumulated amortization	Net amount	Net amount
	$	$	$	$
Software	550,253	522,879	27,374	67,795

	Additions (disposals)	Amortization	Total	Total
	$	$	$	$
Reconciliation of carrying value				
Software	-	40,420	40,420	67,795

General and administrative expenses include amortization for the year of $20,210 ($20,210 in 2015), and the same amount of $20,210 ($20,210 in 2015), is included in claims and loss adjustment expenses.

9. Claims liabilities

Actuarial liabilities are determined to reflect the estimate of the full amount of all liabilities associated with the insurance policies at the statement of financial position date, 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 with respect to the facts and circumstances of the claims incurred.

Unpaid claims and amounts recoverable from reinsurers

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

Unpaid claims were reduced on a net basis by $345,768 as at December 31, 2016 ($357,239 in 2015) to reflect the time value of money, using an average discount rate of 1.81% (1.87% in 2015) on underlying claim settlement patterns. The provision for adverse deviations increased unpaid claims, on a net basis, by $1,071,503 as at December 31, 2016 ($935,469 in 2015).

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 were inadequate to cover these costs, the Insurance Fund would be required to recognize a corresponding liability to cover the deficiency.

Interest rate sensitivity

As the time value of money is considered in determining the unpaid claims estimate, an increase or decrease in the discount rate would result, respectively, in a decrease or increase in the expense for unpaid claims. Accordingly, a 1% increase in the discount rate would have a $202,939 negative impact on the fair value of unpaid claims as at the statement of financial position date ($210,886 as at December 31, 2015), while a 1% decrease in the discount rate would have a $210,587 positive impact on the fair value of unpaid claims as at the statement of financial position date ($218,616 as at December 31, 2015).

Prior-year claims development

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
	$	$	$	$	$	$	$	$		$
As at end of underwriting year	6,526,460	6,562,559	6,673,910	6,073,405	5,608,678	5,283,626	4,749,235	5,407,964	4,615,194	
One year later	7,023,718	6,424,801	6,033,124	4,671,308	4,468,644	4,069,840	4,607,025	5,439,827		
Two years later	5,651,971	4,772,070	4,790,220	4,077,761	4,144,194	3,301,052	4,552,032			
Three years later	4,585,239	3,220,954	4,076,860	3,245,717	3,543,060	3,288,660				
Four years later	3,439,944	2,761,601	3,660,691	3,125,725	3,551,053					
Five years later	3,073,062	2,428,397	3,509,608	3,247,652						
Six years later	2,976,026	2,578,027	3,278,447							
Seven years later	2,928,464	2,404,905								
Eight years after	2,926,892									
Ultimate incurred claims estimate	2,926,892	2,404,905	3,278,447	3,247,652	3,551,053	3,288,660	4,552,032	5,439,827	4,615,194	33,304,662
Paid claims	2,926,892	2,397,888	3,158,637	2,844,843	2,894,878	2,083,247	2,491,353	2,050,634	596,836	21,445,208
Unpaid claims	-	7,017	119,810	402,809	656,175	1,205,413	2,060,679	3,389,193	4,018,358	11,859,454
Prior years										
Effect of discounting and margins										1,134,322
Other										1,426,224
FINAL UNPAID CLAIMS										14,420,000

Note: These amounts exclude $693,424 in deductibles recoverable from policyholders for claims liabilities.

9. Claims liabilities (continued) · Movement of net claims liabilities

	2016			2015		
	Direct claims liabilities	Ceded claims liabilities	Net claims liabilities	Direct claims liabilities	Ceded claims liabilities	Net claims liabilities
	$	$	$	$	$	$
			(In thousands of dollars)			
Balance, beginning of year	14,944	1,617	13,327	14,172	755	13,417
Changes in estimated losses and expenses for claims incurred in prior years	(1,740)	(146)	(1,594)	(2,925)	(565)	(2,360)
Losses and expenses on claims incurred in the current year	5,894	-	5,894	7,631	1,427	6,204
Less recoveries received (amounts paid) in respect of incurred claims						
During the current year	(896)	-	(896)	(765)	-	(765)
During prior years	(3,782)	-	(3,782)	(3,169)	-	(3,169)
BALANCE, END OF YEAR	14,420	1,471	12,949	14,944	1,617	13,327

Note: This table excludes $693,424 in deductibles recoverable from policyholders for claims liabilities ($624,722 in 2015).

10. Reinsurance

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

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

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

The reinsurance offers $11,000,000 in overall annual coverage in excess of Insurance Fund retention of $6,000,000, between January 1, 2016 and January 1, 2017.

11. Net earned premiums

	2016	2015
	$	$
Earned premiums	5,650,999	6 066,574
Reinsurance premiums written	-	-
Change in unearned reinsurance premiums	414,700	374,067
Reinsurance premiums ceded	414,700	374,067
Net earned premiums	5 236,999	5 692,507

No allowance for doubtful accounts was deducted from net earned premiums in 2016 and 2015 determined by 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 insured is not actually covered until OACIQ receives the premium, and therefore no allowance is required.

12. Capital required

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

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

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

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

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

	2016	2015
	$	$
Capital available	40,154	38,656
Capital required	5,475	4,479
Excess of capital available over capital required	34,679	34,177
MCT (as a %)	733,41%	863,05%

13. Transactions with the OACIQ

By various agreements with OACIQ, the Insurance Fund received certain management services and provided sponsorship, totaling $143,287 ($122,877 in 2015), in addition to rent expenses of $104,117 ($91,669 in 2015). To these amounts are added other paid expenses totaling $239,745 ($35,921 in 2015). These transactions were concluded in the normal course of business and measured at the value agreed between parties. As at December 31, 2016, an amount of $3,838 is payable ($17,333 in 2015) in connection with these transactions. Premiums and other receivables include an amount of $9,715 ($12,684 in 2015) for the premiums collected by the OACIQ on behalf of the Insurance Fund.

14. Premiums and other receivables

	2016	2015
	$	$
Deductibles receivable	64,826	75,323
Premiums receivable	9,715	12,684
Other accounts receivable	334	17,132
	74,875	105,139

15. Compensation of key executive officers

Key executive officers consist of all members of the Board of Directors and the executive officers of the Insurance Fund. Total compensation for 2016 amounted to $290,263 ($412,241 for 2015).

16. Commitments

The Insurance Fund is committed under a subletting arrangement with the OACIQ to make sublease payments in accordance with a lease expiring in July 2020. Future minimum payments under the contract totalling $219,039 are as follows:

	$
2017	61,127
2018	61,127
2019	61,127
2020	35,658


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EXPRESSION OF OPINION

I have valued the policy liabilities and reinsurance recoverable of Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec for its statement of financial position at December 31, 2016 and their change in the statement of income for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods

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

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

Eckler

Claim Liabilities ($'000)	Carried in Annual Return ($'000)	Actuary's estimate ($'000)
(1) Direct unpaid claims and adjustment expenses	14,420	14,420
(2) Assumed unpaid claims and adjustment expenses	0	0
(3) Gross unpaid claims and adjustment expenses (1) + (2)	14,420	14,420
(4) Gross unpaid claims and adjustment expenses	1,471	1,471
(5) Other recoverables on unpaid claims	693	693
(6) Other recoverables on unpaid claims	693	693
(7) Other recoverables on unpaid claims (3) – (4) – (5) + (6)	12,949	12,949

Premium liabilities ($'000)	Carried in Annual Return (col. 1) ($'000)	Actuary's estimate (col. 2) ($'000)
(1) Gross unearned premium liabilities		1,854
(2) Net unearned premium liabilities		1,966
(3) Gross unearned premiums	1,927	
(4) Net unearned premiums	1,927	
(5) Premium deficiency	39	39
(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 14, 2017
Date opinion was rendered

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