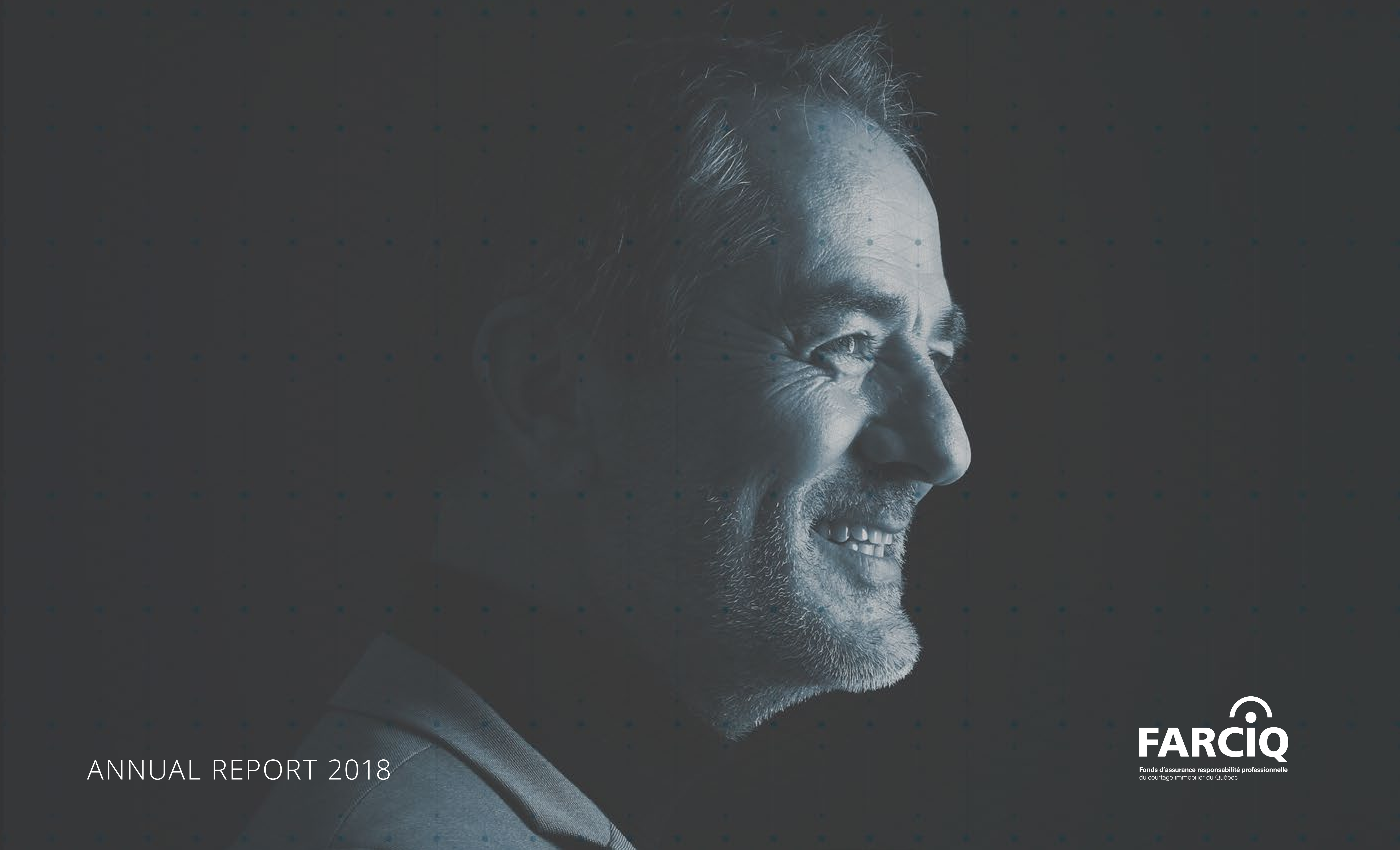


ANNUAL REPORT 2018

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

TRUST INSPIRES ASSURANCE.

TABLE **OF CONTENTS**

OUR **MISSION**

PROTECT OUR POLICYHOLDERS' ASSETS THROUGH PROFESSIONAL LIABILITY INSURANCE.

Our role is divided into three parts.

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

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, 2018

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
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, AIAC, ASC
Corporate Director

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

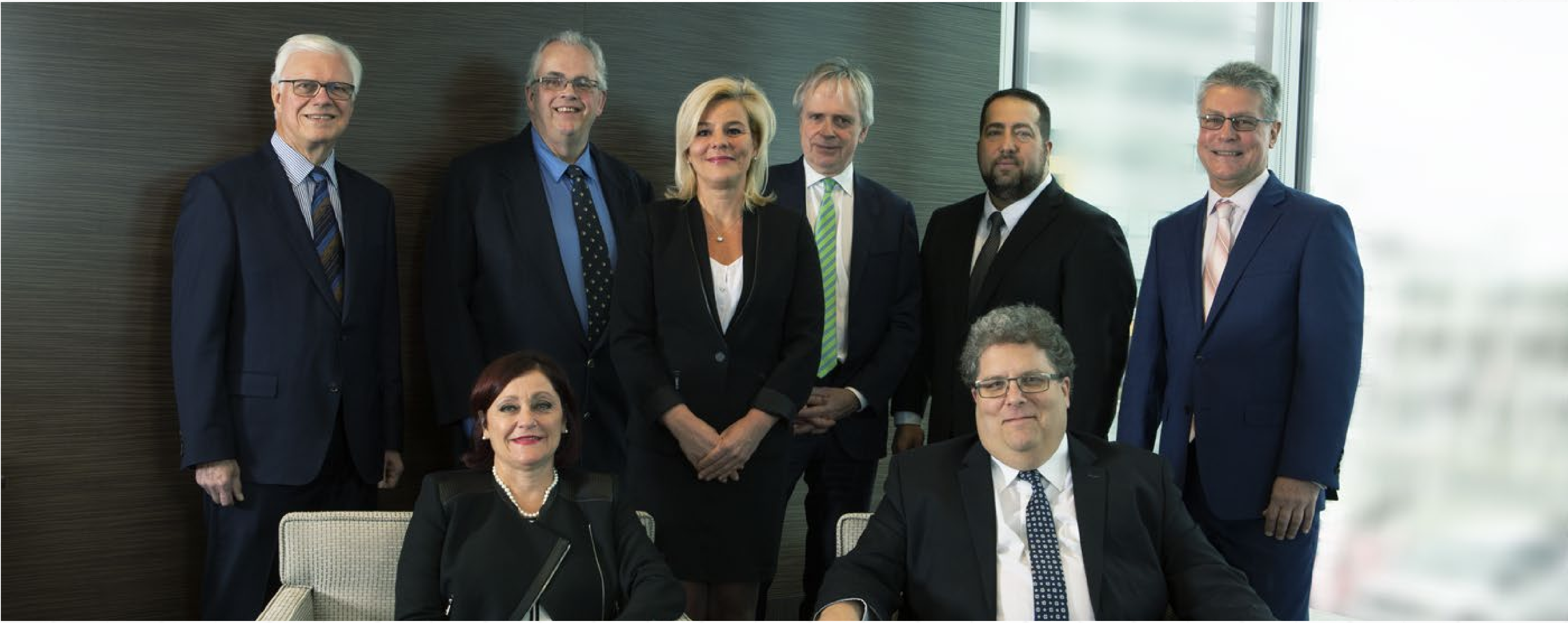
Me Marc Simard, ASC
Partner, Bélanger Sauvé

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

FROM LEFT TO RIGHT:

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

Seated:
Christiane St-Jean
Martin Dupras



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

The Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (FARCIQ) is proud to report on the year 2018, the result of sound and balanced asset management.

The 2018 fiscal year ended December 31 with an operating loss of $50,880 and a negative overall result of $1,063,381 due to the change in anticipated but unrealized investments. This negative result is mainly due to the decision to subsidize the premium to keep it below actual cost. This brings the accumulated surplus to $41,027,344, a sign of stability and solidity.

Rigorous financial management has a positive impact on the organization. **FARCIQ** is proud to enable all insured brokers to share in this success, including by maintaining the subsidized insurance premium and providing all its training free of charge. "Policyholders are our focus and it is important for us to offer them the best service at the best cost." Our approach is one of respect, loyalty, fairness and thoroughness, in line with our organizational values.

In 2018, stability was achieved in terms of premium cost, coverage, and number of claims. Specifically, 645 new claims were processed this year, compared to 650 in 2017. The cost of claims paid totalled close to $1.5 million. However, we note that increasing loss severity seems to be a very real issue, hence the importance of good management of monetary reserves.

Prevention is key to raising awareness among policyholders of the consequences of a claim, and to guiding them towards acting prudently in order to avoid potential litigation. This will be our focus in coming years.

PREVENTION IS KEY TO RAISING AWARENESS AMONG POLICYHOLDERS OF THE CONSEQUENCES OF A CLAIM, AND TO GUIDING THEM TOWARDS ACTING PRUDENTLY.

A wind of change blowing on the financial sector

The year 2018 was marked by a revision of some of the legislation governing the financial sector, including the new *Insurers Act*, which makes changes to the governance of insurance funds. The OACIQ Board of Directors will henceforth exercise the functions and powers relating to insurance by, among other things, creating a decision-making committee in the area of professional liability insurance.

Thank you to all the members of the Board of Directors, the general management of FARCIQ and the OACIQ, as well as to the staff for their dedication, cooperation and understanding in this time of change and adjustment. We are convinced that these changes will remain in synergy with the interests of policyholders and the efficient operation of the insurance Fund.

Martin Dupras, A.S.A., F. Pl., M. Tax., ASC
Chairman of the Board of Directors

ALAIN
CHOUINARD

MESSAGE FROM THE **GENERAL MANAGER**

A commitment to protect

Protection is at the heart of our mission when it comes both to our policyholders' professional liability and to the protection of their assets. Every year we increase our efforts to make sure we offer the best possible coverage to meet the needs of the profession.

A commitment to train

Better informed policyholders!

As part of its preventive approach, **FARCIQ** focuses on our profession's best practices and prioritizes training to help and inform policyholders regarding their protection and the issues relating to their professional liability. Prevention is part of our vision, and we are working hard to ensure that we have a constant and varied training offer, including by collaborating with the **OACIQ** on mandatory continuing training activities and by developing a new training course entitled *My professional liability*. This activity, which is available free of charge, was attended by more than 1,000 participants in webinar or live formats.

The success of our training activities (online, webinar and live) is clear: we are very proud of the fact that 4,000 brokers have attended one of our training courses. We invite policyholders who have not yet taken advantage of this opportunity to register on our website.

By offering all our training activities at no charge, we want to encourage as many policyholders as possible to complete them, as we are convinced that this will help reduce the risk of claims in the long term.

A commitment to get involved

FARCIQ was very active throughout the year, notably by attending industry event:

- Presence at over six industry events as a sponsor or exhibitor, including RDV OACIQ;
- Regular contributions to the PRO@CTIVE newsletter;
- 1,345 insurance kits sent to new brokers;
- 26 presentations to agencies.

Through their dedication, professionalism and competence, the employees and the members of the Board of Directors of FARCIQ play a major role for the organization. I wish to thank each and every one of them for their contribution to the success of our common mission.

Me Alain Chouinard, MBA
General Manager

FARCIQ FOCUSES ON OUR PROFESSION'S BEST PRACTICES AND PRIORITIZES TRAINING TO HELP AND INFORM POLICYHOLDERS.

TRUST IS ONE OF
THE STEPS TO SUCCESS.

— WISSAL MOUMEN EL IDRISSI

INDEPENDENT AUDITOR's REPORT

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (the Fund) as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

pwc

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

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of loss and comprehensive loss for the year then ended;
- the statement of changes in accumulated surplus for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers LLP[1]

Montreal (Quebec)
February 19, 2019

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

FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

Financial Statements · December 31, 2018

(expressed in Canadian dollars)

	2018	2017
	$	$
ASSETS		
Cash	2,032,326	543,805
Treasury bills (interest rate of 1.60%; 0.98% as at December 31, 2017) and banker's acceptance	383,510	324,501
Investments (note 4)	54,002,709	55,316,608
Investment income receivable	245,583	234,821
Premiums and other receivables (note 12)	45,016	156,292
Amount recoverable from reinsurers for claims liabilities (note 7)	737,000	1,098,000
Deductibles recoverable from policyholders for claims liabilities	757,776	683,665
Prepaid expenses	32,102	31,120
Property and equipment	15,175	5,810
	58,251,197	58,394,622
LIABILITIES		
Accounts payable and accrued liabilities	470,387	261,135
Amount due to the OACIQ (note 11)	13,768	13,803
Unearned premiums	1,909,922	1,885,294
Claims liabilities (note 7)	14,829,776	14,143,665
	17,223,853	16,303,897
ACCUMULATED SURPLUS		
Accumulated surplus, end of year	39,844,441	39,895,321
Accumulated other comprehensive income	1,182,903	2,195,404
	41,027,344	42,090,725
	58,251,197	58,394,622

COMMITMENTS (note 14)

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 Loss and Comprehensive Loss · For the year ended December 31, 2018

(expressed in Canadian dollars)

	2018	2017
	$	$
REVENUES		
Earned premiums (note 9)	5,615,321	5,621,255
Reinsurance premiums ceded (note 9)	(404,700)	(407,700)
Net earned premiums	5,210,621	5,213,555
EXPENSES		
Claims and loss adjustment expenses	5,480,575	4,799,715
General expenses	1,303,933	1,300,920
	6,784,508	6,100,635
UNDERWRITING LOSS	(1,573,887)	(887,080)
INVESTMENT AND OTHER INCOME (NOTE 4)	1,523,007	1,833,684
NET INCOME (LOSS) FOR THE YEAR	(50,880)	946,604
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will be subsequently reclassified to profit or loss		
Unrealized gain (loss) on available-for-sale securities	(653,224)	1,747,614
Portion reclassified to income from available-for-sale securities	(359,277)	(748,314)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	(1,012,501)	999,300
COMPREHENSIVE INCOME (LOSS)	(1,063,381)	1,945,904

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, 2018

(expressed in Canadian dollars)

			2018	2017
	Accumulated surplus	Accumulated other comprehensive income	Net amount	Net amount
	$	$	$	$
BALANCE – BEGINNING OF YEAR	39,895,321	2,195,404	42,090,725	40,144,821
Net income (loss) for the year	(50,880)	-	(50,880)	946,604
Other comprehensive income (loss) for the year	-	(1,012,501)	(1,012,501)	999,300
BALANCE – END OF YEAR	39,844,441	1,182,903	41,027,344	42,090,725

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, 2018

(expressed in Canadian dollars)

	2018	2017
CASH FLOWS FROM (USED IN)	$	$
OPERATING ACTIVITIES		
Net income (loss) for the year	(50,880)	946,604
Adjustments for		
Amortization of property and equipment	4,074	2,018
Amortization of intangible assets	-	27,374
Amortization of premiums and investment discounts	169,678	199,333
Realized gain on disposal of investments	(359,277)	(748,314)
Income on reinvested dividends	(331,572)	(362,173)
	(567,977)	64,842
Change in non-cash working capital items		
Investment income receivable	(10,762)	(7,016)
Premiums and other receivables	111,276	(81,417)
Amount recoverable from reinsurers for claims liabilities	361,000	373,000
Deductibles recoverable from policyholders for claims liabilities	(74,111)	9,759
Prepaid expenses	(982)	(9,611)
Accounts payable and accrued liabilities	209,252	38,170
Amount due to the OACIQ	(35)	9,965
Unearned premiums	24,628	(41,708)
Claims liabilities	686,111	(969,759)
	1,306,377	(678,617)
	738,400	(613,775)
INVESTING ACTIVITIES		
Acquisition of property and equipment	(13,439)	(3,848)
Acquisition of investments	(26,817,692)	(24,555,350)
Proceeds on disposal of investments	27,640,261	24,701,978
	809,130	142,780
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	1,547,530	(470,995)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	868,306	1,339,301
CASH AND CASH EQUIVALENTS – END OF YEAR	2,415,836	868,306
Cash and cash equivalents consist of the following:		
Cash	2,032,326	543,805
Treasury bills and banker's acceptance	383,510	324,501
	2,415,836	868,306

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, 2018

(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 ("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. The Corporation is not subject to the *Income Tax Act* (Canada).

2. Basis of presentation

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") in force on the date of publication. These financial statements and the accompanying notes were authorized for issue in accordance with a resolution of the Board of Directors on February 19, 2019.

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.

3. Main accounting policies (continued)

Unearned premiums

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

Reinsurance

Claims are presented in the statement of loss, 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 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 loss in investment and other income.

Financial instruments

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

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

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

3. Main accounting policies (continued)

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; and

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.

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 and equipment

Property 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.

3. Main accounting policies (continued)

Impairment of long lived assets

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

Change to accounting standards

IFRS 15, *Revenue from Contracts with Customers*

On January 1, 2018, the Insurance Fund adopted 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 Insurance Fund'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.

The adoption of IFRS 15 does not have any impact on the financial statements of the Insurance Fund.

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,* on the opposite page.

3. Main accounting policies (continued)

Standards issued but not yet effective (continued)

B. IFRS 4, *Insurance Contracts*

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

The amendments allow, but do not require, an entity that issues insurance contracts to choose between two options. The first option consists in applying a temporary exemption to continue using IAS 39, *Financial Instruments: Recognition and Measurement*, rather than IFRS 9, for fiscal years beginning before January 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, 2022.

C. IFRS 17, *Insurance Contracts*

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

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

In addition, 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, 2022.

3. Main accounting policies (continued)

Standards issued but not yet effective (continued)

D. 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 minimal.

The Corporation will have to adopt IFRS 16 retrospectively, effective January 1, 2019. The Corporation estimates that IFRS 16 will not have a material impact.

Significant accounting estimates and assumptions

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

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

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

4. Investments

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

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

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

4. Investments (continued) · Fair value hierarchy

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

	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

4. Investments (continued) · Investment maturities

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

	2017				
	Under 1 year	1 to 5 years	Over 5 years	No specific maturity	
	$	$	$	$	$
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

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

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

	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

4. Investments (continued) · Investment and other income

	2018	2017
	$	$
Interest income	1,188,092	1,118,383
Dividend income	331,572	362,173
Variation of bond discount	(169,678)	(199,333)
Realized gain on disposal of investments	359,277	748,314
Management fees	(186,256)	(195,853)
	1,523,007	1,833,684

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.

5. Additional information on financial instruments (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument denominated in foreign currencies will fluctuate because of changes in foreign exchange rates. Since all its financial instruments are denominated in Canadian dollars, the 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 $435,602 decrease (increase) in investment income ($426,268 as at December 31, 2017).

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, 2018, the Insurance Fund indirectly held, through its fund units, $10,442,512 ($12,689,836 as at December 31, 2017) in securities traded on stock markets. As a result, a 1% change in the fair value of these assets would have an impact of $104,425 ($126,898 as at December 31, 2017) 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+ (A+ as at December 31, 2017). 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 bonds and corporate bonds according to the nomenclature of the rating agency:

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

	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

5. Additional information on financial instruments (continued)

Maximum credit risk exposure arising from financial instruments

	2018	2017
	$	$
Cash	2,032,326	543,805
Treasury bills and banker's acceptance	383,510	324,501
Canadian, provincial and municipal government bonds	30,815,035	30,482,815
Corporate bonds	12,745,162	12,143,957
Investment income receivable	245,583	234,821
Premiums and other receivables	45,016	156,292
Amount recoverable from reinsurers for claims liabilities	737,000	1,098,000
Deductibles recoverable from policyholders for claims liabilities	757,776	683,665
	47,761,408	45,667,856

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, 2018 and 2017, the financial liabilities were all due in the following year.

5. Additional information on financial instruments (continued)

Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument fluctuate in amount. The 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; and
- 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 2017 and maintained at $345 in 2018 for real estate brokers and agencies, and at $245 in 2017 and 2018 for mortgage brokers. In addition, the limit of coverage provided to policyholders remained the same (see note 8).

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)

Insurance risk and management (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; and
- 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. 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 $527,600 as at December 31, 2018 ($432,860 as at December 31, 2017) to reflect the time value of money, using an average discount rate of 2.29% (2.08% in 2017) on the underlying claim settlement statistics. The provision for adverse deviations increased unpaid claims in a net amount of $1,420,243 as at December 31, 2018 ($1,232,837 as at December 31, 2017).

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 $233,508 negative impact on the value of unpaid claims as at the date of the statement of financial position ($222,687 as at December 31, 2017), while a 1% decrease in the discount rate would have a $243,130 positive impact on the value of unpaid claims as at the date of the statement of financial position ($231,876 as at December 31, 2017).

Prior year claims development

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

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	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	5,524,969	
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	4,713,490		
Two years later	4,772,070	4,790,220	4,077,761	4,144,194	3,301,052	4,552,032	5,138,710	3,604,401			
Three years later	3,220,954	4,076,860	3,245,717	3,543,060	3,288,660	4,561,616	5,048,986				
Four years later	2,761,601	3,660,691	3,125,725	3,551,053	3,347,492	4,254,503					
Five years later	2,428,397	3,509,608	3,247,652	3,343,806	3,005,507						
Six years later	2,578,027	3,278,447	3,241,606	3,323,517							
Seven years later	2,404,905	3,201,439	3,167,900								
Eight years later	2,406,876	3,201,439									
Nine years later	2,408,288										
Ultimate incurred claims estimate	2,408,288	3,201,439	3,167,900	3,323,517	3,005,507	4,254,503	5,048,986	3,604,401	4,713,490	5,524,969	38,253,000
Paid claims	2,399,788	3,201,439	3,117,311	3,224,681	2,761,662	3,850,087	4,151,195	2,269,928	1,074,838	630,046	26,680,975
Unpaid claims	8,500	-	50,589	98,836	243,845	404,416	897,791	1,334,473	3,638,652	4,894,923	11,572,025
Effect of discounting and margins											964,195
Other											1,535,780
FINAL UNPAID CLAIMS											14,072,000

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

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

	2018			2017		
	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	13,460	1,098	12,362	14,420	1,471	12,949
Changes in estimated losses and expenses for claims incurred in prior years	(2,180)	(467)	(1,713)	(2,115)	(373)	(1,742)
Losses and expenses on claims incurred in the current year	7,108	106	7,002	6,388	-	6,388
Less: Recoveries received (amounts paid) in respect of incurred claims						
During the current year	(1,082)	-	(1,082)	(695)	-	(695)
During prior years	(3,234)	-	(3,234)	(4,538)	-	(4,538)
BALANCE – END OF YEAR	14,072	737	13,335	13,460	1,098	12,362

Note: The amounts in this table are net of $757,776 in deductibles recoverable from policyholders for claims liabilities ($683,665 in 2017).

8. 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, 2018 to January 1, 2019.

9. Net earned premiums

	2018	2017
	$	$
GROSS PREMIUMS WRITTEN	5,638,376	5,579,547
Reinsurance premiums ceded	(404,700)	(407,700)
Net premiums written	5,233,676	5,171,847
Change in unearned premiums	(23,055)	41,708
NET EARNED PREMIUMS	5,210,621	5,213,555

No allowance for doubtful accounts was deducted from net earned premiums in 2018 and 2017, determined on the basis of an overall analysis of premiums receivable at year-end to identify those that, in all probability, will not be recovered. Given that the insurance premium is billed together with OACIQ annual membership dues, the policyholder is not actually covered until the OACIQ receives the premium, and therefore no allowance for doubtful accounts is required.

10. Capital required

Capital required is governed by the AMF. Accordingly, the risk-based capital adequacy framework is based on an assessment of the riskiness of assets, policy liabilities and structured settlements, letters of credit, derivatives and other exposures, by applying varying risk-weighting and margin factors. The 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 2018 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:

	2018	2017
	$	$
Capital available	41,027	42,091
Capital required	5,128	5,361
Excess of capital available over capital required	35,899	36,730
MCT (AS A %)	800.06 %	785.13 %

11. Transactions with the OACIQ

By various agreements with the **OACIQ**, the Insurance Fund received certain management services and provided sponsorships, totaling $64,508 ($73,409 in 2017), in addition to rent expenses of $112,739 ($110,323 in 2017). To these amounts are added other paid expenses totaling $137,350 ($148,416 in 2017). These transactions were concluded in the normal course of business and measured at the value agreed between the parties. As at December 31, 2018, an amount of $13,768 was payable ($13,803 in 2017) in connection with these transactions. Premiums and other receivables include an amount of $15,223 ($8,153 in 2017) for premiums and deductibles collected by the **OACIQ** on behalf of the Insurance Fund.

12. Premiums and other receivables

	2018	2017
	$	$
Deductibles receivable	31,900	78,616
Premiums receivable	13,116	8,153
Other amounts receivable	-	69,523
	45,016	156,292

13. 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 2018 amounted to $303,759 ($304,494 for 2017).

14. 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 $96,785 are as follows:

	$
2019	61,127
2020	35,658

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, 2018 and their change in the statement of income for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

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

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

Claim Liabilities	Carried in Annual Return ($000)	Actuary's estimate ($000)
(1) Direct unpaid claims and adjustment expenses	14,072	14,072
(2) Assumed unpaid claims and adjustment expenses	0	0
(3) Gross unpaid claims and adjustment expenses (1) + (2)	14,072	14,072
(4) Amounts recoverable from reinsurers	737	737
(5) Other recoverables on unpaid claims	758	758
(6) Other liabilities	758	758
(7) Net unpaid claims and adjustment expenses (3) – (4) – (5) + (6)	13,335	13,335

Premium liabilities	Carried in Annual Return (col. 1) ($000)	Actuary's estimate (col. 2) ($000)
(1) Gross unearned premium liabilities		2,023
(2) Net unearned premium liabilities		2,158
(3) Gross unearned premiums	1,910	
(4) Net unearned premiums	1,910	
(5) Premium deficiency	248	248
(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, 2019

Date opinion was rendered

Eckler

COMMUNICATION IS THE BASIS OF TRUST.

— CHRISTOPHER CANTO

OACIQ
ORGANISME D'AUTORÉGLEMENTATION
DU COURTAGE IMMOBILIER DU QUÉBEC

4905 Lapinière Blvd., Suite 2200
Brossard (Quebec) 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