FARCIQ

ANNUAL REPORT

2014

FARCIQ

Fonds d'assurance responsabilité professionnelle
du courtage immobilier du Québec

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FARCIQ

OUR MISSION

Protect our policyholders' assets through professional liability insurance.

Membership in the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec *is mandatory. All real estate and mortgage brokerage agencies and brokers who are duly licensed by the* OACIQ *are covered by professional liability insurance for faults, errors, negligence or omissions committed in the course of their professional activities.*

From left to right:
Christine Lemieux, Bernard Deschamps, Martin Dupras,
Michel Léonard, Louis-Georges Pelletier, Brigitte Corbeil,
Xavier Lecat, Marc Simard and Christiane St-Jean
Absent from photo: Albert Arduini

FARCIQ DIRECTORS

as at December 31, 2014[1]

Chairman of the Board of Directors

Me Michel Léonard
Lawyer and Chartered Real Estate Broker
President of BTB Real Estate Investment Trust

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

Vice-Chair of the Board of Directors and Treasurer

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

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

Directors

Mr. Albert Arduini, T.P., CIP
Manager, Building Inspection and Expertise Risk Management Services Inc.

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

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

Member of the Audit Committee

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

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 Prevention and Claims Committee

Mr. Louis-Georges Pelletier, AIAC
General Insurance Broker

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

Me Marc Simard
Partner, Bélanger Sauvé

Chair of the Ethics Committee,
Member of the Governance Committee

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

Member of the Ethics Committee

[1] Me Yves Cousineau was also a director for a part of 2014

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Me MICHEL LÉONARD
Chairman of the Board of Directors

We are pleased to provide you with the financial results of the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (FARCIQ) for the year ending December 31, 2014. During the financial year, the Fund saw the number of policyholders drop from 17,998 to 16,845, which combined with a reduction in the insurance premium amount, caused a small drop in revenues. The number of claims received by the Fund during the same period increased, from 511 in 2013 to 583 in 2014.

"ALWAYS ATTENTIVE TO ITS POLICYHOLDERS' NEEDS."

The year 2014 was also marked by the closing of the last claim held over from the 2006-2007 policy year, the first year the Fund operated. During the last year, the Fund closed 625 files. Insurance coverage remained the same, i.e., $1 million per claim and $2 million per insurance period. On May 1, 2014, the Fund reduced the insurance premium, from $420 to $395.

The 2014 financial year ended with operating earnings of $2,979,708, which brings the accumulated surplus of the Fund to $37,380,440. The Fund's solvency level is above the target of 375% and meets the criteria established by the Autorité des marchés financier and by our actuary. This confirms the excellent financial health of the Fund.

Decrease and adjustment of the insurance premium

Thanks to the accumulated surplus of the Fund, sound claims management and the efforts made by its directors and managers, the insurance premium for real estate brokers and agencies holding a valid licence from the OACIQ, will drop on May 1, 2015 from $395 to $345. This is the fourth consecutive decrease of the premium.

Another innovation for next year: Based on our experience with regard to claims and in response to the requests of some policyholders made at the 2014 OACIQ Annual General Meeting, the premium for mortgage brokers with restricted practice will be adjusted as of May 1, 2015 with the amount dropping from $395 to $245.

Enhancement of the insurance policy coverage

Always attentive to its policyholders' needs, the FARCIQ, in consultation with the OACIQ Board of Directors, has revised the liability insurance policy. This revision has led to improved coverage regarding mould, pollutants, and anti-pollution measures claims. Details about certain elements have also been added. One of the amendments now provides that policyholders can benefit from sub-limit coverage of $25,000 per claim, up to $100,000 per insurance period for claims eligible for this.

On the administrative level, Me Yves Cousineau chose not to seek another mandate on the Board of Directors. I would like to thank him for his contribution to the different projects completed during the last three years as Board member and President of the Ethics Committee. I would also like to underline the arrival of Me Marc Simard, who replaced Me Cousineau as of last September and who has already proved to be a great addition to the Board of Directors and the Fund's Ethics Committee.

"FOURTH CONSECUTIVE DECREASE OF THE PREMIUM"

In closing, I would like to thank the members of the Fund's Board of Directors, as well as the General Manager and her entire team for their ongoing contribution and availability.

Chairman of the Board of Directors,

Me Michel Léonard

MANAGEMENT REPORT – MESSAGE FROM THE GENERAL MANAGER

BRIGITTE CORBEIL, MBA, ASC
General Manager

In 2014, FARCIQ's general management established several administrative objectives, leading to a series of analyses and revisions.

Review of the insurance policy

The first objective was established in response to the concerns that brokers raised during various meetings regarding changes to the insurance policy. The result of the analyses made included the clarification of certain exclusion terms that were more implicit, and the addition of a coverage related to risks of pollution and mould to the guarantee. Since 2008, certain terms of the coverage have been offering a guarantee which was limited to lawyer and expert fees. Good news: as of May 1, 2015, claims under this coverage will be accepted up to an amount of $25,000 with no limits for lawyer and expert fees.

In addition to this very good news for policyholders, premium has been adjusted according to field of practice. At the OACIQ AGM 2014, policyholders asked that the insurance premium be adjusted in light of various criteria. While not all proposed criteria produced convincing results, the frequency and level of gravity of mortgage broker claims being lower allow us to reduce their premium. Consequently, the premium has been reduced, from $395 to $345 for real estate and mortgage agencies and real estate brokers, and from $395 to $245 for mortgage brokers.

"COLLECTIVE EFFORT MUST FOCUS ON PREVENTION"

Organizational policies

Another important achievement in 2014 was the establishment of a framework to monitor the various policies related to AMF guidelines. At the same time, all Fund policies were reviewed in order to maintain or improve their compliance. This rigorous effort affected about twenty policies, approved by their respective committees, i.e., governance, audits, ethics, investments and prevention and claims. The *Administrator's Manual* was also completely revamped.

In addition to administrative management, FARCIQ is also concerned with the profession's sound practices and reminds its policyholders that a collective effort must focus on prevention and reduction of the risk of claims. We would like to congratulate everyone who worked on this objective and invite the rest of you to join us.

FARCIQ analysts are available to answer your questions, at no cost.

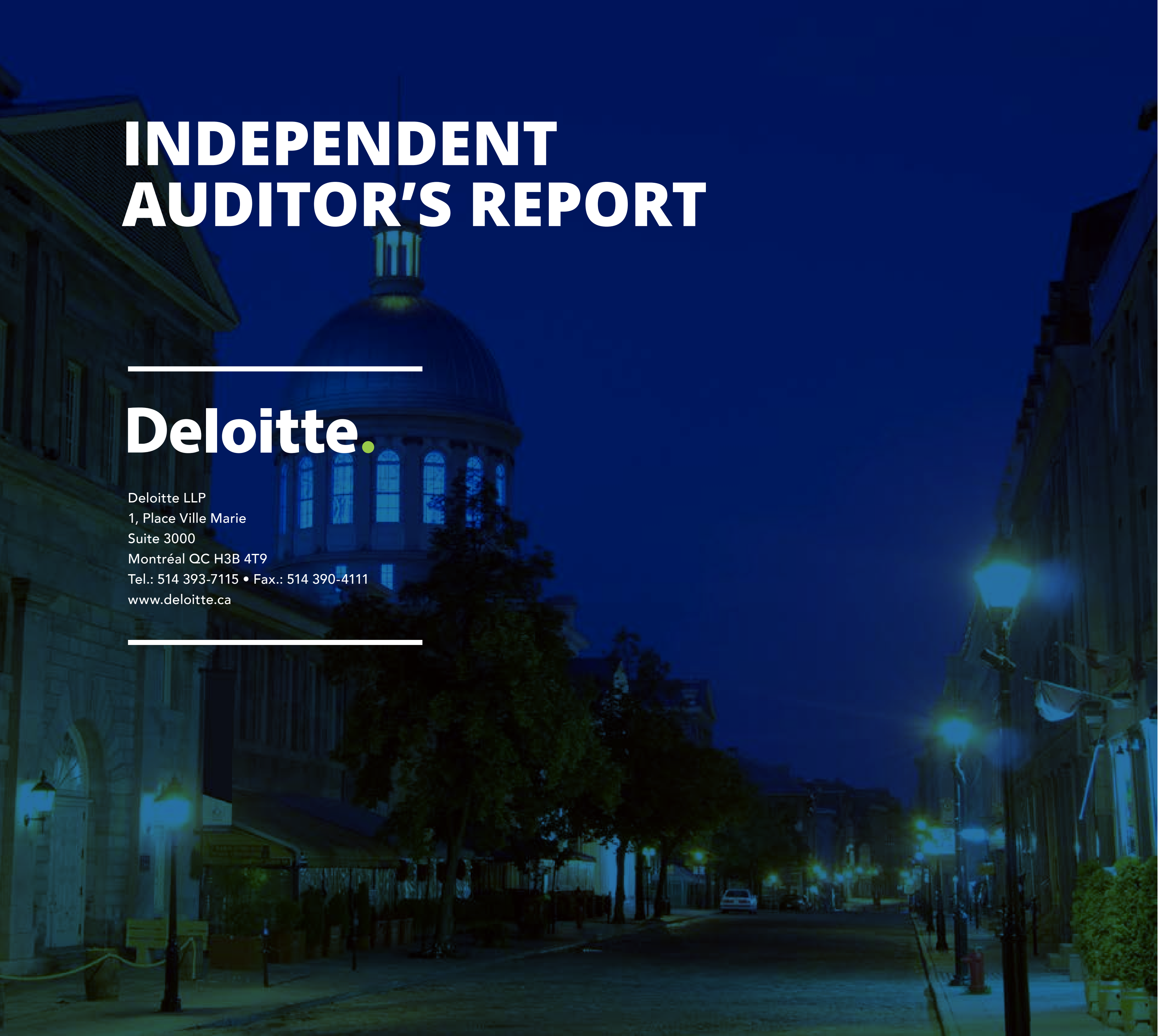
"FARCIQ ANALYSTS ARE AVAILABLE TO ADDRESS THE CONCERNS OF POLICYHOLDERS**"**

I would like to take this opportunity to thank FARCIQ Board members for their support and great cooperation. I would also like to congratulate all FARCIQ employees for their commitment to our policyholders, their loyalty, and the excellence of their work.

General Manager,

Brigitte Corbeil, MBA, ASC

PREVENTION



INDEPENDENT AUDITOR'S REPORT

Deloitte.

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TO THE 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 (FARCIQ), which comprise the statement of financial position as at December 31, 2014, and the statement of comprehensive income, statement of changes in accumulated surplus, and statement of cash flows for the year then ended, and 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 FARCIQ as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte LLP[1]

February 24, 2015

[1] CPA auditor, CA, public accountancy permit No. A116933

FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of comprehensive income · Year ended December 31, 2014

(In Canadian dollars)

	2014	2013
	$	$
Insurance operations		
Premiums earned (note 11)	6,974,916	7,946,885
Reinsurance premiums ceded (note 11)	(442,085)	(491,607)
Net earned premiums	6,532,831	7,455,278
Claims and loss adjustment expenses	3,580,703	1,801,311
General and administrative expenses	1,338,054	2,024,850
Total claims and expenses	4,918,757	3,826,161
Underwriting profit	1,614,074	3,629,117
Investment and other income (note 4)	1,365,634	1,213,246
Income for the year	2,979,708	4,842,363
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss		
Unrealized (loss) gain on available-for-sale securities	1,112,022	(927,102)
Portion reclassified to income from available-for-sale securities	(10,060)	(62,397)
Other comprehensive income for the year	1,101,962	(989,499)
COMPREHENSIVE INCOME	4,081,670	3,852,864

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, 2014

(In Canadian dollars)

			2014	2013
	Accumulated surplus	Accumulated other comprehensive income	Total	Total
	$	$	$	$
Balance, beginning of year	34,400,732	(593,420)	33,807,312	29,954,448
Income for the year	2,979,708	-	2,979,708	4,842,363
Other comprehensive income	-	1,101,962	1,101,962	(989,499)
BALANCE, END OF YEAR	37,380,440	508,542	37,888,982	33,807,312

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

FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of financial position as at December 31, 2014

(In Canadian dollars)

	2014	2013
	$	$
Assets		
Cash	1,468,323	1,270,966
Treasury bills (interest rate of 1.88% in 2014 (0.89% in 2013))	808,196	349,398
Investments (note 4)	50,749,166	47,278,143
Investment income receivable	192,575	185,223
Premiums and other receivables (note 14)	62,261	42,055
Amounts recoverable from reinsurers for claims liabilities (note 9)	755,000	2,394,000
Deductibles recoverable from policyholders for claims liabilities	473,262	397,984
Prepaid reinsurance	374,067	255,052
Prepaid expenses	14,206	36,761
Property, plant and equipment (note 7)	19,454	34,887
Intangible asset (note 8)	108,215	132,622
	55,024,725	52,377,091
Liabilities		
Accounts payable and accrued liabilities	182,741	151,464
Due to OACIQ (note 13)	12,296	15,929
Unearned premiums	2,295,444	2,528,148
Claims liabilities (note 9)	14,645,262	15,874,238
	17,135,743	18,569,779
Commitments (note 16)		
Accumulated surplus		
Accumulated surplus, end of year	37,380,440	34,400,732
Accumulated other comprehensive income	508,542	(593,420)
	37,888,982	33,807,312
	55,024,725	52,377,091

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

Approved by the Board of Directors

Michel Léonard
Chairman of the board of directors

Martin Dupras
Treasurer

FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of cash flows · Year ended December 31, 2014

(In Canadian dollars)

	2014	2013
	$	$
Operating activities		
Income for the year	2,979,708	4,842,363
Adjustments for:		
Amortization of property, plant and equipment	20,948	30,923
Amortization of intangible asset	39,374	36,666
Amortization of premiums and investment discounts	64,225	144,243
Gain on disposal of investments	(10,060)	(62 397)
Income of reinvested dividends	(281,138)	(293,562)
	2,813,057	4,698,236
Change in non-cash working capital items		
Investment income receivable	(7,352)	(14 037)
Premiums and other receivables	(20,206)	84,391
Prepaid expenses	22,555	1,381
Amounts recoverable from reinsurers for claims liabilities	1,639,000	181,000
Prepaid reinsurance	(119,015)	(18 497)
Deductibles recoverable from policyholders for claims liabilities	(75,278)	130,643
Accounts payable and accrued liabilities	31,277	58,227
Due to OACIQ	(3,633)	(233,863)
Unearned premiums	(232,704)	(495 118)
Claims liabilities	(1,228,976)	(1 847,266)
	2,818,725	2 545,097
Investing activities		
Acquisition of investments	(33,816,568)	(40 164 328)
Proceeds on disposal of investments	31,674,480	39 102,087
Additions to property, plant and equipment	(5,515)	(7 687)
Additions to intangible asset	(14,967)	-
	(2,162,570)	(1 069,928)
Increase in cash and cash equivalents	656,155	1 475,169
Cash and cash equivalents, beginning of year	1,620,364	145,195
Cash and cash equivalents, end of year	2,276,519	1 620,364
Cash and cash equivalents consist of:		
Cash	1,468,323	1 270,966
Treasury bills	808,196	349,398
	2,276,519	1 620,364

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, 2014

(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 (the "FARCIQ" or "Insurance Fund") was incorporated by Québec's self-regulatory body for real estate brokers, the Organisme d'autoréglementation du courtage immobilier du Québec (the "OACIQ"). The OACIQ obtained its insurer permit on July 4, 2006, and the Insurance Fund commenced its operations on July 21, 2006. Its mission is to provide professional liability insurance for all agencies, real estate brokers 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"), as issued by the International Accounting Standards Board ("IASB"). These financial statements and the accompanying notes were authorized for issue in accordance with a resolution of the Board of Directors on February 24, 2015.

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

3. 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. 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 are recorded separately from estimated amounts payable for claims.

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 and treasury bills that, at purchase, have a maturity of three months or less from the acquisition date by. 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. 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 that are not based on observable market data.

3. 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 on initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received.

Subsequent to initial recognition, the fair values are determined based on available information. The fair value of financial instruments is based on ask prices.

Property, plant and equipment
Property, plant and equipment are recorded at cost less accumulated amortization. Asset costs are amortized using rates established over the estimated life of the assets, using the straight-line method over the following periods:

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.

Application of new standards
On January 1, 2014, Insurance Fund adopted the amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities. These amendments clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement". The retrospective application of this standard has no impact on the financial statements.

3. Accounting policies (continued)

Standards issued but not yet effective

The Insurance Fund is currently analyzing the impact that the following standards will have on its financial statements:

Financial instruments: Classification and measurement

On July 25, 2014, the 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.

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 from when financial instruments are first recognized and to recognize full lifetime expected losses on a more timely basis.

The amendments to IFRS 9 are effective for annual periods beginning on January 1, 2018. Earlier adoption is permitted..

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 and the fair values of financial liabilities are based on ask prices.

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 in the same instrument nor based on available market data [Level 3]. The Insurance Fund held no Level 3 securities as at December 31, 2014.

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

	2014		
	Level 1	Level 2	Total
	$	$	$
Provincial government bonds	-	12,094,548	12,094,548
Municipal government bonds	-	13,840,351	13,840,351
Corporate bonds	-	11,117,184	11,117,184
Investment funds	-	9,664,066	9,664,066
Preferred shares	4,033,017	-	4,033,017
	4,033,017	46,716,149	50,749,166

	2013		
	Level 1	Level 2	Total
	$	$	$
Provincial government bonds	-	9,669,611	9,669,611
Municipal government bonds	-	11,402,400	11,402,400
Corporate bonds	-	13,482,709	13,482,709
Investment funds	-	9,295,173	9,295,173
Preferred shares	3,428,250	-	3,428,250
	3,428,250	43,849,893	47,278,143

4. Investments (continued) · Investment maturities

	2014				
	Under 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
	$	$	$	$	$
Provincial government bonds	-	8,006,190	4,088,358	-	12,094,548
Municipal government bonds	4,296,881	9,543,470	-	-	13,840,351
Corporate bonds	1,221,551	7,782,050	2,113,583	-	11,117,184
Investment funds	-	-	-	9,664,066	9,664,066
Preferred shares	-	-	-	4,033,017	4,033,017
	5,518,432	25,331,710	6,201,941	13,697,083	50,749,166

	2013				
	Under 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
	$	$	$	$	$
Provincial government bonds	-	6,914,187	2,755,424	-	9,669,611
Municipal government bonds	2,465,893	8,936,507	-	-	11,402,400
Corporate bonds	1,510,194	9,407,785	2,564,730	-	13,482,709
Investment funds	-	-	-	9,295,173	9,295,173
Preferred shares	-	-	-	3,428,250	3,428,250
	3,976,087	25,258,479	5,320,154	12,723,423	47,278,143

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

	2014			
	Amortized cost	Gains	Losses	Fair value
	$	$	$	$
Provincial government bonds	11,771,444	323,104	-	12,094,548
Municipal government bonds	13,715,868	125,138	(655)	13,840,351
Corporate bonds	10,997,315	132,755	(12,886)	11,117,184
Investment funds	9,676,858	-	(12,792)	9,664,066
Preferred shares	4,079,139	43,271	(89,393)	4,033,017
	50,240,624	624,268	(115,726)	50,749,166

	2013			
	Amortized cost	Gains	Losses	Fair value
	$	$	$	$
Provincial government bonds	9,666,957	23,083	(20,429)	9,669,611
Municipal government bonds	11,312,605	153,300	(63,505)	11,402,400
Corporate bonds	13,367,785	133,592	(18,668)	13,482,709
Investment funds	9,879,250	-	(584,077)	9,295,173
Preferred shares	3,644,966	7,053	(223,769)	3,428,250
	47,871,563	317,028	(910,448)	47,278,143

4. Investments (continued) · Investment and other income

	2014	2013
	$	$
Interest income	1,013,278	974,330
Dividend income	448,281	486,552
Amortization of premiums and discounts	(64,225)	(144,243)
Gain from disposal of investments	10,060	62,397
	1,407,394	1,379,036
Investment management and custody fees	167,760	165,790
Investment income	1,239,634	1,213,246
Other income	126,000	-
INVESTMENT AND OTHER INCOME	1,365,634	1,213,246

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 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 negatively impact the financial position of the Insurance Fund, which occurs when market interest rates rise.

The following table details the interest rate risk exposure. The financial instruments appearing in the statement of financial position are displayed according to the earlier of their maturity and their rate adjustment date. The effective interest rates, if any, are the current market rates for the overall bond portfolio.

5. Additional information about financial instruments (continued)

Financial instrument interest rates by maturity

2014	Floating rate	Under 12 months	1 to 5 years	Over 5 years
	%	%	%	%
Assets				
Fixed-income securities	-	1.75 to 5.02	1.42 to 5.80	2.85 to 5.54
Reinsurance and deductibles	-	1.95	1.95	1.95
Liabilities				
Claims liabilities	-	1.95	1.95	1.95

2013	Floating rate	Under 12 months	1 to 5 years	Over 5 years
	%	%	%	%
Assets				
Fixed-income securities	-	1.35 to 5.74	1.00 to 5.80	2.85 to 5.54
Reinsurance and deductibles	-	2.21	2.21	2.21
Liabilities				
Claims liabilities	-	2.21	2.21	2.21

A 1% change in interest rates would result in a $1,588,417 decrease (increase) in investment income ($1,536,329 in 2013).

Credit risk

Credit risk is the risk that a party to a financial instrument cause a financial loss for the Insurance Fund by failing to discharge an obligation. Credit risk arises primarily from fixed-income securities, which comprise substantially all 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 issues 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+ as at August 6, 2014. The Insurance Fund uses AM Best ratings agency.

5. Additional information about financial instruments (continued)

Maximum credit risk exposure arising from financial instruments

	2014	2013
	$	$
Cash	1,468,323	1,270,966
Treasury bills	808,196	349,398
Canadian, provincial and municipal government bonds	25,934,899	21,072,011
Corporate bonds	11,117,184	13,482,709
Investment funds	9,664,066	9,295,173
Preferred shares	4,033,017	3,428,250
Investment income receivable	192,575	185,223
Premiums receivable	62,261	42,055
Amounts recoverable from reinsurers for claims liabilities	755,000	2,394,000
Deductibles recoverable from policyholders for claims liabilities	473,262	397,984
TOTAL	54,508,783	51,917,769

Credit risk concentration

Concentration of credit risk exists where a number of borrowers or counterparties are 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.

5. Additional information about financial instruments (continued)

Debt securities by industry

	2014	2013
	%	%
Federal, provincial and municipal governments – Canada	69.94	69.44
Financials	21.14	18.50
Industrials	3.14	3.31
Energy	1.71	2.28
Infrastructure	1.32	2.38
Real estate	1.81	3.11
Telecommunication	0.94	0.98
	100.00	100.00

Liquidity risk

Liquidity risk is the risk that an entity 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, 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 1st 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 $420 in 2013, was decreased to $395 in 2014. However, 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.

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.

6. Insurance risk (continued)

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 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

	2014		
	Cost	Accumulated amortization	Carrying value
	$	$	$
Telephone system	22,927	22,927	-
Leasehold improvements	55,343	48,228	7,115
Furniture and equipment	88,090	79,803	8,287
Computer hardware	41,105	37,053	4,052
TOTAL	207,465	188,011	19,454

	Carrying value December 31, 2013	Additions/ (disposals)	Amortization	Carrying value December 31, 2014
	$	$	$	$
Reconciliation of carrying value				
Telephone system	-	-	-	-
Leasehold improvements	18,184	-	11,069	7,115
Furniture and equipment	5,494	5,515	2,722	8,287
Computer hardware	11,209	-	7,157	4,052
TOTAL	34,887	5,515	20,948	19,454

7. Property, plant and equipment (continued)

	2013		
	Cost	Accumulated amortization	Carrying value
	$	$	$
Telephone system	22,927	22,927	-
Leasehold improvements	55,343	37,159	18,184
Furniture and equipment	82,575	77,081	5,494
Computer hardware	41,105	29,896	11,209
TOTAL	201,950	167,063	34,887

	Carrying value December 31, 2012	Additions/ (disposals)	Amortization	Carrying value December 31, 2013
	$	$	$	$
Reconciliation of carrying value				
Telephone system	4,458	-	4,458	-
Leasehold improvements	29,253	-	11,069	18,184
Furniture and equipment	11,907	-	6,413	5,494
Computer hardware	12,505	7,687	8,983	11,209
TOTAL	58,123	7,687	30,923	34,887

8. Intangible asset

			2014	2013
	Cost	Accumulated amortization	Carrying value	Carrying value
	$	$	$	$
Software	550,253	442,038	108,215	132,622

	Carrying value December 31, 2013	Additions/ (disposals)	Amortization	Carrying value December 31, 2014
	$	$	$	$
Reconciliation of carrying value				
Software	132,622	14,967	39,374	108,215

General and administrative expenses include amortization for the year of $21,656 ($20,662 in 2013), and $17,718 ($16,004 in 2013), included in claims and loss adjustment expenses.

	Carrying value December 31, 2012	Additions/ (disposals)	Amortization	Carrying value December 31, 2013
	$	$	$	$
Reconciliation of carrying value				
Software	169,288	-	36,666	132,622

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 $386,434 as at December 31, 2014 ($357,232 in 2013) to reflect the time value of money, using an average discount rate of 1.95% (2.21% in 2013) on underlying claim settlement patterns. The provision for adverse deviations increased unpaid claims, on a net basis, by $898,407 as at December 31, 2014 ($693,707 in 2013).

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 $215,901 negative impact on the fair value of unpaid claims as at the statement of financial position date ($169,716 in 2013), while a 1% decrease in the discount rate would have a $224,322 positive impact on the fair value of unpaid claims as at the statement of financial position date ($174,957 in 2013).

Prior-year claims development

The following table shows the estimates of incurred claims, including IBNR, for the five 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) · Prior year claims development

Ultimate incurred claims estimate	2007	2008	2009	2010	2011	2012	2013	2014	TOTAL
	$	$	$	$	$	$	$	$	$
As at end of underwriting year	3,207,940	6,526,460	6,562,559	6,673,910	6,073,405	5,608,678	5,283,626	4,749,235	
One year later	5,073,644	7,023,718	6,424,801	6,033,124	4,671,308	4,468,644	4,069,840		
Two years later	5,285,586	5,651,971	4,772,070	4,790,220	4,077,761	4,144,194			
Three years later	4,034,785	4,585,239	3,220,954	4,076,860	3,245,717				
Four years later	2,984,691	3,439,944	2,761,601	3,660,691					
Five years later	2,778,007	3,073,062	2,428,397						
Six years later	2,728,906	2,976,026							
Seven years later	2,713,372								
Total liabitilies	2,713,372	2,976,026	2,428,397	3,660,691	3,245,717	4,144,194	4,069,840	4,749,235	27,987,472
Paid claims	2,713,372	2,890,355	2,075,112	2,971,275	2,273,789	2,075,830	969,102	570,115	16,538,950
Unpaid claims	-	85,671	353,285	689,416	971,928	2,068,364	3,100,738	4,179,120	11,448,522
Prior years									-
Effect of discounting and margins									1,120,799
Other									1,602,679
Final unpaid Claims									14,172,000

Note: These amounts exclude $473,262 in deductibles recoverable from policyholders for claims liabilities.

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

	2014			2013		
	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	15,476	2,394	13,082	17,192	2,575	14,617
Changes in estimated losses and expenses for claims incurred in prior years	(4,354)	(1,973)	(2,381)	(5,253)	(1,385)	(3,868)
Losses and expenses on claims incurred in the current year	6,302	334	5,968	6,878	1,204	5,674
Less recoveries received (amounts paid) in respect of incurred claims						
During the current year	(811)	-	(811)	(579)	-	(579)
During prior years	(2,441)	-	(2,441)	(2,762)	-	(2,762)
BALANCE, END OF YEAR	14,172	755	13,417	15,476	2,394	13,082

Note: This table excludes $473,262 in deductibles recoverable from policyholders for claims liabilities ($397,984 in 2013).

10. Reinsurance

The limits coverage provided by the 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 $4,500,000 in overall annual coverage in excess of Insurance Fund retention of $4,500,000, between July 1, 2013 to June 30, 2014 and of $2,500,000 in overall annual coverage in excess of Insurance Fund retention of $2,500,000, between July 1, 2014 to December 31, 2014.

11. Net earned premiums

	2014	2013
	$	$
Earned premiums	6,974,916	7 946,885
Reinsurance premiums written	561,100	510,104
Change in unearned reinsurance premiums	(119,015)	(18,497)
Reinsurance premiums ceded	442,085	491,607
Net earned premiums	6,532,831	7 455,278

No allowance for doubtful accounts was deducted from net earned premiums in 2014 and 2013 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 2014, 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:

	2014	2013
	$	$
	(in thousands of dollars)	
Capital available	**37,889**	33,808
Capital required	**3,892**	4,413
Excess of capital available over capital required	**33,997**	29,395
MCT (as a %)	**973.54%**	766.10%

13. Transactions with the OACIQ

By various agreements with OACIQ, the Insurance Fund received certain management services and provided sponsorship, totaling $57,346 ($227,355 in 2013), in addition to rent expenses of $80,692 ($84,166 in 2013). To these amounts are added other paid expenses totaling $30,072 ($38,225 in 2013). These transactions were concluded in the normal course of business and measured at the value agreed between parties. As at December 31, 2014, an amount of $12,296 is payable ($15,929 in 2013) in connection with these transactions. Premiums and other receivables include an amount of $7,620 ($11,555 in 2013) for the premiums collected by the OACIQ on behalf of the Fund.

14. Premiums and other receivables

	2014	2013
	$	$
Deductibles receivable	54,565	30,413
Premiums receivables	7,620	11,555
QST receivable	76	87
TOTAL	62,261	42,055

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 2014 amounted to $373,382 ($507,099 for 2013).

16. Commitments

The Insurance Fund is committed under a subletting arrangement with the OACIQ under a lease expiring in July 2020. Future minimum payments under the contract totalling $329,940 are as follows:

	$
2015	49,774
2016	61,127
2017	61,127
2018	61,127
2019 and thereafter	96,785

OPINION OF THE ACTUARY

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, 2014 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 firm's financial records.

The results of my valuation together with amounts carried in the Annual Return are the following:

Claims Liabilities ($'000)	Carried in Annual Return	Actuary's Estimate
(1) Direct unpaid claims and adjustment expenses	**14,172**	**14,172**
(2) Assumed unpaid claims and adjustment expenses	**0**	**0**
(3) Gross unpaid claims and adjustment expenses (1) + (2)	**14,172**	**14,172**
(4) Ceded unpaid claims and adjustment expenses	**755**	**755**
(5) Other amounts to recover	**473**	**473**
(6) Other net liabilities	**473**	**473**
(7) Net unpaid claims and adjustment expenses (3) – (4) – (5) + (6)	**13,417**	**13,417**

Premium Liabilities ($'000)	Carried in Annual Return	Actuary's Estimate
(1) Gross policy liabilities in connection with unearned premiums		**2,092**
(2) Net policy liabilities in connection with unearned premiums		**1,552**
(3) Gross unearned premiums	**2,295**	
(4) Net unearned premiums	**1,921**	
(5) Premium deficiency	**0**	**0**
(6) Other net liabilities	**0**	**0**
(7) Deferred policy acquisition expenses	**0**	
(8) Maximum policy acquisition expenses deferrable [(4) + (5) + (9)] col. 1 – (2) col. 2		**369**
((9) Unearned Commissions	**0**	

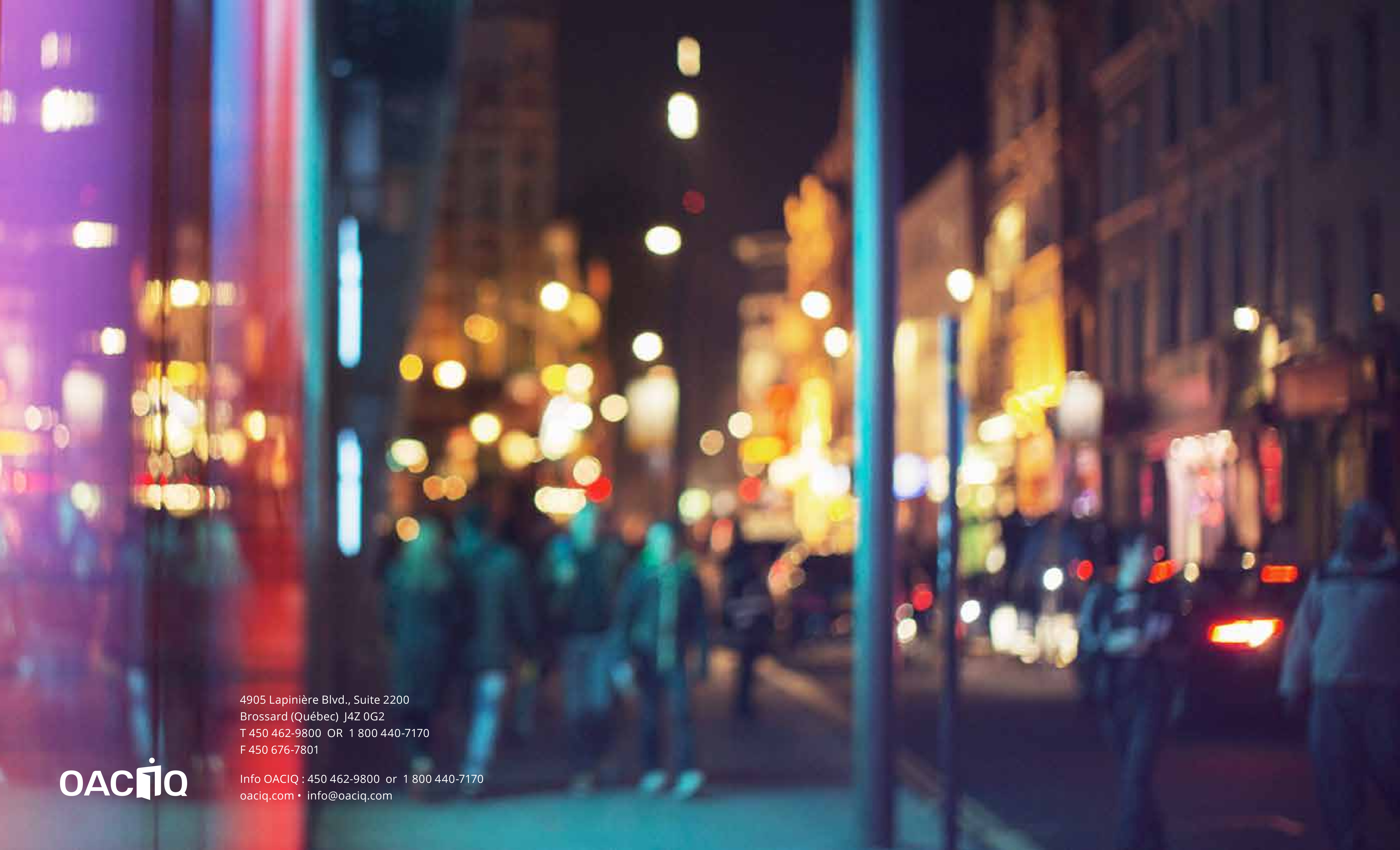
In my opinion, the amount of policy liabilities net of reinsurance recoverable makes appropriate provision for all policyholder obligations and the financial statement fairly presents the results of the valuation.

Xavier Bénarosch, FCAS, FCIA

February 17, 2015

Date opinion was rendered

Eckler



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