ANNUAL REPORT 2017

FARCIQ

Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec

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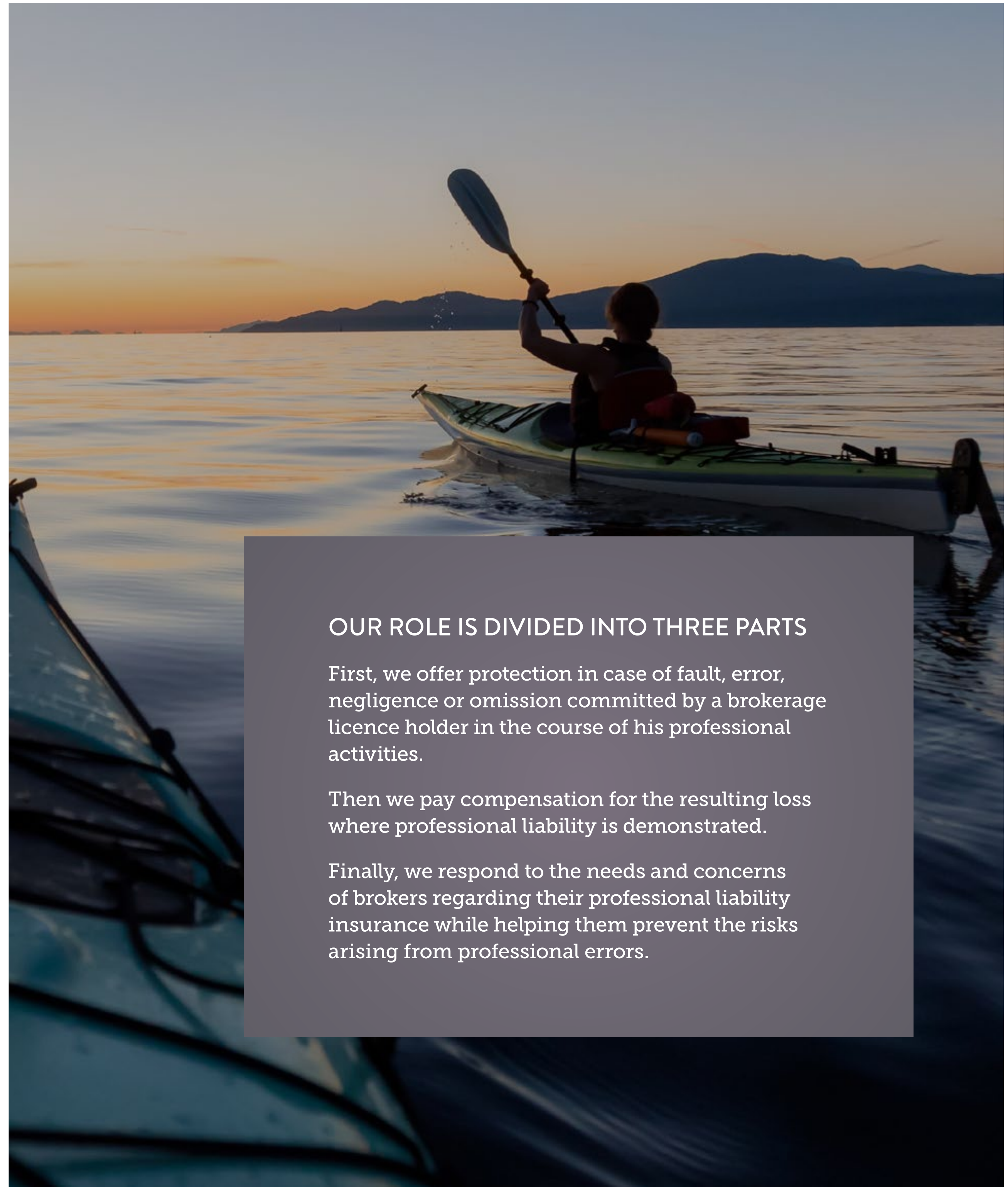
OUR MISSION

Protect our policyholders’ assets through professional liability insurance.



OUR ROLE IS DIVIDED INTO THREE PARTS

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

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

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

FARCIQ DIRECTORS

As at December 31, 2017

CHAIRMAN OF THE BOARD OF DIRECTORS

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

VICE-CHAIR OF THE BOARD OF DIRECTORS

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

TREASURER

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

DIRECTORS

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

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

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

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

FROM LEFT TO RIGHT:

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

Seated:
Bernard Deschamps
Martin Dupras
Christiane St-Jean


Assisting

MARTIN DUPRAS
Chairman of the Board of Directors
FARCIQ

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

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

Stability and strength

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

Strict management

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

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

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

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

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

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

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

The Chairman of the Board of Directors,

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

MANAGEMENT REPORT FROM **THE GENERAL MANAGER**

FARCIQ: A committed and engaged insurer

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

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

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

Prevention

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

The year 2017 was proactive and loaded with projects:

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

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

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

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

General Manager

Me Alain Chouinard, MBA

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


Preventing

INDEPENDENT AUDITOR'S

REPORT

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2500
Montréal, Quebec
H3B 4Y1
Tel.: +1 514 205-5000 • Fax: +1 514 876-1502
https://www.pwc.com/ca/en

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

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

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

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

February 20, 2018

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

FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of Financial Position – As at December 31, 2017

(expressed in Canadian dollars)

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

Commitments (note 16)

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

Approved by the Board of Directors

Martin Dupras
Chairman

Bernard Deschamps
Treasurer

FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

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

(expressed in Canadian dollars)

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

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

FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

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

(expressed in Canadian dollars)

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

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

FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

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

(expressed in Canadian dollars)

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

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

FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

Notes to Financial Statements · December 31, 2017

(expressed in Canadian dollars)

1. Incorporation and nature of operations

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

2. Basis of presentation

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

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

3. Main accounting policies

Insurance contracts

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

Claims liabilities

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

Unearned premiums

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

3. Main accounting policies (continued)

Reinsurance

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

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

Cash and cash equivalents

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

Financial instruments

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

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

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

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

Financial liabilities at amortized cost

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

Fair value of financial instruments

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

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

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

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

Recognition of revenues and expenses related to financial instruments

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

3. Main accounting policies (continued)

Determination of the fair value of financial instruments

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

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

Property, plant and equipment

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

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

Intangible assets

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

Impairment of long-lived assets

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

Standards issued but not yet effective

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

A. IFRS 9, "Financial Instruments"

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

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

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

3. Main accounting policies (continued)

Standards issued but not yet effective (continued)

B. IFRS 4, "Insurance Contracts"

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

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

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

C. IFRS 17, "Insurance Contracts"

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

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

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

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

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

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

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

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

3. Main accounting policies (continued)

Standards issued but not yet effective (continued)

E. IFRS 16, *"Leases"*

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

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

Significant accounting estimates and assumptions

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

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

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

4. Investments

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

4. Investments (continued)

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

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

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

4. Investments (continued) · Fair value hierarchy

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

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

4. Investments (continued) · Investment maturities

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

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

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

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

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

4. Investments (continued) · Investment and other income

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

5. Additional information on financial instruments

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

Market risk

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

Currency risk

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

Interest rate risk

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

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

Market price risk

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

Credit risk

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

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

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

5. Additional information on financial instruments (continued)

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

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

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

5. Additional information on financial instruments (continued)

Maximum credit risk exposure arising from financial instruments

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

5. Additional information on financial instruments (continued)

Credit risk concentration

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

Liquidity risk

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

Cash flow risk

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

Fair value

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

6. Insurance risk

Insurance risk and management

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

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

A. **Underwriting**

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

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

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

6. Insurance risk (continued)

B. **Claims management and reinsurance**

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

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

C. **Sensitivity to insurance risk**

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

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

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

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

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

7. Property, plant and equipment

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

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

8. Intangible assets

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

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

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

9. Claims liabilities

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

Unpaid claims and amounts recoverable from reinsurers

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

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

Unearned premiums

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

Interest rate sensitivity

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

Prior-year claims development

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

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

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

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

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

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

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

10. Reinsurance

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

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

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

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

11. Net earned premiums

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

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

12. Capital required

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

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

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

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

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

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

13. Transactions with the OACIQ

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

14. Premiums and other receivables

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

15. Compensation of key executive officers

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

16. Commitments

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

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


Assessing

EXPRESSION OF OPINION

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

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

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

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

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

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

Xavier Bénarosch, FCAS, FICA

February 13, 2018
Date opinion was rendered

Eckler

OACIQ
ORGANISME D'AUTORÉGLEMENTATION
DU COURTAGE IMMOBILIER DU QUÉBEC

4905 Lapinière Blvd., Suite 2200
Brossard (Québec) J4Z 0G2
T 450-462-9800 or 1-800-440-7170
F 450-676-7801

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