ANNUAL REPORTS 2013

For a dynamic and forward-looking profession focused on public protection

OACIQ
Organisme d'autoréglementation du courtage immobilier du Québec

FICI
Fonds d'indemnisation du courtage immobilier du Québec

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

Published by the Organisme d'autoréglementation du courtage immobilier du Québec
4905 Lapinière Blvd., Suite 2200
Brossard (Québec) J4Z 0G2

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Graphic Design: OACIQ

Legal deposit
Bibliothèque et Archives nationales du Québec
Library and Archives Canada
ISBN : 978-2-921749-97-8

OACIQ

MISSION

The OACIQ ensures public protection by overseeing the profession adequately and providing quality real estate and mortgage brokerage in Québec.

Our vision

As an essential reference in the real estate and mortgage brokerage field, the OACIQ helps promote brokers' professionalism and competence. The OACIQ is characterized by its organizational effectiveness, its interventions and its leadership in regards to brokerage development.

From left to right: Claude Barsalou, Georges E. Gaucher, Mario Chouinard, Richard Dion, Bernard Savard, Johanne Roy, Carole Strasbourg, Nathalie Ebnoether, Robert Nadeau, Serge Brousseau, Pierre Carrier, Jacques Nantel and Daniel Pelchat

OACIQ

MEMBERS OF THE BOARD OF DIRECTORS

YEAR 2013

Directors elected among licence holders (by their peers)

Serge Brousseau
Chairman of the Board
Montréal

Richard Dion
Vice-Chairman of the Board
Québec

Daniel Pelchat
Treasurer of the Board
Central region

Mario Chouinard
Northeast region

Georges E. Gaucher
Montréal

Johanne Roy
Montréal

Bernard Savard
Montréal

Carole Strasbourg
Western region

Directors appointed by the Minister of Finance

Pierre Carrier
Nathalie Ebnoether
Jacques Nantel

Secretary appointed by the Board of Directors

Claude Barsalou

President and Chief Executive Officer of the OACIQ

Robert Nadeau

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SERGE BROUSSEAU

Chairman of the Board of Directors

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

PREPARING THE FUTURE TOGETHER

For many of us, 2013 was a year of change that brought ever new challenges to the profession. In this environment, adapting our practices has become a pressing issue. Although some found these changes unsettling, others took advantage of this opportunity to become more inventive and find new ways to work.

Valuing competence

Like our partners in the real estate sector, we are convinced that the best way to advance our profession is to increase the competence level of licence holders and to promote it with the public. This is why we really focused on this in 2013, and we plan on maintaining our efforts in the coming years.

It is also an effective and enduring way to combat illegal brokerage, which is tarnishing the image of our profession. Given the situation, the criminal proceedings initiated by the OACIQ to stop the illegal practice of real estate brokerage are justified, and you may rest assured that we will pursue them in 2014.

Successes

The year 2013 was marked by some particularly successful actions, and there are quite a few of them! They include the liability insurance premium for licence holders, which decreased from $550 in 2006 to $395 eight years later. Similarly, the insurance coverage went from $250,000 to $1,000,000 per claim. Some of you will remember that before the insurance Fund was instituted in 2006 by the ACAIQ, many brokers had to pay more than $1,000 for less coverage. I would like to congratulate the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (FARCIQ) for its excellent work.

In another instance, when the Chambre immobilière de la Mauricie informed us of the need to intervene in the pyrrhotite issue earlier in 2013, we took action and, in cooperation with them, developed a mandatory live training session that was a great success. At the same time, this training helped us better equip our brokers to protect the public adequately.

And finally, we scored further successes with the 2013 Annual General Meeting, the certification of the first firm offering an electronic signature solution, and the

return of mandatory basic training for future brokers. All this good news will no doubt continue to resonate in 2014.

Training raises discussions

The cost of the mandatory continuing education activities presented in fall 2013 on the role and responsibilities of the agency executive officer and on collaboration caused a few grumbles. This reaction is understandable, as many brokers are unaware of the huge resources the Organization devotes to the planning and development of training activities that are as close as possible to the real estate reality.

It should be noted that these two activities were developed as a result of the Real Estate Summit and implemented by two working groups made up of real estate experts, several of whom are also brokers. This was an upgrade of knowledge and skills for the next steps regarding the future of the profession.

But in spite of everything, I am convinced that the majority of you understood the importance of these sessions. After all, it's in everyone's best interest: the better brokers are trained, the better they will be perceived by the public. **The future of real estate brokerage rests in the security and professionalism that only a competent broker can offer consumers in this area.**

Valuable lessons

The year 2013 generated valuable lessons for all of us.

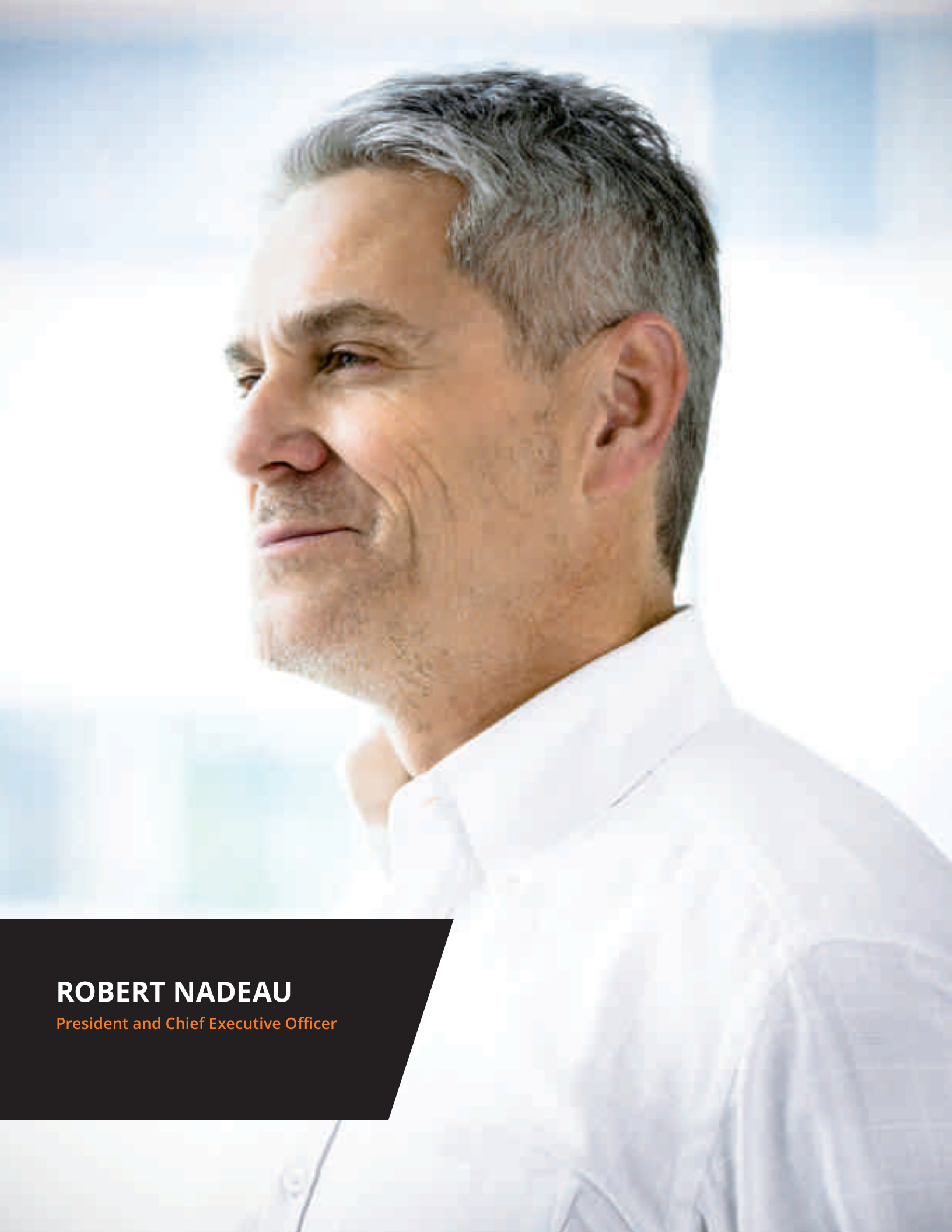
As always, the OACIQ made decisions aimed at advancing the profession. However, the events surrounding last fall's mandatory training activities helped us understand the importance of better communicating these decisions and of listening to what you have to say. This is why we will be sure to consult you on the best way to develop continuing education sessions that are adapted to your needs and those of consumers, and to be as transparent as possible.

The past year also highlighted the importance of working together to promote the profession. For this reason, we have been working for several months now with Québec real estate boards and their Federation in order to plan a province-wide advertising campaign. With our partners, whom we commend for their open-mindedness, we have also agreed to add a visual symbol that would be shared by the entire profession.

This cooperative work, in the current environment, must be seen as a demonstration of the importance of harmonizing our practices. We must stand together in order to present an image of the profession that is dynamic, forward-looking and focused on public protection.

At the Real Estate Summit in 2012, we showed that we are able to join forces in order to reflect on our practices and take action together. This communication is more crucial than ever. To maintain it, let us keep the channels of communication open between us, **let us respect one another**. Finally, let us be proud of furthering our knowledge by keeping in mind that the more competent we are, the better the public will be protected, and the more our role will be valued.

Serge Brousseau
Chairman of the Board of Directors



ROBERT NADEAU

President and Chief Executive Officer

REPORT FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

The year 2013 highlighted the importance for the OACIQ and the profession to adapt to the public's needs. The decisions made at the Real Estate Summit as well as the work accomplished with our partners in the field have proven useful and relevant. And as always, a number of issues have kept us very busy this past year. Here is a recap

LIKE THE PROFESSION, THE OACIQ IS EVOLVING

Active working groups

Following the Real Estate Summit, four working groups made up of brokers and other stakeholders were created to work on the priorities set and create winning conditions for the profession in the following areas:

- training;
- service offer and integrated communications plan;
- agency executive officers;
- collaboration.

Our accomplishments in 2013 included the implementation of two mandatory continuing education activities on the work of agency executive officers and on collaboration.

Two more working groups comprised mainly of brokers and other stakeholders in the fields of mortgage and commercial real estate brokerage continued the work begun in 2012. The working group on mortgage brokerage, created jointly with the Canadian Association of Accredited Mortgage Professionals (CAAMP), concentrated its efforts on the upcoming publication of a professional practices guide for mortgage brokers.

The working group on commercial real estate brokerage, for its part, focused on making sure that the Organization's communications and training tools are adapted to the reality of professionals working in this field. To this effect, a new section dedicated to commercial real estate brokerage was created in *Synbad*, the OACIQ extranet. It includes several tools as well as links to articles pertaining to this field of practice.

Profitable partnerships for brokers

The introduction of mandatory basic training for future brokers on September 1, 2013, also a result of the priorities set at the Summit, represents the culmination of a process undertaken by the OACIQ, its partners and the government.

The OACIQ participated in the work of the Mortgage Broker Regulators' Council of Canada (MBRCC), a national organization created in 2012. The MBRCC's mission is to improve consumer protection, develop national solutions to common regulatory issues, and promote the harmonization of regulatory practices in Canada.

The OACIQ is also pursuing its work with the Canadian Real Estate Regulators Group, an organization with a mission similar to that of the MMBRCC but for real estate brokers. The annual meetings for both national organizations will be held in Québec in 2014.

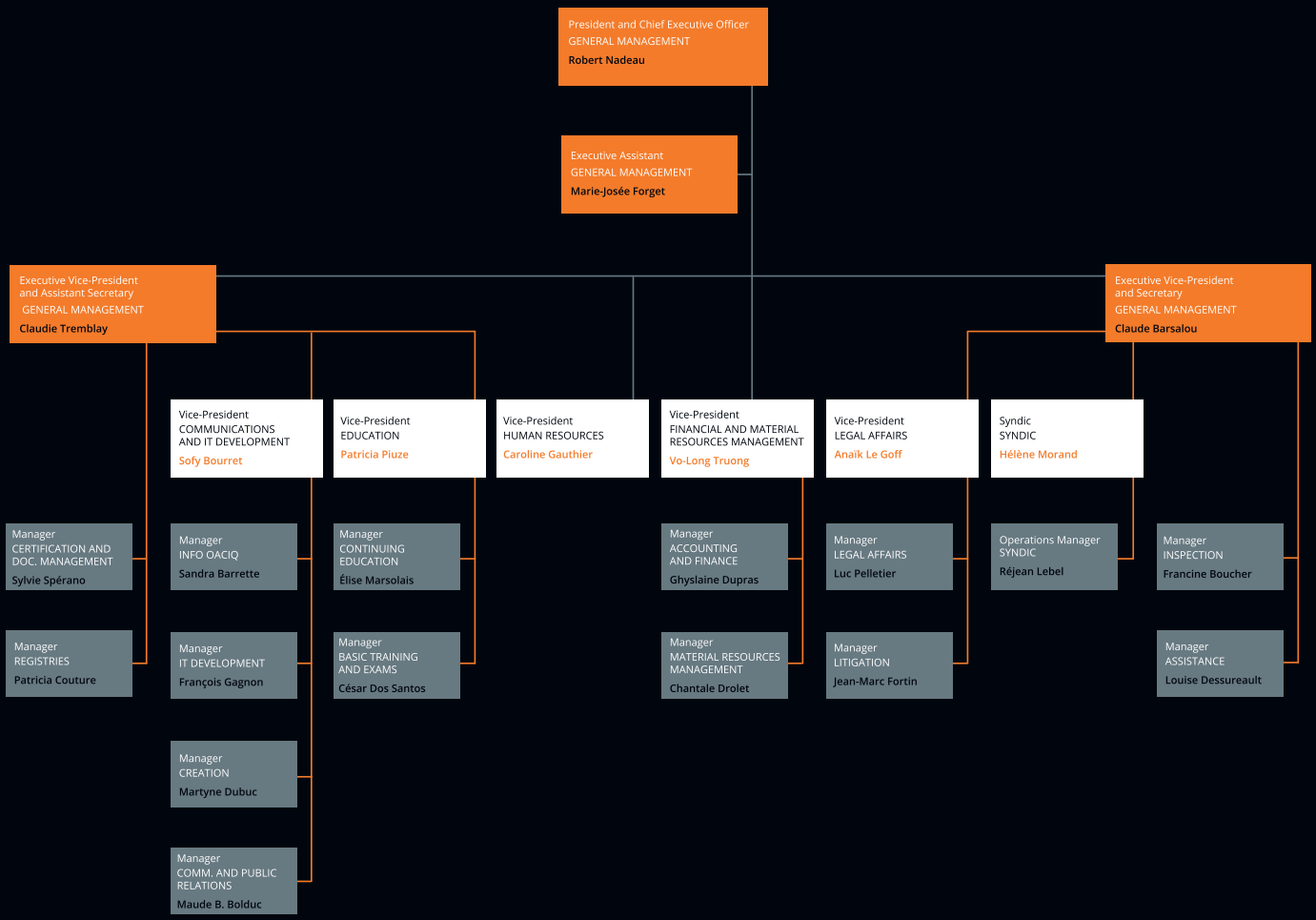
Finally, the OACIQ began talks in 2013 with the Quebec real estate boards and their Federation in order to design and conduct a joint advertising campaign. This ambitious project should come to fruition in the first few months of 2014.

A better-adapted structure

Like similar organizations, the OACIQ was affected by the economic situation. The Organization's Audit and Finance Committee had to make budget revisions to account for lower than expected licence maintenance revenues. As a responsible manager, the Organization had to rethink its structure.

On the OACIQ Board of Directors, five positions were up for election in 2013. We thank our outgoing members and welcome the directors who came on board last fall and whose experience was quickly put to good use. In order to better represent the commercial real estate and mortgage brokerage sectors, the Organization's *Internal By-Laws* were amended to increase the number of Board members from 11 to 13 in 2014.

The Organization chart of the OACIQ



HIGHLIGHTS

Working groups

- The working group on commercial real estate brokerage began its work and the one on mortgage brokerage pursued its work: exchange forums were held to promote better understanding and improve practices

Basic training and examinations

- Since September 1, any candidate wishing to be issued a licence by the OACIQ must complete a basic training program recognized by the Organization

Continuing education

- Training on pyrrhotite, mandatory for brokers working in the Mauricie region
- Planning and implementation of two mandatory education activities: *Agency executive officer, more than a director* (live) and *Collaboration* (online)
- Publication of a professional practices guide entitled *Managing Your Professional Activities*
- Announcement made of an upcoming consultation tour on the implementation of a continuing education plan

Forms

- The OACIQ certified a firm proposing an electronic signature system for forms (Silanis)
- Access to electronic forms on Centris and OACIQ websites remains free; this represents an annual expense of $180,000 that the OACIQ pays to Centris for the distribution and development of forms

Information dissemination

- Multi-platform consumer advertising campaigns in February and October
- In May, a well-attended AGM focusing on interactivity and communications
- Broker survey to adapt the OACIQ's strategic planning

Other

- Licence maintenance: electronic payments made easier
- Motion for declaratory judgment to get a clear definition of what is a brokerage transaction within the meaning of the *Real Estate Brokerage Act*
- First online-only Board elections
- Further reduction of professional liability insurance premium
- Increased vigilance to continue ensuring good governance of the Organization
- Improved disciplinary file management process to decrease processing times
- Code of ethics: written commitment by all the OACIQ decision-makers and committee members to comply with this rigorous code of conduct

Well-planned electronic tools

Continuing the efforts begun several years ago to provide brokers with reliable, state-of-the-art electronic tools, the OACIQ certified the first supplier of electronic signature solutions (Silanis). This rigorous certification process will be maintained.

In addition, towards the end of the year the OACIQ began the electronic publication of its first professional practices guide. Entitled Managing your Professional Activities, this guide serves as a reference tool for new brokers as well as a handy and valuable memory aid for experienced brokers and agency executive officers. This pragmatic guide, which uses a competency profile approach, will ultimately lead to a standardization of practices. The electronic format will make it quicker and easier to update. Five more guides are slated for release in the course of 2014.

Basic training and examinations

Return of basic training

The return of mandatory basic training on September 1, 2013 clearly shows the importance given by the OACIQ and the field of real estate to the professional skills of licence holders.

This measure resulted from decisions made at the Real Estate Summit in February 2012, following a marked decrease in entrance examination success rates, due to the fact that few candidates received appropriate basic training before sitting the exam.

On November 28 of that year, a regulatory change was introduced stipulating that all candidates taking their first OACIQ certification examination as of September 1, 2013 had to have successfully completed an OACIQ-accredited training program in an educational establishment.

Consultations with training establishments and members of the profession were held during the first quarter of 2013 to determine the criteria required for accreditation. Interested establishment then began the process to have their basic training program in real estate or mortgage brokerage accredited.

All these efforts happened quickly and in close collaboration with teaching establishments, so that potential candidates would have access to proper basic training within the timelines prescribed under the new regulation. This was achieved thanks to great team work.

To become an agency executive officer, candidates now have to complete a basic training program accredited by the OACIQ in an educational establishment, and, like before, to take and pass an examination. This means basic training becomes mandatory once again. Because the profession of executive officer has evolved, and to allow establishments to build basic training programs that are adapted to the current realities of the market, the agency executive officer competency framework was reviewed and amended in the first quarter of 2013. This was done in collaboration with educational establishments and the members of the profession.

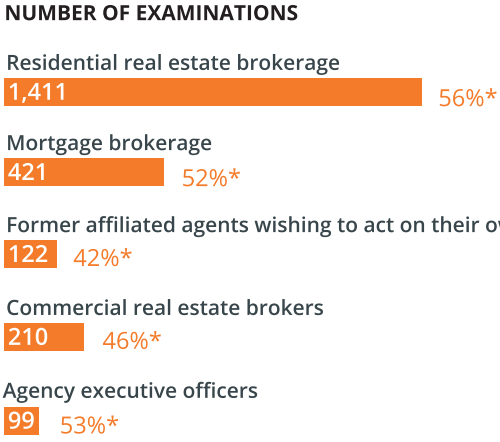
Former affiliated agents wishing to act on their own account

For former affiliated agents wishing to act on their own account, the examination was eliminated as of September 1 and replaced with continuing education sessions on the required competencies. The “accumulation of skills” principle was also applied to all those who had begun but not completed the process before the change came into effect.

Examination success rate

The return of mandatory basic training on September 1 has already led to an increase in certification examination success rates. Indeed, **candidates who completed basic training had a better success rate than other candidates**. Together with maintaining the "accumulation of skills" principle, increased support for the Organization's teachers and continued improved communications between educational establishments and the OACIQ lead us to believe that results will continue to improve.

Certification examinations – 2013



**Success rate:* *since the basic training became mandatory only on September 1, 2013, these percentages do not really reflect the improved success rate after that date, as they take into account both the brokers who did not complete the training and those who completed it.*

Examinations for brokers from other provinces wishing to practice in Québec

New in 2013: brokers from other provinces wishing to practice in Québec must take an interprovincial certification examination administered by the OACIQ, demonstrate sufficient knowledge of French and laws applicable in Québec, and meet other issuance requirements.

Continuing Education

The role of the OACIQ Continuing Education Department is to assist brokers in their career path by developing training opportunities that keep pace with the profession's rapid evolution. In 2013, this department was very active and devoted a lot of human and material resources to the development and adaptation of education activities. It also continued to integrate the skills-based approach in education activities where appropriate.

These education activities, whether live on online, take various forms: workshops, conferences and seminars. All enable brokers to accumulate continuing education units (CEUs).

The training program accreditation process, implemented in 2012, was well received by training suppliers although the number of requests is relatively low to date.

Pyrrhotite

In spring 2013, a mandatory continuing education session on pyrrhotite for members practicing in the Mauricie region proved a great success. Following a request by the Mauricie Real Estate Board and brokers affected by the pyrrhotite problem, the Organization quickly developed a training activity, enlisting the help of presenters who are knowledgeable on the topic.

The results speak for themselves: over 90% of respondents to a survey declared themselves very satisfied or satisfied with what they learned during this session and with the presenters. Of the 201 brokers for whom this activity was mandatory, 188 obtained their CEUs. An online version which followed enabled another 117 brokers to take the training.

Agency executive officers and Collaboration

A mandatory live education session for agency executive officers and an online activity on collaboration were also presented in the fall.

As of December 19, 2013, 95% of agency executive officers had attended the *Agency executive officer: more than a director* training. In addition, 41% of chartered brokers decided to maintain their AEO qualification by attending this training.

The two-hour session on collaboration, which focused on using one's knowledge, experience and judgment in specific situations to improve collaboration between real estate or mortgage brokers, was well received by participants. Despite a moderate satisfaction rate and considering that this was an upgrade, the vast majority of respondents to a survey said that the concepts they learned would be useful to them in their practice.

Continuing education activities

Number of sessions – 2013	Total
Mandatory continuing education session (MCES): *Presence of pyrrhotite and real estate transactions* – Live	3
MCES: *Presence of pyrrhotite and real estate transactions* – Online	1
MCES: *Agency executive officer, more than a director* – Live	41
MCES on Collaboration – Online	1
MCES on New forms – Online	1
Other continuing education activities	137

Participants – 2013	Total
MCES: *Presence of pyrrhotite and real estate transactions* – Live	285
MCES: *Presence of pyrrhotite and real estate transactions* – Online	117
MCES: *Agency executive officer, more than a director* – Live	2,482
MCES on Collaboration – Online (still underway in 2014)	15,900
MCES on New forms – Online	2,128
Other continuing education activities	2,676

Forms

New or modified in 2013

- *Declarations by the seller of the immovable*
- *Annex RCOM – Reduced compensation*
- *Exclusive brokerage contract – Residential sublease*
- *Promise to sublease – Residential immovable*

Interactive forms tool

At the beginning of 2013, the OACIQ added a page in *Synbad* where brokers can view annotated forms and standard clauses. The Interactive forms tool makes it much easier to find and understand the various clauses and details pertaining to forms. Brokers can also print the annotated documents directly from the Interactive tool. This dynamic tool was developed by the Communications, IT Development and Legal Affairs teams.

Forms and electronic signing

Following a successful implementation in July 2012, brokers continue to have access to InstanetForms™, an online platform developed in partnership with Centris® which provides a one-stop shop for OACIQ electronic forms. This tool contains the forms that have been updated since the new forms came into effect.

In September the OACIQ certified its first firm providing an electronic signature solution. Silanis Technology's *e-SignLive™* system meets all the technical specifications set by the Organization to ensure secure real estate transactions. Other solutions are currently being analyzed.

Information dissemination

Many communications activities took place in 2013 and several information dissemination strategies were proposed to promote the advancement of the profession. Along that vein, the OACIQ is currently reviewing its corporate image to make sure it keeps in step with the evolution of real estate brokerage. Our revised image will be progressively implemented in 2014.

Advertising campaigns

Two advertising campaigns deployed in February and October 2013 were aimed at raising consumer awareness of the importance of doing business with a real estate or mortgage broker.

The advertisements were presented in various forms, from television commercials to web banners, and generated over 100,000 hits on the *thinkbroker.ca* microsite. Once again, the *Think about it*. theme will have played a key role in encouraging the public to use the services of a real estate or mortgage broker to buy or sell a property.

Media relations

Media interest in the OACIQ in 2013 was comparable to that of 2012. Some 107 media requests received related this year again to the broker's obligations and the advantages of using a broker's services in a transaction. These requests led to about 30 interviews.

Several releases had a significant media impact, including the one on tips to help you prepare to buy or sell your property, and those concerning the OACIQ's proceedings against DuProprio and Stellium Immobilier Inc.

Website

The OACIQ website was improved in the course of the year. Brokers who wished to learn how to use the forms were able to start using the new Interactive tool forms. This page, accessible via *Synbad*, contains all the information a broker needs to understand the various clauses contained in OACIQ forms.

Among the many other improvements:

- the sending of large documents was facilitated by the implementation of a page to this effect, which may be used by the public and by brokers;
- specialized sections were created for mortgage brokerage and commercial real estate brokers;
- the electronic distribution of *Profession BROKER* was increased via the site, as the print version was no longer automatically available;
- all content concerning electronic signatures was assembled on one page.

Finally, the OACIQ portal, both the public component and the *Synbad* extranet for licence holders, underwent an overhaul which will be unveiled in the course of 2014.

Annual General Meeting

New this year, the OACIQ designed a mobile app exclusively for the Annual General Meeting. The app allowed participants to respond to the appreciation questionnaires and post live comments on the event. A rebroadcast of the day was also made available on *Synbad*, the OACIQ extranet.

Document access and management

The OACIQ posts on its website any document of public interest such as disciplinary decisions, opinions by the Licence Issue and Maintenance Committee, and all past Annual Reports.

All requests for documents are analyzed against the *Act respecting access to documents held by public bodies and the protection of personal information*. If the document is not subject to restrictions on the right to access, and if allowed under the Act and the regulations, we forward the requested information.

During the year, the Organization received 44 access to information requests. Of these three were accepted, 16 were partially accepted, and 25 were refused, in most cases for reasons of privacy protection.

Document management

In addition, this year again we continued developing and implementing various internal document management tools. Since last May, document management by the Assistance Department is completely electronic.

Electronic document management has several advantages, including standardized records, making them easier to consult by several users; increased data reliability; faster information tracking; more efficient decision-making; and finally, automatic tracking of a document and the changes made to it, ensuring their legal value.

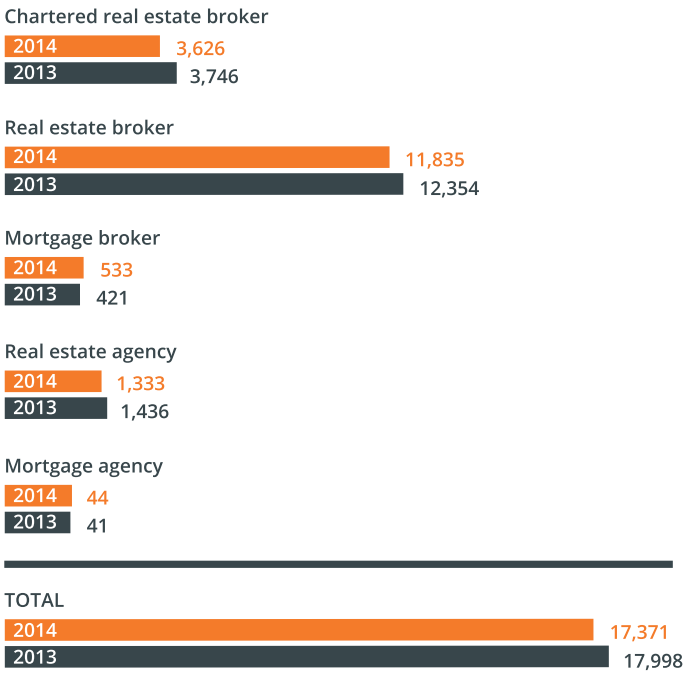
Our efforts to implement electronic document management in all OACIQ departments will continue in 2014.

Certification

The number of real estate and mortgage brokers holding a valid licence as at January 1, 2014 was 17,371. This represents a decrease of 627 compared to the same date last year.

Breakdown of real estate and mortgage agencies and brokers (as at January 1)

By licence category



Breakdown of real estate and mortgage agencies and brokers (as at January 1, 2014)

Region	Agencies	Brokers	Total
Montréal region			
Montréal (06)*	524	6,434	6,958
Laval (13)	106	2,167	2,273
Montérégie (16)	273	2,591	2,864
SUB-TOTAL	**903**	**11,192**	**12,095**
Québec City region			
Capitale-Nationale (03)	126	1,231	1,357
Chaudière-Appalaches (12)	27	207	234
SUB-TOTAL	**153**	**1,438**	**1,591**
Northeast region			
Abitibi-Témiscamingue (08)	7	57	64
Bas-Saint-Laurent (01)	7	101	108
Saguenay-Lac-St-Jean (02)	13	201	214
Côte-Nord (09)	5	41	46
Gaspésie-Îles-de-la-Madeleine (11)	2	11	13
Nord-du-Québec (10)	0	0	0
SUB-TOTAL	**34**	**411**	**445**
Central region			
Mauricie (04)	11	175	186
Estrie (05)	43	361	404
Lanaudière (14)	52	626	678
Centre-du-Québec (17)	16	109	125
SUB-TOTAL	**122**	**1,271**	**1,393**
Western region			
Outaouais (07)	45	486	531
Laurentides (15)	120	1,196	1,316
SUB-TOTAL	**165**	**1,682**	**1,847**
TOTAL	**1,377**	**15,994**	**17,371**

**The numbers in brackets indicate the numbers of Québec's Administrative Regions.*

Breakdown of real estate and mortgage agencies and brokers (as at January 1, 2014)

Franchiser	Agencies	Brokers	Total
Centres hypothécaires Dominion	8	88	96
Century 21	34	678	712
Colliers International (Québec) inc.	2	22	24
Exit	4	24	28
Groupe Conseil Hypothèque G.C.H. inc.	1	1	2
Groupe Sutton	49	2,165	2,214
Hypothéca Courtier hypothécaire	8	218	226
Le Permanent	1	1	2
Multi-Prêts Hypothèques	11	430	441
Re/Max	216	3,406	3,622
Royal LePage	69	1,505	1,574
Vendirect	3	157	160
Via Capitale	55	1,212	1,267
SUB-TOTAL	**461**	**9,907**	**10,368**
Independents	916	6,087	7,003
TOTAL	**1,377**	**15,994**	**17,371**

Note: A franchiser is a company that authorizes at least one franchised agency to use its brand name and system under the terms and conditions of a franchise agreement.

OACIQ Info Center

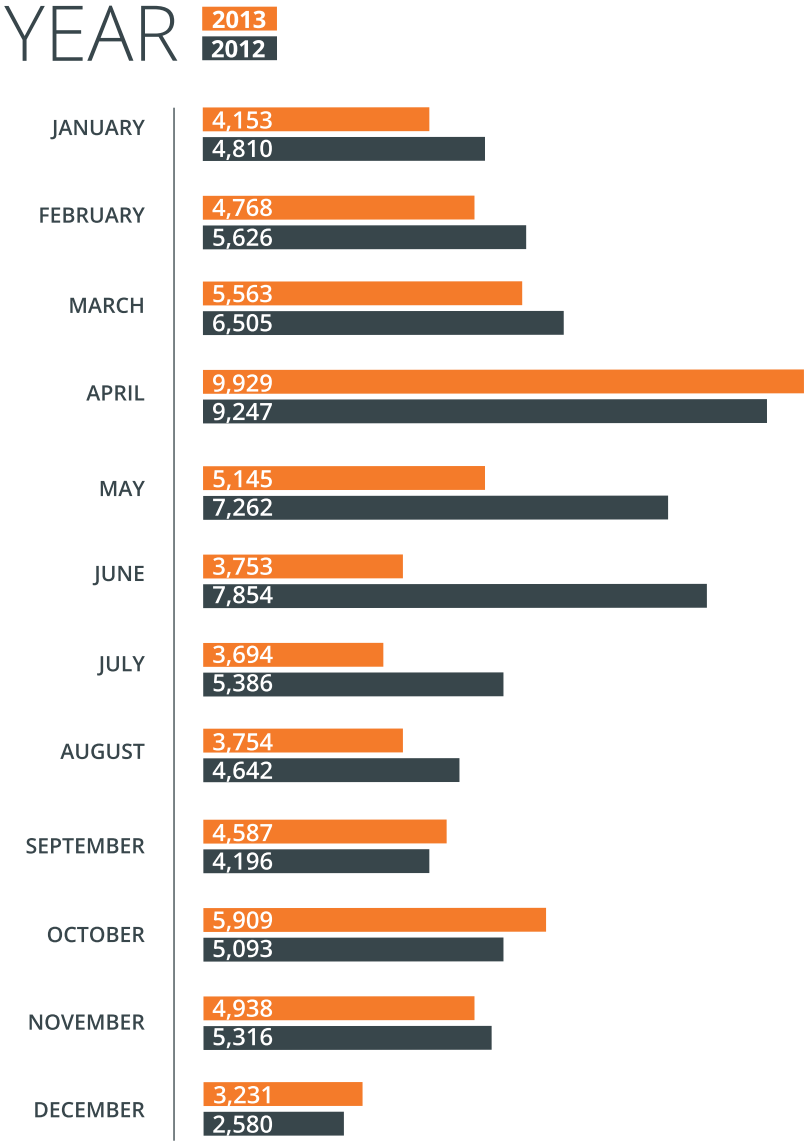
In 2013, the OACIQ Info Center's information agents received 59,424 requests from consumers and brokers, a comparable volume to that of 2010 and 2011. The record increase in the number of calls received by the Center in 2012 was due to requests regarding the new forms.

This year again, three out of every four calls (73%) came from brokers, and one quarter (27%) came from the public. In addition to requests regarding licence maintenance and ethics, last fall's mandatory continuing education sessions on collaboration and the work of the agency executive officer generated many calls to the OACIQ Info Center.

The number of broker requests for help with access to *Synbad* underwent a spectacular decrease in 2013, dropping from 4,178 (in 2012) to 1,523, which seems to indicate that brokers now feel much more comfortable using this electronic tool.

To be able to provide the most current information, the OACIQ Info Center's information agents, who are also brokers, attend continuing education sessions. A quality assurance process also serves to optimize customer service. In case of doubt, their answers are validated and supplemented as necessary by specialists from the OACIQ department concerned. This professionalism directly contributes to the quality of the services provided to consumers and licence holders by the Organization.

Number of requests – OACIQ Info Center



Assistance Department

In 2013, the Assistance Department received 1,868 requests for assistance, about half of which came from the public. This represents a slight decrease compared to 2012.

About one third of requests concerned failure by a broker to inform, verify or advise. This tells us that we must continue to inform and educate brokers about their ethical duties.

During 2013, 1,905 requests were processed by the Assistance Department. The measures most frequently taken regarding these requests were: correction made by the broker or agreement reached between the parties concerned; warning to the broker; file referred to the Office of the Syndic or investigation for illegal practice; and closing of file because no fault was committed or because there was insufficient evidence.

In addition, some of these requests resulted in a commitment by the broker to attend a training in order to improve his professional practices. The training activities most often required by the Assistance Department concern: simultaneous promises to purchase; the broker buying or selling his own listing; and various real estate brokerage forms.

In June 2013, the Assistance Department began collecting data on the categories of properties concerned by the request. The initial results indicate that two thirds of requests concern transactions on residential immovables containing less than five dwellings.

Annual comparison

Files

Files active at the beginning of the year

Files received during the year

Files closed during the period

Files active at the end of the year

**Changes were made in 2013 in the way the number of files is computed.*

Files processed

Correction made by the broker or agreement between brokers or between the broker and the client concerned

Warning to the broker

File referred to the Syndic*

File referred for illegal brokerage*

No fault committed or insufficient evidence

Other

TOTAL

**In 2012 the files referred to the Syndic and for illegal brokerage were combined.*

Illegal brokerage

In 2013 we opened 147 investigation files for illegal practice of real estate or mortgage brokerage. The majority of cases concerned the purchase or sale of residential immovables. Several pertained to the brokerage of loans secured by immovable hypothec. Other files involved residential property leasing, the purchase or sale of commercial properties and the use of the title of broker, or had to do with services offered over the Internet.

The Organization's prosecutors processed 126 files during the year. The number of convictions (further to a trial or guilty plea) obtained in 2013 was similar to 2012. The number of files under investigation at the end of the year and files awaiting hearing or decision decreased compared to 2012.

The senior investigator in charge of illegal practice records was transferred under the authority of Me Hélène Morand who also acts as Syndic.

Table of illegal brokerage files

Illegal brokerage – files under investigation

Files opened

Files referred to prosecutors

Active files as at December 31

Illegal brokerage – files referred to prosecutors

Files processed by prosecutors during the year

Number of convictions

Files awaiting hearing or decision or under appeal as at December 31

"Mere posting"

In 2013, the OACIQ maintained its position and continued taking action against "mere posting". This phenomenon regards out of-province brokers who enter into agreements with Québec sellers to post Québec properties on sites such as REALTOR.CA. Several notices of violation were issued to outside brokers and agencies.

DuProprio case

On July 19, 2013, the Honourable Québec Superior Court Judge François Huot ruled that there were no grounds to appeal the decision rendered in November 2011 by the Court of Québec, acquitting DuProprio.com of six (6) counts of leading others to believe that it was authorized to carry out the activity of real estate broker or agent.

In October, the OACIQ filed a motion for declaratory judgment before the Superior Court to get a clear definition of what is a brokerage transaction within the meaning of the *Real Estate Brokerage Act*.

Financial statements

In 2013, the General Operating fund registered a loss of $1,541,046, compared with $1,454,760 in 2012. Revenues dropped by more than $1.6 million compared to 2012. Much of the spread is due to forms sales, as the new forms came into force in July 2012.

Revenues

Revenues from continuing education activities were the same as in 2012. They would have been higher if the deadline for completing the mandatory continuing education session on collaboration had not been postponed to 2014.

In other highlights, since the OACIQ acquired 50% of the partnership which owns the building on Lapinière Blvd., we can now recognize as an income our share of its results of $162,978.

Expenses

Since revenues were lower than expected, several expenses had to be revised, leading to a restructuring in November 2013. The resulting downsizing yielded savings in salaries and benefits.

We had a major media presence during 2013. The advertising campaign cost $1.4 million. In total, we spent $1.7 million from the Public Information Fund. By comparison, expenses in this fund totalled $2.7 million in 2012.

Other highlights

The activities of the Indemnity Fund, for their part, produced a surplus of $378,762. The surplus of this Fund is now $4,097,956, which is reserved for Fund activities.

The General Operating Fund now has a surplus of $4,625,736, representing a decrease of $1,541,046 for the year. Of this amount of $4,625,736, $2,593,927 is earmarked for capital assets.

Finally, the Fund dedicated to professional liability insurance performed well, which will result in a premium reduction in 2014. The premium will go down to $395 as of May 1.

Preparing for tomorrow

In 2013, the OACIQ made several improvements to its service offer and tightened its procedures. This was done in accordance with the Organization's mission, in order to help the profession meet the consequences of an environment that is progressively transforming the way in which the public behaves in its real estate transactions.

The measures taken include a return to basic training for future brokers, the publication of the first of six professional practices guides, continuing efforts to implement electronic signatures in transactions, two consumer advertising campaigns, the development of continuing education activities such as the one on pyrrhotite, as well as legal proceedings to clarify what constitutes a brokerage act.

These OACIQ actions are the results of the main directions that came out of the 2012 Real Estate Summit. They are aimed at meeting legitimate expectations from the public, the government, and brokers themselves.

The future of real estate and mortgage brokerage in Québec requires the ability to adapt quickly and constantly to new realities in the practice. This is what guided our efforts in 2013, and the same vision will continue to light the way in 2014.

A promising 2014

As we did in 2013, you can be assured that the OACIQ will continue to focus its efforts on ensuring that you have what you need to maintain and enhance our profession's reputation. Several exciting and engaging projects will be undertaken this year, including:

- an improved OACIQ portal;
- a dedicated OACIQ Info Center line for agency executive officers;
- a new corporate image and joint media campaign.

In addition, a consultation tour on the continuing education will soon be organized.

I wish to thank you from the bottom of my heart for your continued participation in the development of quality real estate and mortgage brokerage that meets the expectations of the public. I also thank the members of the Board of Directors for their steady commitment, as well as the OACIQ staff for its unwavering dedication.

Thanks to everyone's combined efforts, brokerage in Québec will come out revitalized and stronger than ever.

Robert Nadeau
President and Chief Executive Officer

Me HÉLÈNE MORAND

Syndic

SYNDIC'S REPORT

The mission of the Office of the Syndic is to be the keeper of the professional integrity of brokers while ensuring that the interpretation of the various sections of the *Real Estate Brokerage Act* is in line with the practices and realities in the field.

A NECESSARY ROLE

The role of Syndic is, upon request from the Assistance Department, to investigate alleged violations to the *Real Estate Brokerage Act* and the regulations thereunder by a broker or an agency, including their directors or executive officers. Requests for assistance can come from consumers or licence holders. All investigation files handled by the Office of the Syndic are confidential under the law.

Once an investigation has been completed, the Syndic must determine whether or not to file a formal complaint with the OACIQ Discipline Committee. The Syndic must also inform, in writing and within a reasonable time period, any person who has requested an investigation of his decision to file or not to file a complaint. If the decision is not to file a complaint, the Syndic must explain the reasons for his decision. The person who has requested an investigation has 30 days following receipt of the Syndic's decision to request an opinion from the Syndic Decision Review Committee.

If the Syndic does file a complaint with the Discipline Committee, the licence holder concerned will be notified by bailiff of the charge(s) pending against him and, later, of the date scheduled for the hearing. The Syndic, through his prosecutors, will review all documentary evidence on which the charges are based.

The Syndic has all the powers of a public inquiry commissioner, except that of ordering a prison sentence. He may question any broker, any agency and its officers and administrators, and any other witness, and all are obliged to answer his questions. The Syndic can even issue a warrant against a witness.

Changes

The Office of the Syndic underwent a few changes in 2013. Last March, Me Hélène Morand resumed the role of OACIQ Syndic, which she had occupied a few years before.

Her first priority upon arrival was to tackle the problem of processing times. A restructuration was done in order to optimize processes and eliminate duplication. Three investigator positions were eliminated and two assistant syndics were hired.

In the fall, the roles of the Legal Affairs Department and of the Syndic were redefined and illegal brokerage investigations, which until then had been handled by Legal Affairs, were entrusted to the Syndic. Thus all investigations, whether relating to disciplinary law or illegal practice, now come under the responsibility of the Office of the Syndic.

Backed by an organization-wide resolve to act proactively to fight against brokerage acts committed by non-licence holders, legal proceedings were instituted in two major cases, i.e. DuProprio inc. and Stellium Immobilier Inc.

Achievements

The means put in place to address the problem of processing times led to a marked improvement in that area. The Office of the Syndic closed 979 investigation files in 2013, more than double the 480 files closed in 2012. This resulted in reduced waiting times.

OF NOTE

All the efforts we have deployed so far in the fight against the growhouse phenomenon are bearing fruit. In 2013 we noted a marked decrease in the number of these cases under investigation by the Office of the Syndic. The fact that brokers have been made aware of this phenomenon and given tools to identify it has certainly contributed to this success.

As we know, the OACIQ was very proactive on this issue, organizing a seminar on growhouses, presenting training sessions across the province, taking major disciplinary action and permanently suspending the licences of offenders. This is an example of a significant achievement in eradicating what is a huge problem for our profession.

Investigations involving OACIQ licence hodlers

[1] Since in 2013 illegal practice cases went through the Office of the Syndic but were not investigated there, we excluded these cases from the 2012 statistics for comparison purposes with 2013.

[2] Idem.

[3] Changes were made in 2013 in the way the number of files is computed.

Offences

These are the main types of offences referred to the Discipline Committee in 2013:

- Problem with verification, information and advice;
- Fabricating or providing false documents;
- Failure to collaborate;
- Obstruction or failure to collaborate with the Syndic;
- Fraud;
- Conflicts of interest;
- Appropriating deposits or misappropriating funds;
- Encouraging illegal real estate brokerage or mortgage practices.

Related activities

In order to maintain a high quality standard in the practice of the profession, the OACIQ Syndic took an active part in the work of the committees formed following the Real Estate Summit in 2012, as well as in the efforts of the working groups on commercial real estate brokerage and mortgage brokerage.

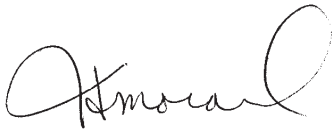
In addition, the Office of the Syndic produced several articles on good practices, which were published in the *Pro@ctive* newsletter, the *Profession Broker* newsletter and on the OACIQ website. Members of the team were enlisted to give trainings and participate in the development of the two recent mandatory education sessions entitled *Agency executive officer, more than a director* and *Collaboration*.

What's ahead in 2014

In 2014, we will continue along the same vein, making every necessary effort to reduce processing times, especially in illegal practice cases. In order to do this, we intend to take the necessary measures to maintain and strengthen communications with brokers, and to increase their skills in order to decrease the need to open new files.

The year 2014 promises to be a busy and exciting one, dealing with issues of concern to the entire profession.

I would like to thank all the members of my team for the passion they bring to their work every day.



Me Hélène Morand
OACIQ Syndic

MEMBERS OF THE OFFICE OF THE SYNDIC

Mario Baillargeon
Records Coordinator

Suzanne Bissonnette
Assistant Syndic

Carletta Calin
Records Agent

Giovanni Castiglia
Assistant Syndic and Advisor

Martin Cayer
Assistant Syndic

Isabelle Daoust
Records Agent

Robert Deschamps
Assistant Syndic

Richard Frigon
Assistant Syndic

Yves Gardner
Assistant Syndic

Sylvie Jacques
Assistant Syndic

François LeBel
Assistant Syndic

Réjean LeBel
Assistant Syndic and Advisor
Operations Manager

Me Hélène Morand
Syndic

Julie Pinet
Assistant Syndic

Alexandre Ricard
Principal Investigator

Me MICHÈLE GAGNON

Chair of the Syndic Decision
Review Committee

REPORT FROM THE SYNDIC DECISION REVIEW COMMITTEE

Under the *Real Estate Brokerage Act* (R.S.Q., c. C-73.2), a Syndic Decision Review Committee was formed. The role of this committee is to issue an opinion, upon request by the person who requested the investigation, on the Syndic's decision not to file a complaint before the OACIQ Discipline Committee.

When a file is closed at the Office of the Syndic, the Syndic in charge of the file may decide either to file a complaint before the Discipline Committee, or to close the file without filing a complaint, with or without a commitment on the part of the broker. In cases where the Syndic decides not to file a complaint, he has an obligation to inform the applicant of the reasons for this decision in his closing notification letter.

A person who applied to the Syndic to investigate a case may, within 30 days following receipt of the Syndic's decision not to file a complaint before the Discipline Committee, request an opinion from the Syndic Decision Review Committee.

In this opinion the Committee may conclude that the filing of a complaint before the Discipline Committee is not justified, suggest that the Syndic complete his investigation and render a new decision as to the validity of filing a complaint, or conclude that the filing of a complaint before the Discipline Committee is justified and suggest someone who, acting as *ad hoc* syndic, will make the decisions as to whether or not to file a complaint.

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

Members of the Committee

The Syndic Decision Review Committee is comprised of a minimum of three and a maximum of nine members, including a Chair, appointed for a three-year term by the OACIQ, which also appoints one or more Vice-Chairs.

For the year, the Board of Directors appointed Mr. Raymond Ayas as Vice-Chair. In addition, on December 16, 2013, the Board appointed Mrs. Patricia Gaulin as Committee member.

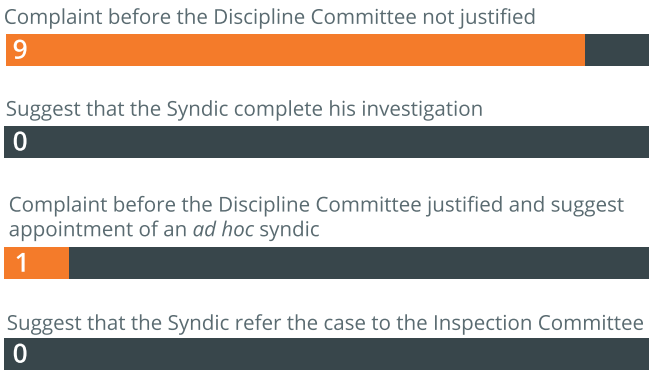
Activities of the Committee

En 2013, the Committee met nine times and issued opinions in 10 cases.

In nine of these cases, the Committee confirmed the Syndic's decision and concluded that a complaint before the Discipline Committee was not justified. In another case, the Committee concluded that a complaint before the Discipline Committee was justified, and to this effect, suggested the appointment of an *ad hoc* syndic.

Cases reviewed

Opinions issued in 2013



Me Michèle Gagnon, Chartered Real Estate Broker / AEO
Chair of the Syndic Decision Review Committee

MEMBERS OF THE SYNDIC DECISION REVIEW COMMITTEE

Chair

Me Michèle Gagnon
Chartered Real Estate Broker / AEO

Vice-Chair

Raymond Ayas
Chartered Real Estate Broker / AEO

Members

Pierre Albert
Real Estate Broker

Patricia Gaulin
Chartered Real Estate Broker / AEO

Francine Thibeault
Chartered Real Estate Broker / AEO

Resources

Me Patricia Couture
Manager, Registries

Me Annie Hudon
Lawyer, Registries

Estelle Richard
Administrative Assistant, Registries

Julie Tremblay
Agent, Registries

Me PATRICK DE NIVERVILLE

Chair of the Discipline Committee

REPORT FROM THE DISCIPLINE COMMITTEE

The Discipline Committee reviews all complaints made against OACIQ licence holders for violations of the provisions of the *Real Estate Brokerage Act* and its regulations.

The Discipline Committee is constituted pursuant to this Act and is fully autonomous and independent from the Organization's Board of Directors and staff.

Appointment of the Chair and Vice-Chairs of the Committee

The *Real Estate Brokerage Act* allows, among other things, for the appointment of a Chair and several Vice-Chairs. To this effect, on May 28, 2013, the Finance Minister Mr. Nicolas Marceau appointed M[e] Patrick de Niverville as Discipline Committee Chair to replace M[e] Claude G. Leduc whose term had expired. Mr. Marceau has also appointed new Vice-Chairs, namely M[e] Luc Audet, M[e] Avelino De Andrade, M[e] Armand J. Elbaz, M[e] Margueritte M. Leclerc and M[e] Martine Perreault. On November 20, 2013, The Minister has added to this list two other Vice-Chairs by appointing M[e] Daniel M. Fabien and M[e] Jean-Pierre Morin and renewed the terms of M[e] Caroline Malo and M[e] Patrick Choquette.

Still regarding the vicechairmanship of the Committee, this year has also been marked by the appointment of Mr. Erick Vanchestein as judge of the Criminal and Penal Division of the Court of Québec and resignation of M[e] Brigitte Deslandes.

In addition to the Chair and Vice-Chairs, the Committee is comprised of about 60 real estate or mortgage brokers.

Complaints are usually reviewed by a division of the Committee consisting of three members, including two brokers and the Chair or a Vice-Chair. The members of the profession who sit on the Committee are selected from a group of real estate or mortgage brokers appointed as members to the Discipline Committee for a three-year term by the Organization's Board of Directors. The Board also appoints the Committee's secretary and assistant secretaries.

Discipline Committee complaints, hearings and decisions (Tables I and II)

(January 1 to December 31, 2013)

The complaints heard by the Discipline Committee usually relate to serious offences. As at December 31, 2013, the OACIQ's Office of the Syndic had filed 118 complaints with the Discipline Committee.

In 2013, the Committee held 161 hearing days. Among the hearing days due to be held during that period, 82 were postponed and 27 were cancelled.

The Committee settled 78 cases by rendering 25 decisions on penalties following a decision on the defendant's guilt, 51 decisions on penalties following a guilty plea, and two decisions acquitting the defendant on all counts against him and rejecting the complaint. The Committee also rendered 40 decisions in which the defendant was found guilty.

The Committee continued in 2013 to review files in which a preliminary application had been filed questioning the Committee's jurisdiction over the complaints. The Committee had already ruled on this preliminary application, which was based on constitutional arguments relating to the Committee's lack of neutrality, in one of these cases by concluding that the Committee, as created, does comply with independence and neutrality requirements, which are guaranteed in the Charters, among other things.

Penalties (Tables III and IV)

Under the *Real Estate Brokerage Act*, the Discipline Committee may impose various penalties ranging from a reprimand to a licence suspension or revocation. The Committee may also impose fines of a minimum of $1,000 and a maximum of $12,500 per violation. Penalties are determined by the Committee based on the seriousness and the circumstances of the offence, with a view to protecting the public.

The Committee issued reprimands on 38 accusation counts and imposed 54 fines totalling $176,900. Generally, the payment of costs is ordered each time a guilty decision is rendered. In addition, in six cases the Committee required the defendant to attend a course or training session. There were also 46 licence suspensions and four cases of conditions or restrictions being imposed on the licence. Suspension periods ranged from a few days to permanent suspension.

Cases appealed before the Court of Québec (Table V)

The *Real Estate Brokerage Act* allows for certain decisions by the Committee to be appealed before the Court of Québec. In 2013, eight Discipline Committee decisions were appealed before the Court of Québec, and six decisions were rendered by the Court of Québec on appeals of Discipline Committee decisions.

Table I

Number of cases in progress

In progress as at January 1
2013 209*
2012 191

Complaints filed during the period
2013 118
2012 93

TOTAL
2013 327
2012 284

Minus: Decisions rendered on penalties or acquittals
2013 78
2012 65

CASES IN PROGRESS AS AT DECEMBER 31
2013 249
2012 219

*Following a statistical revision, the number of cases in progress as at January 1, 2013 was adjusted to 209.

Table II

Hearings – Postponements – Decisions

Hearing days held (total)
2013 161
2012 145

Hearing days postponed
2013 82
2012 52

Hearing days cancelled
2013 27
2012 30

Decisions rendered by the Committee

Provisional suspension
2013 0
2012 3

Guilty verdict
2013 40
2012 29

Penalty imposed
2013 25
2012 19

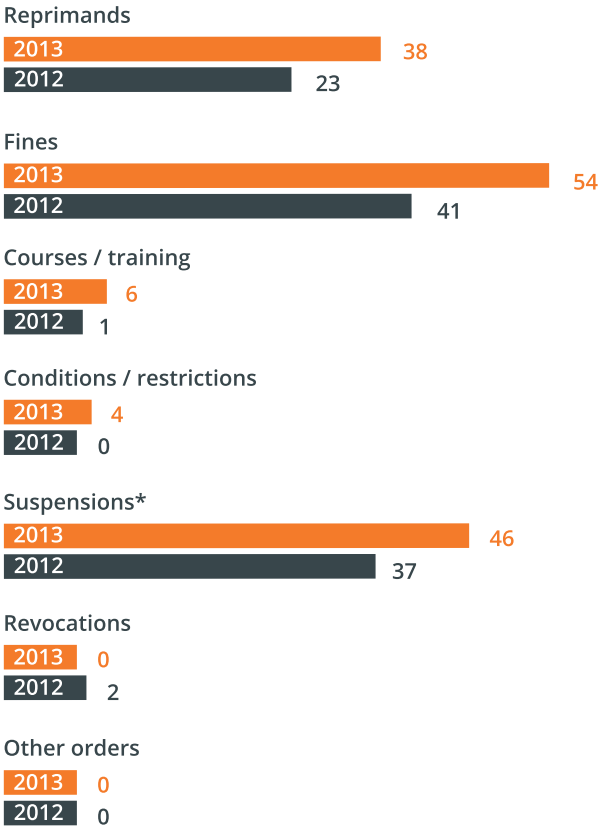
Penalty imposed following a guilty plea
2013 51
2012 42

Non-guilty verdict (on all counts) / Complaint rejected
2013 2
2012 4

Decision on various motions / Preliminary application
2013 8
2012 N/D

Table III

Nature of penalties ordered by the Committee



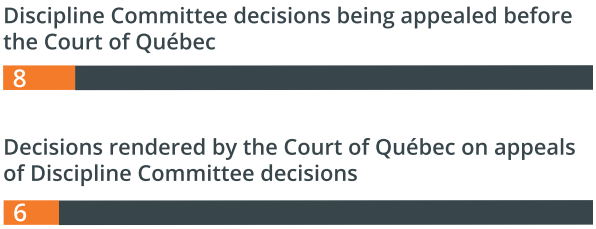
**Suspensions ordered by the Discipline Committee are sometimes accompanied by a fine. In addition, the Committee may suspend a defendant's licence or order a fine on several counts pertaining to the same complaint.*

Table IV

Fines and publications

Table V

Cases being appealed before the Court of Québec – 2013



Basis of charges

The complaints brought before the Discipline Committee may relate to offences under the previous *Real Estate Brokerage Act*, the *Rules of Professional Ethics of the ACAIQ*, the *By-laws of the ACAIQ*, the *Regulation respecting the application of the Real Estate Brokerage Act*, or come under the current *Real Estate Brokerage Act* and the *Regulation respecting brokerage requirements, professional conduct of brokers and advertising*, for offences committed after May 1, 2010. It should be noted that a charge may be brought under more than one section of the Act or regulations.

I wish to thank the Registry staff, all the members of the Committee and the Vice-Chairs for their availability and their exemplary contribution to the work of the Discipline Committee.

Me Patrick de Niverville
Chair of the Discipline Committee

MEMBERS OF THE DISCIPLINE COMMITTEE AS AT DECEMBER 31, 2013

Chair

Me Patrick de Niverville

Vice-Chairs

Me Luc Audet
Me Patrick Choquette
Me Avelino De Andrade
Me Armand J. Elbaz
Me Daniel M. Fabien
Me Margueritte M. Leclerc
Me Caroline Malo
Me Jean-Pierre Morin
Me Martine Perreault

Vice-Chairs completing their files

Me Brigitte Deslandes
Me Claude G. Leduc
Mr. Erick Vanchestein

Members

Ariëns, Imelda
Barrette, Renée
Belley, Louise
Berkers, Petrus
Bolduc, Danielle
Boucher, Danielle
Brosseau, Sacha
Bureau, Denis
Cholette, Ginette
Ciocca, Salvatore
Corbeil, Jean-Marc
Côté, Mélissa
D'Aoust, Robert
De Langavant, Laura-Nancy
Dufresne, Yvan
Dufresne, Yves
Dupras, Marie-Andrée
Fecteau, Luce
Forlini, Nancy
Gagnon, Micheline
Gagnon, Normand
Gauthier, Stéphanie
Giroux Laveau, Lana
Goulet, Christian
Guertin, Jean
Guilbert, Marie-Josée
Hardacker, Lois
Havard Grisé, Suzanne
Jones, Stewart
Lamirande, Mario
Langelier, Michèle
Lavieville, Clara
Lecompte, Éloi
Léger, Éric
Lemaire, Frantz
Leroux, Robert
Liboiron, Michel
Longo, Vito
Mailloux, Luc
Marchand, Denyse
Merrien, Thierry
Morrow, René
Nicolas, Habib
Paquette, Rolland G.
Paquin, Michel
Racine, Normand
Roy, Louise
Ruiz, Carlos
Rzik, Abdelaziz
Stathakis, Georgios
Thibault, Renaud
Thibault, Sylvain
Vidal, Anouk
Villiet, François

Secretary

Renée Dionne

Assistant Secretary

Sylvie Desjardins

PIERRE MARTEL

Chair of the Inspection Committee

REPORT FROM THE INSPECTION COMMITTEE

The Inspection Committee oversees broker and agency activities using a prevention-based approach, helping to improve professional practices while having a direct impact on our profession's quality standards. This approach helps licence holders better master the ins and outs of their profession and to be recognized by their peers and the public. The OACIQ Inspection Department is a true ally for brokers and agencies, valuing their work and promoting the profession.

Residential and commercial real estate brokerage and mortgage brokerage

More inspections were conducted in 2013 than the previous year. Inspectors visited a total of 431 establishments, including 347 agencies and brokers acting on their own account in residential real estate, 55 in commercial real estate brokerage, and 22 in mortgage brokerage. The establishments inspected also included seven agencies and brokers acting on their own account whose licences were valid but who had not engaged in brokerage activities.

Skills-based verification

Inspections of broker skills continued in 2013, with a total of 1,942 brokers benefitting from the findings of an inspector. The inspector's observations and recommendations, in the form of a personal report sent to each broker inspected, are specifically aimed at professional acts to do with the way in which a broker uses his skills, maintains his records and performs the contracts and transaction proposals he has drafted and negotiated, according to his specific field of practice. This has a direct impact on public protection and a real and positive impact for brokers.

Remote inspections

Thanks to the electronic document management (EDM) systems implemented by some agencies, the Inspection Department was able to perform 20 remote inspections in 2013. This type of inspection allows inspectors to analyze brokerage contract and transaction records without having to go on site. The Inspection Department intends to take advantage of remote inspection opportunities wherever possible.

Electronic transmission of inspection reports

In an effort to protect the environment, inspection reports are uploaded electronically in a secure and confidential manner on Synbad, the OACIQ extranet. An email is then sent to agency executive officers and brokers to let them know their inspection report is available for review. Of course the Inspection Department remains available to answer brokers' questions or comments following receipt of the report.

Inspection Committee recommendations

The Inspection Committee can make any recommendation it deems appropriate. In addition, if the Committee notes a violation to the *Real Estate Brokerage Act* or the regulations thereunder, it can notify the Syndic. In 2013, 40 files were submitted to the Inspection Committee, 13 of which were referred to the Syndic for further investigation.

The recommendations issued by the Committee to certain brokers or agency executive officers following inspections usually pertain to three recurring problems:

- deposit indicated in the promise to purchase but not collected;
- non-disclosure of remuneration agreement for referrals to a mortgage lender;
- unauthorized remuneration sharing.

Online self-inspection

Regular inspections are supplemented by an online self-inspection questionnaire that must be completed each year by all agencies and brokers acting on their own account. The questionnaire exists in short-form and long-form formats; the latter is the equivalent of an actual inspection since it covers every aspect of a brokerage office's management, including advertising, brokerage and transaction records, conflicts of interest and disclosures – namely regarding referrals, trust accounts, document management and confidentiality. Several statistics are collected in this way to enable us to help agency executive officers and brokers acting on their own account improve certain aspects of their practice. To this effect, we publish self-inspection highlights each year. In 2013, a total of 1,587 short-form questionnaires and 282 long-form questionnaires were sent and completed by licence holders.

Trust accounts

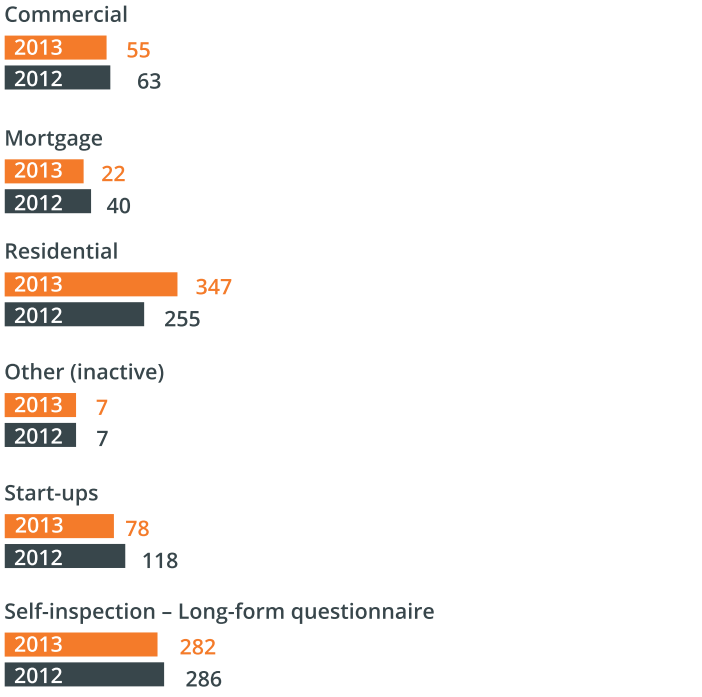
The Inspection Committee works to encourage the payment of a deposit with every transaction. Inspectors always emphasize the ease with which a trust account can be managed, while ensuring compliance with the rules of ethics. We will continue to deliver the message by stressing the advantages of a deposit and how a trust account is a value-added service that helps brokers set themselves apart from the competition.

Start-up sessions

The Inspection Department invites new agencies or brokers acting on their own account to attend a start-up session. This consists in a half-day training session that also serves as an initial inspection. It allows participants to review the responsibilities of the agency executive officer and the broker acting on his own account, as well as the various aspects of the keeping of records and registers, broker supervision, disclosure obligations, and conflict and dispute management. A total of 78 agency executive officers or brokers acting on their own account attended these sessions in 2013.

2013 Statistics

Inspections of agencies and brokers acting on their own account



TOTAL

Reports to brokers, skills-based

2013 Statistics (cont'd)

Self-inspection of agencies and brokers acting on their own account – online

(Long-form and short-form questionnaires)

Total number of agencies and brokers acting on their own account who have a trust account

At the end of December

Commitments

Attending an education session or complying with various regulatory obligations

Favourable perception

In order to ensure the quality of the services it offers to agencies and brokers who have undergone an inspection, the Inspection Committee sends them an appreciation questionnaire. This year 159 questionnaires were returned and the results were again very positive, confirming that licence holders appreciate the principle of assistance and prevention championed by the Committee.

On behalf of members of the Committee, I would like to thank the entire Inspection Department staff for their cooperation.

Pierre Martel
Chair of the Inspection Committee

MEMBERS OF THE INSPECTION COMMITTEE

The members of the Inspection Committee for 2013 were:

Chair

Pierre Martel

Vice-Chair

Marc-André Pilon

Members

Laurent N. Benarrous
Diane Bourbonnière
Nathalie Clément

INSPECTION DEPARTMENT TEAM

Lyne Audet
Inspector

Mélanie Barron
Administrative Assistant

Francine Boucher
Manager

Mario Busque
Inspector

Doreen Carrière
Agent

Stefan Comtois
Inspector

Lisa Gougeon
Agent

Johanne Langlois
Agent

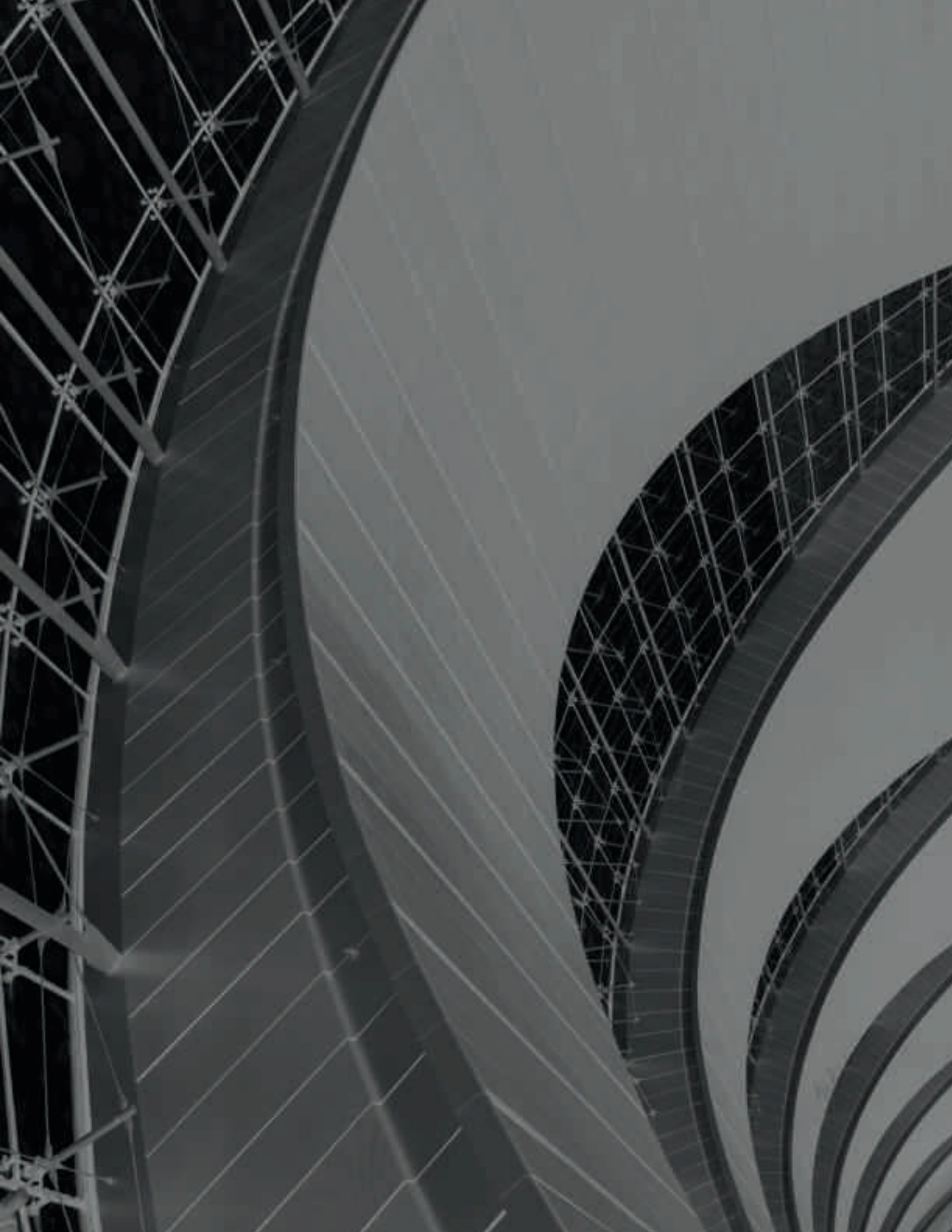
Céline Larouche
Inspector

Geneviève Larouche
Inspector

Marie Thérèse Lessard
Inspector

Diane Martineau
Inspector-coordinator

Jean-Luc Meunier
Inspector



GEORGES HALASZ

Chair of Licence Issue
and Maintenance Committee

REPORT FROM THE LICENCE ISSUE AND MAINTENANCE COMMITTEE

The mission of the Licence Issue and Maintenance Committee is to make decisions regarding licence issue or maintenance where an applicant or a licence holder has had his licence revoked, suspended or made subject to restrictions or conditions by the OACIQ Discipline Committee or by another body overseeing real estate brokerage, assigns his property, or is the subject of a receiving order, protective supervision of a person of full age, or a disciplinary, penal or criminal conviction having a link with the activity of real estate broker or agency.

The role of the Licence Issue and Maintenance Committee under the *Real Estate Brokerage Act* (R.S.Q., c. C-73.2) consists particularly in determining whether public protection warrants the application of such measures as provided under the Act where an applicant or a licence holder has been found guilty of or has pleaded guilty to a penal or disciplinary offence of a criminal act, to the extent where the Committee has established that this offence or act has a link with the activity of real estate broker or agency.

If an application for issuance is submitted to the Committee, the latter has the power to review all criminal, penal or disciplinary convictions, regardless of when the person was found or pleaded guilty.

When deciding on licence maintenance, the Committee may take into account any criminal, penal or disciplinary conviction which occurred since May 1, 2010.

In addition, the Committee may review cases involving bankruptcy, guardianship, curatorship or appointment of an adviser to a person of full age, as well as cases where an applicant or licence holder has had his licence revoked, suspended or made subject to

restrictions or conditions by the OACIQ Discipline Committee or by a body in another province or state responsible for overseeing and monitoring real estate brokerage. In the latter cases, the Committee may decide to impose one of the measures provided for under the Act where the protection of the public warrants such measure.

Depending on circumstances, the Committee may refuse to issue a licence to an applicant, or to issue it by imposing restrictions or conditions thereon. The Committee may also take measures against a licence holder, including suspending or revoking a licence or making it subject to restrictions or conditions.

The Committee may also issue an opinion on the decision it could render if a person or company were to apply for a broker or agency licence, this before steps are taken regarding such an application.

Such an opinion issued by the Committee does not constitute a decision within the meaning of section 37 of the *Real Estate Brokerage Act*. The Committee will have to re-examine the case when an application for issuance is actually submitted, and will render a decision based on the facts presented and the circumstances prevailing at that time. This means that in some cases the final decision could differ from the preliminary opinion issued.

Members of the Committee

The Licence Issue and Maintenance Committee is comprised of a minimum of three and a maximum of nine members, including a Chair, appointed for a three-year term by the OACIQ, which also appoints one or more Vice-Chairs.

Of note is the appointment on October 15, 2013 by the Board of Directors of Johanne Vincent as member of the Committee, and the appointment on December 16 of Paul Huard as Vice-Chair.

On July 15, 2013, James Brown resigned as a member of the Committee.

Activities of the Licence Issue and Maintenance Committee

From January 1 to December 31, 2013

In 2013, the Committee processed 68 cases over the course of 12 sessions held. Thus the Committee reviewed the cases of 48 individuals applying for a real estate or mortgage brokerage licence, the cases of 13 licence holders, and 7 applications for advance decisions. These cases involved the following situations: 18 penal offences or criminal acts, three disciplinary offences and 45 assignments of property; some cases may include more than one situation. Here are the details.

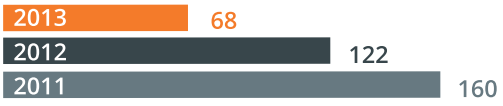
The Committee reviewed 48 applications for issuance of a real estate or mortgage brokerage licence. Of these, the Committee established the existence of a link between 14 criminal, penal or disciplinary convictions and the activity of real estate broker or agency. In two cases, the Committee decided that the appropriate

action under the circumstances was to refuse to issue the licence, and in two more cases, that the licence could be issued with conditions or restrictions. The Committee also reviewed licence applications involving an assignment of property. The licence was issued in all cases, but in one the Committee determined that the licence should be issued with conditions or restrictions.

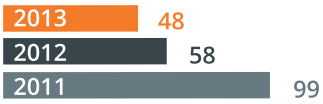
The Committee also reviewed the files of 13 licence holders strictly concerning assignment of property situations. In seven of these cases, the Committee determined that the licence could be maintained without conditions or restrictions, and in the other six, it concluded that the licence could be maintained with conditions or restrictions.

Finally, the Committee issued an opinion on seven applications for advance decisions. In five of these cases, the Committee determined that he licence could be issued. In one case, the Committee felt that the appropriate measure in the circumstances would be to refuse to issue the licence, and in another case, that the licence could be issued with conditions or restrictions.

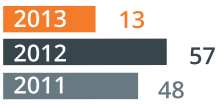
Cases reviewed



Applications for issuance

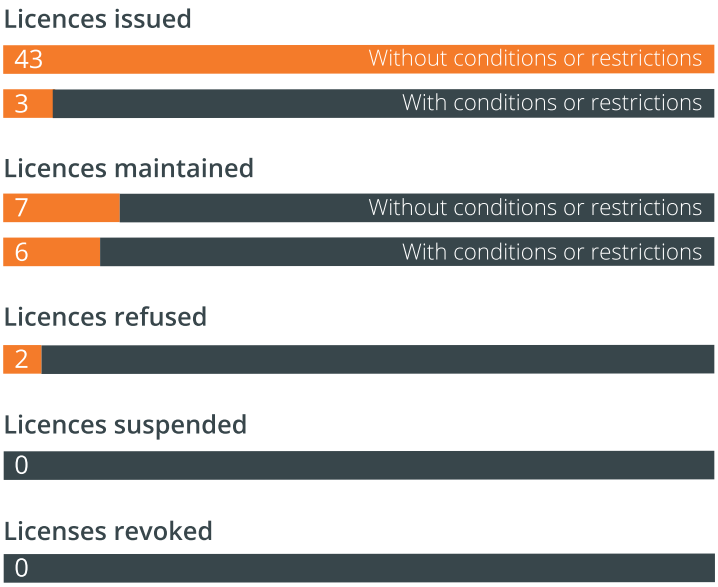


Licence holders

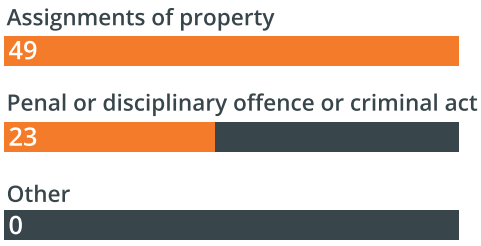


Opinions

Decisions rendered by the Committee in 2013



Circumstances reviewed by the Committee in 2013



Georges Halasz, Chartered Real Estate Broker / AEO
Chair of Licence Issue and Maintenance Committee

MEMBERS OF THE LICENCE ISSUE AND MAINTENANCE COMMITTEE

Chair

Georges Halasz
Chartered Real Estate Broker / AEO

Vice-Chairs

Marc-André Filion, LL.L.
Chartered Real Estate Broker / AEO

Paul Huard
Chartered Real Estate Broker / AEO

Members

Bertrand Côté
Real Estate Broker

Jean-Luc Pulinckx
Real Estate Broker

Raymond-Noël Vaillancourt
Chartered Real Estate Broker / AEO

Johanne Vincent
Chartered Real Estate Broker / AEO

Resources

Me Patricia Couture
Manager, Registries

Me Annie Hudon
Lawyer, Registries

Estelle Richard
Administrative Assistant, Registries

Julie Tremblay
Agent, Registries

GRATIEN DUBÉ

Chair of the Indemnity Committee

REPORT FROM THE INDEMNITY COMMITTEE

Created on May 1, 2010 by the *Real Estate Brokerage Act* (R.S.Q., c. C-73.2), the Indemnity Fund is dedicated to the payment of indemnities to victims of fraud, fraudulent tactics or misappropriation of funds for which a broker or agency is responsible.

The Indemnity Committee, created within the Organisme d'autoréglementation du courtage immobilier du Québec, rules on the eligibility of claims submitted to it and decides on the amount of the indemnities to be paid.

The Indemnity Fund, which is managed by the Organisme d'autoréglementation du courtage immobilier du Québec, is dedicated to the payment of indemnities to victims of fraud, fraudulent tactics or misappropriation of funds for which a broker or agency, whether in real estate or mortgage brokerage is responsible. The role of the Indemnity Committee, created within the Organization, is to decide on the eligibility of claims filed against brokers or agencies and to set the amount of indemnity payable to victims.

The maximum indemnity payable by the Committee for each brokerage transaction concerned by a claim is $35,000 for acts committed as of May 1, 2010, and $15,000 for acts committed before that date.

Members of the Committee

The Indemnity Committee is comprised of a minimum of three and a maximum of nine members, including a Chair, appointed for a three-year term by the Board of Directors of the OACIQ, which also appoints one or more Vice-Chairs.

The Committee is currently comprised of four real estate brokerage licence holders and three members of the public.

With the resignation of Lise Légaré on April 30, 2013, the Committee lost very valuable expertise in the indemnity process in the field of real estate brokerage. Not only was Ms. Légaré a member of the Indemnity Committee when the new *Real Estate Brokerage Act*

came into force in 2010, but she also served on the Board of Directors of the Real Estate Indemnity Fund from 1999 as Director and Treasurer.

Another event of note was the appointment on October 15, 2013 by the Board of Directors of Normand Déry as member of the Committee.

Activities of the Committee

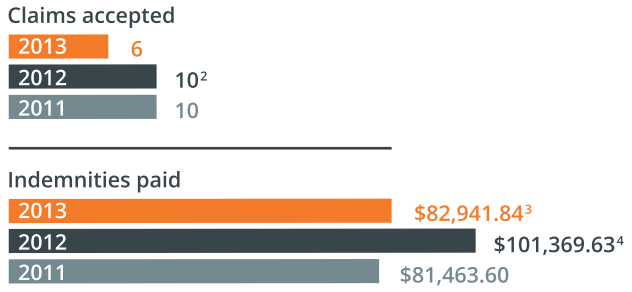
As at January 1, 2013, 87 cases were under review.

The Indemnity Committee met 11 times in 2013, processing and rendering decisions on 107 claims. The Committee approved six of these claims, for which a total of $82,941.84 was paid in indemnities, and rejected 101. Two files were closed for administrative reasons. During the period, 74 new files were opened and ten were reopened following a request for review.

As at December 31, 2013, 62 files were under review.

Files

Indemnities



[1]This figure includes new files and files reopened following an application for review.

[2]This figure includes the four accepted claims among those pending as at December 31, 2011.

[3]Starting in 2013, this table includes indemnities to be paid in the course of the year, even if a portion of these indemnities will in fact be paid in the following year.

[4]This amount takes into account indemnities of $55,000 paid in 2012 on files processed in 2011, and indemnities of $50,320.26 to be paid in 2012, from which an amount of $3,950.63, was withheld for payment in 2013.

Gratien Dubé, Chartered Real Estate Broker / AEO
Chair of the Indemnity Committee

MEMBERS OF THE INDEMNITY COMMITTEE

Chair

Gratien Dubé
Chartered Real Estate Broker / AEO

Vice-Chair

Me Nada Najm

Members

Jean-Robert Benoit
Chartered Real Estate Broker / AEO

Maryse Bourgeault
Chartered Real Estate Broker / AEO

Normand Déry
Real Estate Broker

Aline Duplessis

Marcel Le Houillier

Resources

Me Patricia Couture
Manager, Registries

Me Annie Hudon
Lawyer, Registries

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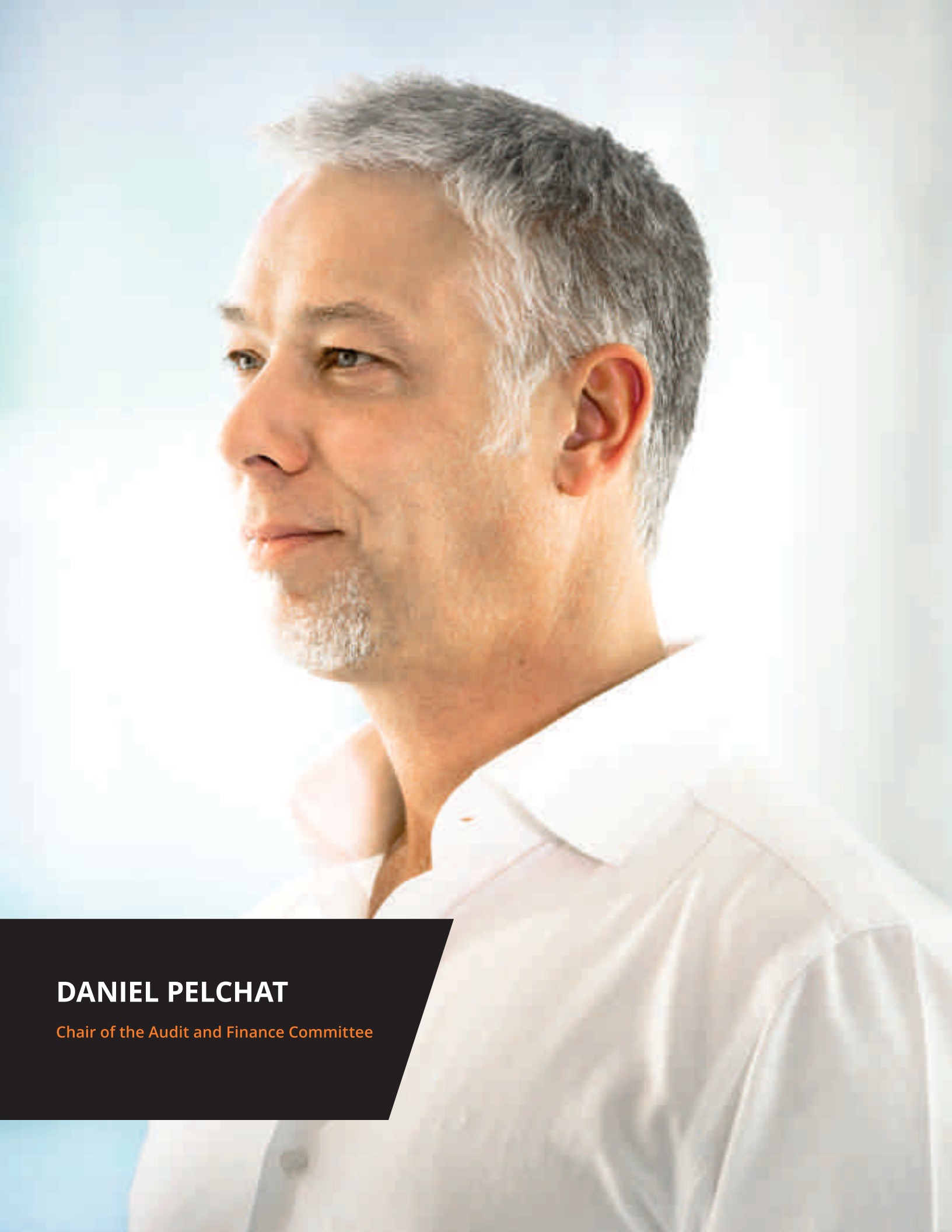
Administrative Assistant, Registries

Julie Tremblay
Agent, Registries



DANIEL PELCHAT

Chair of the Audit and Finance Committee

TREASURER'S REPORT

Revenues

In 2013 revenues totalled $22,096,463, compared with $23,883,144 in 2012. Much of the decrease is related to the drop in form sales, which were especially high in 2012 when the new forms came into force.

Revenues from continuing education activities were comparable to 2012. If the mandatory continuing education on collaboration had not been postponed, the revenue from this activity would have allowed us to balance our budget in 2013.

Among other revenue highlights, since the OACIQ acquired 50% of the limited partnership that owns the building on Lapinière Blvd. in 2012, we were able to recognize a share of its results of $162,978 in 2013.

Expenses

Total expenses in the General Operating Fund totalled $22,604,116, compared to $24,135,005 in 2012, a 6% drop.

The variation in forms-related expenses is directly tied to the drop in form sales. The same goes for mandatory continuing education costs. If all activities had taken place in 2013, the costs would have been higher. Apart from these specific items, training sessions in 2013 were less expensive overall than in 2012. A total of $3,563,212 was invested in basic training, examinations and continuing education.

The expenses in the area of Discipline and Syndic went up by 8% compared to 2012, due to an increase in the number of files processed.

So in general, costs were similar to 2012, including Board and committee expenses, meeting and travel costs, and office expenses.

As for the Public Information Fund, $1.4 million was spent on the advertising campaign in the course of the year, for total expenses of over $1.7 million in 2013. This is still $1 million less than in 2012, when we spent a total of $2,7 millions.

Indemnity Fund

The Indemnity Fund generated a surplus of $378,762 in 2013, compared to $534,068 in 2012. The number of files processed was similar to that of 2012, and the maximum compensation remained the same at $35,000 per claim.

Surplus

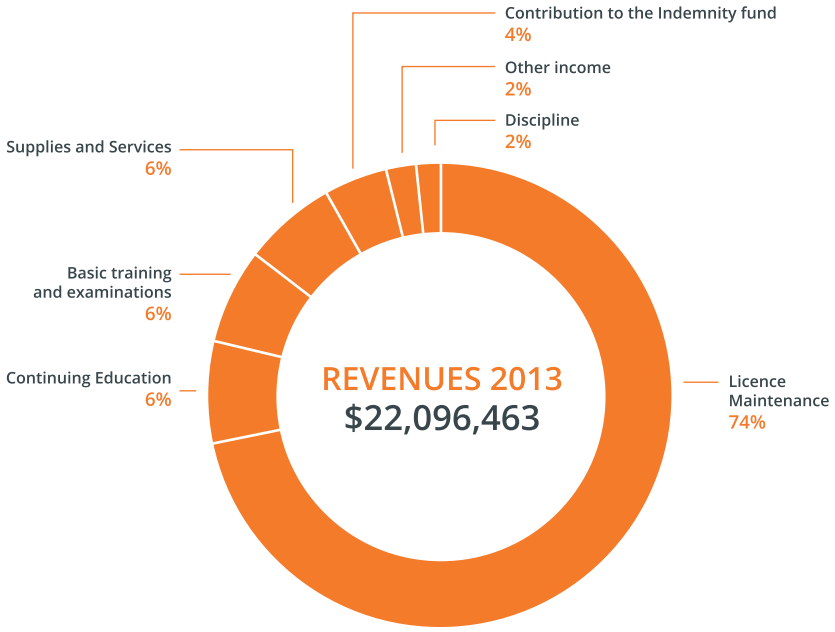
For 2013, the General Operating Fund and the Indemnity Fund show a combined loss of $1,162,284, compared with a $920,692 loss in 2012, decreasing the accumulated surplus from $9,885,976 to $8,723,692. It is important to note that the Indemnity Fund's surplus, which now stands at $4,097,956, can only be used for Fund activities. The accumulated surplus in the General Operating Fund is now $4,625,736. Of this amount, a sum of $2,593,927 has already been invested in capital assets, and is therefore not available for OACIQ activities.

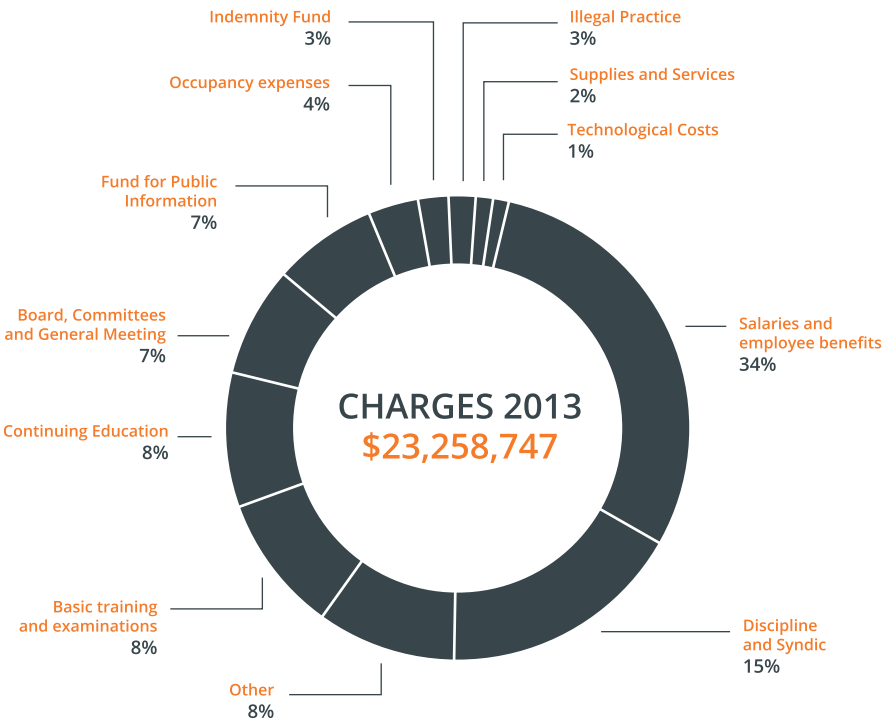
Projection

In summary, 2013 was marked by the introduction of new training sessions that will continue in 2014. The progress of these upcoming sessions and the licence renewal rate in the spring are some of the financial challenges awaiting us in 2014.

Established in 2013, the budget for the upcoming year takes into account a reduction in the number of licence holders of about 1,000.

Daniel Pelchat
Chair of the Audit and Finance Committee





MEMBERS OF THE AUDIT AND FINANCE COMMITTEE

The following persons were members of this committee as at December 31, 2013:

Chair

Daniel Pelchat

Members

Serge Brousseau
Richard Dion
Pierre Carrier
Robert Nadeau

Resources

Claude Barsalou
Vice-Chair
General Management

Vo-Long Truong
Vice-Chair
Finance and Material Resources Management

Ghyslaine Dupras
Manager
Accounting and Finance

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte LLP
4605-A Lapinière Blvd.
Suite 200
Brossard QC J4Z 3T5

Tel.: 450 618-4270 • Fax.: 450 618-6420
www.deloitte.ca

To the License Holders of the Organisme d'autoréglementation du courtage immobilier du Québec

We have audited the financial statements of the Organisme d'autoréglementation du courtage immobilier du Québec (the "OACIQ"), which comprise the statement of financial position as at December 31, 2013, the statements of income, changes in net assets and 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 Canadian accounting standards for not-for-profit organizations, 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 OACIQ as at December 31, 2013, and the results of its activities and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

March 21, 2014

[1] CPA auditor, CA, public accountancy permit No. A108263

ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of income · Year ended December 31, 2013

	General Operating Fund	Indemnity Fund	TOTAL 2013	General Operating Fund	Indemnity Fund	TOTAL 2012
	$	$	$	$	$	$
REVENUE						
Fees and memberships	16,334,222	985,138	17,319,360	16,354,089	1,031,447	17,385,536
Continuing education - Appendix	1,395,222	-	1,395,222	1,576,388	-	1,576,388
Basic training and examinations - Appendix	1,276,273	-	1,276,273	1,028,527	-	1,028,527
Discipline and syndic - Appendix	322,735	-	322,735	278,786	-	278,786
Supplies and services - Appendix	1,241,064	-	1,241,064	2,766,755	-	2,766,755
Illegal brokerage practices - Appendix	5,492	-	5,492	40,664	-	40,664
Investment income (Note 15)	92,197	2,135	94,332	103,794	162,927	266,721
Interest on income held in trust accounts (Note 11)	16,488	-	16,488	14,830	-	14,830
Other incomes for financing fund for public information (Note 11)	994	-	994	103,129	-	103,129
Limited partnership, net income share (Note 6)	162,978	-	162,978	128,976	-	128,976
Other	215,405	46,120	261,525	284,307	8,525	292,832
	21,063,070	1,033,393	22,096,463	22,680,245	1,202,899	23,883,144

Statement of income · Year ended December 31, 2013 (cont'd)

	General Operating Fund	Indemnity Fund	TOTAL 2013	General Operating Fund	Indemnity Fund	TOTAL 2012
	$	$	$	$	$	$
EXPENSES						
Administration						
Salaries and employee benefits	7,919,463	385,617	8,305,080	7,177,382	333,167	7,510,549
Professional fees	356,949	117,858	474,807	441,563	95,362	536,925
Board of Directors and committees	1,113,722	34,506	1,148,228	1,150,853	34,218	1,185,071
Meetings and travel	650,948	-	650,948	650,038	-	650,038
Office expenses	465,213	6,466	471,679	536,832	13,726	550,558
Advertising	-	167,829	167,829	-	-	-
Occupancy expenses	1,007,103	13,430	1,020,533	887,531	19,258	906,789
Contribution to the Ministère des Finances et de l'Économie du Québec	115,785	-	115,785	171,224	-	171,224
Publications and public relations	69,484	-	69,484	252,629	-	252,629
Technological costs	241,169	-	241,169	214,730	-	214,730
Transaction costs	348,131	-	348,131	358,255	-	358,255
Elections	30,827	-	30,827	-	-	-
Indemnities	-	(71,075)	(71,075)	-	173,100	173,100
Amortization of capital assets (Note 8)	437,479	-	437,479	458,430	-	458,430
Continuing education - Appendix	1,767,360	-	1,767,360	2,035,459	-	2,035,459
Basic training and examination - Appendix	1,795,852	-	1,795,852	1,971,935	-	1,971,935
Discipline and syndic - Appendix	3,537,224	-	3,537,224	3,260,393	-	3,260,393
Supplies and services - Appendix	432,844	-	432,844	920,075	-	920,075
Illegal brokerage practices - Appendix	607,987	-	607,987	425,785	-	425,785
Fund for public information (Note 11)	1,706,576	-	1,706,576	2,736,448	-	2,736,448
Acquisition costs of participation in limited partnership	-	-	-	485,443	-	485,443
	22,604,116	654,631	23,258,747	24,135,005	668,831	24,803,836
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	(1,541,046)	378,762	(1,162,284)	(1,454,760)	534,068	(920,692)

ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of changes in net assets · Year ended December 31, 2013

	General Operating Fund				
	Invested in capital assets	Internally restricted	Unrestricted	Indemnity Fund	TOTAL
	$	$	$	$	$
Balance as at December 31, 2011	2,817,485	-	4,804,057	3,185,126	10,806,668
(Deficiency) excess of revenue over expenses	(666,655)*	(2,618,489)	1,830,384	534,068	(920,692)
Investment in capital assets	647,319	-	(647,319)	-	-
Internally restricted (Note 11)	-	2,618,489	(2,618,489)	-	-
Balance as at December 31, 2012	2,798,149	-	3,368,633	3,719,194	9,885,976
(Deficiency) excess of revenue over expenses	(653,067)*	(1,689,094)	801,115	378,762	(1,162,284)
Investment in capital assets	448,845	-	(448,845)	-	-
Internally restricted (Note 11)	-	1,689,094	(1,689,094)	-	-
BALANCE AS AT DECEMBER 31, 2013	2,593,927	-	2,031,809	4,097,956	8,723,692

* Represents the amortization of capital assets of $848,978 ($859,907 in 2012), net of the amortization of the lease inducement of $202,538 ($200,701 in 2012) for leasehold improvements, plus loss on disposal of capital asset of $6,627 ($7,449 in 2012).

Statement of financial position · As at December 31, 2013

	General Operating Fund	Indemnity Fund	TOTAL 2013	General Operating Fund	Indemnity Fund	TOTAL 2012
	$	$	$	$	$	$
ASSETS						
Current assets						
Cash	1,172,283	192,565	1,364,848	539,965	208,444	748,409
Investments (Note 3)	3,620,375	4,723,273	8,343,648	4,518,384	4,514,101	9,032,485
Accrued interest receivable	11,992	11,162	23,154	9,785	8,955	18,740
Accounts receivable (Note 4)	230,913	-	230,913	785,244	-	785,244
Advance to the Indemnity Fund (Note 5)	138,081*	-	-	144,594*	-	-
Supplies inventory (Note 7)	247,768	-	247,768	332,378	-	332,378
Prepaid expenses	415,416	-	415,416	837,333	-	837,333
	5,836,828	4,927,000	10,625,747	7,167,683	4,731,500	11,754,589
Interest in a limited partnership (Note 6)	3,808,879	-	3,808,879	3,895,901	-	3,895,901
Capital assets (Note 8)	5,961,362	-	5,961,362	6,327,282	-	6,327,282
	15,607,069	4,927,000	20,395,988	17,390,866	4,731,500	21,977,772
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities (Note 9)	2,451,463	5,000	2,456,463	2,459,040	16,451	2,475,491
Accounts payable to the General Operating Fund (Note 5)	-	138,081*	-	-	144,594*	-
Provision for claims (Note 10)	-	360,972	360,972	-	514,989	514,989
Deferred revenue	5,162,435	324,991	5,487,426	5,235,911	336,272	5,572,183
	7,613,898	829,044	8,304,861	7,694,951	1,012,306	8,562,663
Deferred lease inducement, at net book value	3,367,435	-	3,367,435	3,529,133	-	3,529,133
	10,981,333	829,044	11,672,296	11,224,084	1,012,306	12,091,796
Commitments and contingencies (Notes 13 and 14)						
Net assets						
Invested in capital assets	2,593,927	-	2,593,927	2,798,149	-	2,798,149
Unrestricted	2,031,809	-	2,031,809	3,368,633	-	3,368,633
Indemnity Fund	-	4,097,956	4,097,956	-	3,719,194	3,719,194
	4,625,736	4,097,956	8,723,692	6,166,782	3,719,194	9,885,976
	15,607,069	4,927,000	20,395,988	17,390,866	4,731,500	21,977,772

* These amounts are not included in the "Total" column as they cancel each other out.

Approved by the Board

Serge Brousseau
Chairman of the Board of Directors

Daniel Pelchat
Treasurer

ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

Statement of cash flows · Year ended December 31, 2013

	General Operating Fund	Indemnity Fund	TOTAL 2013	General Operating Fund	Indemnity Fund	TOTAL 2012
	$	$	$	$	$	$
Operating activities						
(Deficiency) excess of revenue over expenses	(1,541,046)	378,762	(1,162,284)	(1,454,760)	534,068	(920,692)
Items not affecting cash equivalent:						
Realized and unrealized loss (gain) on investments	38,663	49,701	88,364	93,478	(48,894)	44,584
Limited partnership net income share	(162,978)	-	(162,978)	(128,976)	-	(128,976)
Amortization of capital assets	848,978	-	848,978	859,907	-	859,907
Amortization of lease inducements	(202,538)	-	(202,538)	(200,701)	-	(200,701)
Loss on disposal of capital assets	6,627	-	6,627	7,449	-	7,449
	(1,012,294)	428,463	(583,831)	(823,603)	485,174	(338,429)
Change in non-cash operating working capital items	984,111	(185,469)	798,642	(240,045)	128,552	(111,493)
	(28,183)	242,994	214,811	(1,063,648)	613,726	(449,922)
Investing activities						
Repayment of the advance in capital in the limited partnership	250,000	-	250,000	-	-	-
Acquisition of participation in the limited partnership	-	-	-	(3,766,925)	-	(3,766,925)
Acquisition of investments	(36,509,766)	(5,121,621)	(41,631,387)	(7,831,528)	(3,153,254)	(10,984,782)
Proceeds on sale of investments	37,369,112	4,862,748	42,231,860	9,855,121	2,354,531	12,209,652
Acquisition of capital assets	(493,290)	-	(493,290)	(682,009)	-	(682,009)
Proceeds from the sale of capital assets	3,605	-	3,605	-	-	-
	619,661	(258,873)	360,788	(2,425,341)	(798,723)	(3,224,064)
Financing activities						
Increase on rent inducement	40,840	-	40,840	34,690	-	34,690
Net increase (decrease) in cash	632,318	(15,879)	616,439	(3,454,299)	(184,997)	(3,639,296)
Cash, beginning of year	539,965	208,444	748,409	3,994,264	393,441	4,387,705
CASH, END OF YEAR	1,172,283	192,565	1,364,848	539,965	208,444	748,409

1. Description of the Organization

L'Organisme d'autoréglementation du courtage immobilier du Québec (the "OACIQ"), incorporated under the *Real Estate Brokerage Act* (R.S.Q., c. C 73.2) (the "Act"), has a primary role in protecting the public in real estate and mortgage brokerage dealings by enforcing rules of professional conduct and by inspecting the activities of brokers and agencies, mainly, by ensuring that the professional activities engaged in by brokers and agencies are in compliance with the Act.

It may also provide training courses for brokers and agency executive officers, with the exception of basic training courses, and award the titles referred to in Section 48 of the Act.

2. Accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following significant accounting policies:

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the OACIQ becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost except for investments, which are recognized at fair value on the balance sheet date. The fair value of investments is based on quoted bid prices. Fair value fluctuations, interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Transaction costs related to financial instruments measured subsequent to initial recognition at fair value are expensed as incurred. Transaction costs related to other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the OACIQ recognizes in net earnings an impairment loss, if any, when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to net earnings in the period the reversal occurs.

Fund accounting

The General Operating Fund is used for all ordinary and regular operations of the OACIQ. Revenue and expenses related to services and administration are presented in the General Operating Fund.

The Real Estate Indemnity Fund is dedicated to the payment of indemnities to victims of fraud, fraudulent tactics or misappropriation of funds for which a broker or agency is responsible. This fund is established in

2. Accounting policies (cont'd)

Fund accounting (cont'd)

accordance with Section 108 of the Act. The assets of this Fund are not part of the OACIQ's assets and may not be used to fulfill the OACIQ's obligations.

Revenue recognition

The OACIQ follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Supplies inventory

The supplies inventory is valued at the lower of cost and net realizable value. Cost is determined on the first in, first out basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Capital assets

Capital assets are recorded at cost and are amortized based on their estimated useful life using the straight-line method over the following terms:

▸ Computer equipment	1 and 3 years
▸ Office equipment	4 years
▸ Telephone equipment	7 years
▸ Furniture	10 and 20 years
▸ Leasehold improvements	term of the lease

Controlled entity

The OACIQ holds the right to appoint all members of the board of Professional Liability Insurance Fund (FARCIQ). The Fund, which is considered a non-profit entity separate for accounting purposes, has the mission to provide professional responsibility of real estate brokers of Quebec and the end date of its fiscal year is December 31. The Fund is considered a non-profit organization for tax purposes. Since the benefits and advantages of the Fund are reserved for members participating in the Fund, it is not included in the financial statements of the OACIQ but is briefly presented in note 16.

Investment in a limited partnership

The OACIQ holds an interest in the limited partnership that owns the building that OACIQ uses for its activities.

The OACIQ has decided to account for its investment in the limited partnership using the equity method adjusted for depreciation of the rental property calculated using the straight-line method over a period of 40 years.

Under the equity method, the OACIQ initially records the investment at cost and then adjusts the carrying value by including the limited partnership's pro rata share of post-acquisition income computed by the consolidation method. The OACIQ includes the share of income in determining its net income and increases or decreases the balance of its "Investment" account. Profit distributions received from an investee reduce the carrying value of the investment. The share in balance sheet items is not recognized by the OACIQ in the statement of financial position, but is disclosed in Note 6 Investment in a limited partnership.

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

Deferred revenue

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

Deferred lease inducement

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

Income taxes and other taxes

As a not-for-profit organization for income tax purposes, the OACIQ is not subject to income taxes. However, because of the activities of its professional liability insurance fund ("FARCIQ"), the Organization is subject to the compensation tax on Quebec financial institutions. Under the Act, the OACIQ holds an insurer's licence and is subject to this tax. The compensation tax is calculated based on the total salaries paid by the Organization and the FARCIQ, and the resulting expense is recognized in the FARCIQ's income.

Disclosure of allocated expenses

A unique coding system is used for each of the OACIQ's services and activities. The OACIQ's general support expenses and overhead are allocated as follows:

Proportionately on the basis of hours allocated to the activity by human resources:

- Salaries and employee benefits
- Training, conferences and seminars
- Board of Directors and committees
- Meetings
- Elections
- Technological costs

Proportionately on the basis of expense type:

- Insurance
- Membership fees
- Legal and miscellaneous fees
- Communication expenses

Proportionately on the basis of the purpose of the delivery:

- Printing for external use
- Delivery

Proportionately on the basis of user services:

- Data bank
- Stationery and supplies
- Writing and translation
- Cellular telephony

2. Accounting policies (cont'd)

Disclosure of allocated expenses (cont'd)

Proportionately on the basis of number of employees in the department:

- Amortization – furniture, office equipment, computer equipment and telephone equipment
- Insurance
- Maintenance equipment
- Stationery,
- Computer supplies
- Telephone

Proportionately on the basis of square footage occupied by the department:

- Normal rent
- Operating costs
- Property tax
- Maintenance of premises
- Amortization of leasehold improvements
- Rent allocation

The amounts charged to the various activities are presented in the statement of income, the Appendix and Note 11 to the financial statements.

Use of estimates

The preparation of financial statements in conformity with the Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Key components of the financial statements requiring management to make estimates include the allowance for doubtful accounts, the estimated useful life of capital assets, the provisions for claims and litigation and accrued liabilities. Actual results could differ from those estimates.

3. Investments

General Operating Fund investments consist of bonds, which earn interest from 1.60% to 5.20% (4.50% to 5.50% in 2012), and mature between January 2014 and December 2018 (between March 2013 and December 2017 in 2012).

Indemnity Fund investments consist of bonds, which earn interest from 2.00% to 5.20% (2.00% to 5.10% in 2012), and mature between January 2014 and January 2023 (between January 2013 and January 2023 in 2012).

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

4. Accounts receivable

	2013	2012
	$	$
General Operating Fund		
Trade	414,851	631,405
Allowance for doubtful accounts	(228,247)	(154,573)
	186,604	476,832
Sales taxes	44,309	308,412
	230,913	785,244

5. Interfund advances and amounts payable

The advance from the General Operating Fund to the Indemnity Fund represents a refund of expenses paid by the General Operating Fund for the Indemnity Fund activities. Interfund advances and amounts payable are non-interest-bearing.

6. Investment in a limited partnership

The OACIQ's share in the limited partnership's net assets as at December 31, 2013 and December 31, 2012, and in its net income for the period from January 1 to December 31, 2013, as well as April 1 to December 31, 2012, is as follows:

	2013	2012
	$	$
Balance sheet	(12 months)	(9 months)
Assets		
Rental property, at cost	10,478,366	10,478,366
Other assets	1,405,351	1,377,210
	11,883,717	11,855,576
Liabilities		
Bank loans	9,697,528	9,927,896
Other liabilities	158,344	384,566
	9,855,872	10,312,462
Net equity	2,027,845	1,543,114
	11,883,717	11,855,576
Statement of income		
Revenue	1,533,207	1,192,503
Expenses	1,048,476	857,915
Income before amortization	484,731	334,588
Amortization	(321,753)	(205,612)
Share in net income of the limited partnership	162,978	128,976
Cash flows		
Operating activities	593,523	433,955
Investing activities	(46,903)	(280,439)
Financing activities	(498,392)	(108,075)
	48,228	45,441

6. Investment in a limited partnership (cont'd)

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

There were no transactions between these two parties except for the payment of the $1,848,636 lease and related costs in 2013 ($1,637,951 in 2012) and an amount of $10,689 is included in the accounts payable ($34,690 was included in accounts receivable in 2012). Related party transactions occurred in the normal course of operations and were measured at the exchange amount.

The total value of the interest in a limited partnership as at December 31, 2013, is as follows:

	2013	2012
	$	$
Initial investment	3,516,925	3,516,925
Capital advance	-	250,000
Share in net income after amortization	291,954	128,976
	3,808,879	3,895,901

7. Supplies inventory

The cost of supplies inventory sold, which is recognized as an expense during the year, amounts to $274,973 ($703,948 in 2012).

8. Capital assets

	2013			2012
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
General Operating Fund				
Computer equipment	1,578,199	1,213,537	364,662	393,368
Office equipment	529,600	442,308	87,292	166,947
Telephone equipment	326,683	137,237	189,446	182,486
Furniture	2,136,495	671,448	1,465,047	1,593,889
Leasehold improvements	4,629,582	774,667	3,854,915	3,990,592
	9,200,559	3 ,239,197	5,961,362	6,327,282

Amortization of capital assets for the year ended December 31, 2013, amounts to $848,978 ($859,907 in 2012), of which $437,479 ($458,430 in 2012), is distinctly presented in the statements of income of the General Operating Fund. The remaining balance is allocated to the cost centers of the General Operating Fund.

9. Accounts payable and accrued liabilities

	2013		
	General Operating Fund	Indemnity Fund	Total
	$	$	$
Accounts payable	456,861	-	456,861
Accrued liabilities	288,812	5,000	293,812
Salaries	1,375,073	-	1,375,073
Government remittances	330,717	-	330,717
	2,451,463	5,000	2,456,463

	2012		
	General Operating Fund	Indemnity Fund	Total
	$	$	$
Accounts payable	396,229	-	396,229
Accrued liabilities	348,389	12,500	360,889
Salaries	1,161,816	-	1,161,816
Government remittances	552,606	-	552,606
Claims payable	-	3,951	3,951
	2,459,040	16,451	2,475,491

10. Provision for claims

Upon receipt of a claim duly sworn, the Indemnity Fund's policy is to recognize a provision of 25% of the amount claimed. Since May 1, 2010, the maximum compensation payable from the Fund is $35,000, whereas before, the amount was $15,000. This provision is maintained until the final decision of the Indemnity Committee.

11. Financing Fund for public information

The Financing Fund of the Organisme d'autoréglementation du courtage immobilier du Québec was established in accordance with the Act. The Fund is made up of interest earned on the money held in trust accounts by brokers under the Act. The Fund must be used in particular to produce and disseminate information on the public's rights in real estate brokerage and to promote the quality of services provided by brokers and agencies.

Interest income paid to the Fund and Fund-related expenses, which are included in the revenue and expenses of the OACIQ's General Operating Fund, are as follows:

	2013	2012
	$	$
Net loss on interest held in trust accounts by licence holders		
Interest on income held in trust accounts	16,488	14,830
Sponsorship for the fund for public information	994	103,129
	17,482	117,959
Publicity	1,424,944	2,494,361
Salaries and employee benefits	139,899	115,423
Professional fees	112,906	83,223
Office expenses	4,296	17,442
Travel	10,387	11,393
Bank charges	14,144	14,606
	1,706,576	2,736,448
	(1,689,094)	(2,618,489)
Internally Restricted Fund	1,689,094	2,618,489
	-	-

The OACIQ agreed to transfer from the Unrestricted General Operating Fund an amount of $1,689,094 ($2,618,489 in 2012) to the Internally Restricted Fund to cover the excess of expenses over revenue of the Financing Fund for public information.

12. Capital disclosures

The capital management objective is to safeguard the OACIQ's ability to protect the public through application of the rules of ethics and to perform professional inspections of its licence holders by ensuring, in particular, that its licence holders undertake their activities in accordance with the Act and the regulations. The OACIQ is not subject to externally restricted capital requirements. The OACIQ considers the amount of net assets recorded in the balance sheets as its capital.

13. Commitments

The OACIQ is committed under a lease that expires in July 2030 for the rental of head office space owned by the limited partnership, and under vehicle leases expiring between March 2014 and December 2017. Minimum future rent payments total $32,683,819 and include the following payments over the next five years:

	$
2014	1,792,895
2015	1,826,119
2016	1,865,966
2017	1,854,567
2018	1,847,142

14. Contingencies

In the normal course of business, the OACIQ is involved in various claims. Though the outcome of these various pending claims as at December 31, 2013, cannot be determined with certainty, the OACIQ believes that their outcome will have no significant adverse effect on its financial position, operating results or cash flows.

15. Investment income

	2013			2012		
	General Operating Fund	Indemnity Fund	TOTAL	General Operating Fund	Indemnity Fund	TOTAL
	$	$	$	$	$	$
Interest revenues	139,130	67,919	207,049	197,272	114,033	311,305
Realized (losses) gains on investments	(20,972)	(27,296)	(48,268)	(89,498)	90,232	734
Unrealized (losses) gains on investments	(17,691)	(22,405)	(40,096)	(3,980)	(41,338)	(45,318)
Investment management fees	(8,270)	(16,083)	(24,353)	-	-	-
INVESTMENT INCOME	92,197	2,135	94,332	103,794	162,927	266,721

16. OACIQ's Professional Liability Insurance Fund

Here are some financial information from the FARCIQ's financial statements as at December 31, 2013:

	2013	2012
	$	$
Balance sheet		
Assets	52,377,091	51,042,247
Liabilities	18,569,779	21,087,799
Accumulated surplus	33,807,312	29,954,448
	52,377,091	51,042,247
Statement of income		
Revenue	8,668,524	10,310,268
Expenses	3,826,161	4,201,542
Earnings for the year	4,842,363	6,108,726
Unrealized (loss) gain on available-for-sale securities	(927,102)	227,473
Portion reclassified to income from available-for-sale securities	(62,397)	(658,549)
Comprehensive income	3,852,864	5,677,560
Cash flows		
Operating activities	2,545,097	4,168,262
Investing activities	(1,069,928)	(4,901,388)

16. OACIQ's Professional Liability Insurance Fund (cont'd)

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

During the year, the OACIQ incurred, with the Fund, management fees and sponsorship totalling $227,355 ($59,802 in 2012), and occupancy expenses for an amount of $84,166 ($91,669 in 2012). These amounts are in addition to the compensatory tax amounting to $126,122 ($186,000 in 2012, included in accounts receivable as at December 31, 2012) and other costs totalling $38,225 (nil in 2012). These transactions occurred in the normal course of operations and are measured at the exchange amount. As at December 31, 2013, an amount of $15,929 is included in accounts receivable ($70,143 in 2012) in connection with these transactions. Accounts payable and accrued liabilities include an amount payable of $11,555 ($7,690 in 2012) for the premiums collected by the OACIQ for the Fund.

17. Financial instruments

Credit risk

The OACIQ extends credit to licence holders in the normal course of business. Ongoing credit checks are conducted and the statement of financial position include an allowance for doubtful accounts.

In addition, credit risk arises because the OACIQ holds investments in bonds. Therefore, there is a risk that a bond issuer could fail to meet its obligations toward the OACIQ, which would affect the assets of the OACIQ.

Interest rate risk

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

Liquidity risk

The OACIQ's objective is to have sufficient liquidity to meet its liabilities when due. The OACIQ monitors its cash balances and cash flows generated from operations to meet its requirements. As at December 31, 2013, the most significant financial liabilities are accounts payable and accrued liabilities.

APPENDIX

Revenue and expenses · Year ended December 31, 2013

	2013	2012
	$	$
CONTINUING EDUCATION		
Revenue		
Continuing education activities	1,395,222	1,576,388
Direct expenses		
Salaries and employee benefits	960,512	934,260
Professional fees	331,633	525,094
Occupancy expenses	172,343	167,964
Travel	257,446	305,080
Publications	10,850	71,680
Office expenses	17,404	11,259
Doubtful accounts (recovered)	(757)	1,487
Amortization of capital assets	17,929	18,635
	1,767,360	2,035,459
	(372,138)	(459,071)
BASIC TRAINING AND EXAMINATION		
Revenue		
Revenue related to examination and basic training	1,276,273	1,028,527
Direct expenses		
Salaries and employee benefits	1,264,115	1,196,064
Professional fees	241,350	536,142
Occupancy expenses	127,733	92,861
Travel	107,859	82,414
Office expenses	18,936	23,456
Amortization of capital assets	35,859	40,998
	1,795,852	1,971,935
	(519,579)	(943,408)

APPENDIX (cont'd)

Revenue and expenses · Year ended December 31, 2013 (cont'd)

	2013	2012
	$	$
DISCIPLINE AND SYNDIC		
Revenue		
Fines and premiums received	322,735	278,786
Direct expenses		
Discipline committee	492,243	382,518
Salaries and employee benefits	2,005,654	1,781,812
Doubtful accounts	133,036	161,897
Delivery	137,807	107,535
Professional fees	238,930	305,962
Occupancy expenses	312,590	271,814
Office expenses	70,938	86,041
Public notices	17,875	25,702
Travel	38,504	43,935
Amortization of capital assets	89,647	93,177
	3,537,224	3,260,393
	(3,214,489)	(2,981,607)
SUPPLIES AND SERVICES		
Revenue		
Sales of forms, manuals and other	1,241,064	2,766,755
Direct expenses		
Cost of sales	318,371	779,378
Salaries and employee benefits	114,299	137,363
Other expenses	400	810
Doubtful accounts (recovered)	(226)	2,524
	432,844	920,075
	808,220	1,846,680

Revenue and expenses · Year ended December 31, 2013 (cont'd)

	2013	2012
	$	$
ILLEGAL BROKERAGE PRACTICES		
Revenue		
Penalties received	5,492	40,664
Direct expenses		
Salaries and employee benefits	376,545	313,625
Penal investigations	39,588	24,954
Legal fees	132,331	41,983
Occupancy expenses	23,603	19,114
General administration	17,991	11,201
Amortization of capital assets	17,929	14,908
	607,987	425,785
	(602,495)	(385,121)

Fonds d'assurance responsabilité professionnelle
du courtage immobilier du Québec

FARCIQ

Fonds d'assurance responsabilité professionnelle
du courtage immobilier du Québec

ANNUAL REPORT 2013

Committed to protecting you

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FARCIQ DIRECTORS AS AT DECEMBER 31, 2013

1. Me MICHEL LÉONARD
Chartered Real Estate Broker and Lawyer
President of BTB Real Estate Investment Trust

Chairman of the Board of Directors
President of the Visibility Committee and the Governance Committee, and Member of the Audit Committee, the Ethics Committee, the Prevention and Claims Committee and the Investments Committee

2. JEAN-GUY SAVOIE
Real Estate Broker with Royal LePage de l'OUTAOUAIS

Vice-Chair of the Board of Directors
Member of the Prevention and Claims Committee and the Governance Committee

3. MARTIN DUPRAS, A.S.A., F.Pl., D. Tax.
President of ConFor financiers inc.

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

4. ALBERT ARDUINI, T.P., CIP
Manager, Building inspection and expertise
Risk Management Services Inc.

Director
Member of the Audit Committee and the Prevention and Claims Committee

5. Me YVES COUSINEAU
Partner, Robinson Sheppard Shapiro, S.E.N.C.R.L.

Director
Chair of the Ethics Committee, and Member of the Governance Committee

6. XAVIER LECAT
Real Estate Broker, L'Expert Immobilier PM Enr.

Director
Member of the Investments Committee and the Visibility Committee

7. DENIS MAJEAU, CPA, CA
Chief Financial Officer, Governance and Operations, Kitco Metals Inc.

Director
Member of the Audit Committee and the Investments Committee

8. LOUIS-GEORGES PELLETIER, AIAC
General Insurance Broker

Director
Chair of the Prevention and Claims Committee, and Member of the Ethics Committee, the Governance Committee and the Visibility Committee

9. CHRISTIANE ST-JEAN
Franchisee, Agency Manager and President of RE/MAX ACCÈS Inc.

Director
Member of the Ethics Committee and the Visibility Committee

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 a professional liability insurance for faults, errors, negligence or omissions committed in the course of their professional activities.

FARCIQ

Fonds d'assurance responsabilité professionnelle
du courtage immobilier du Québec

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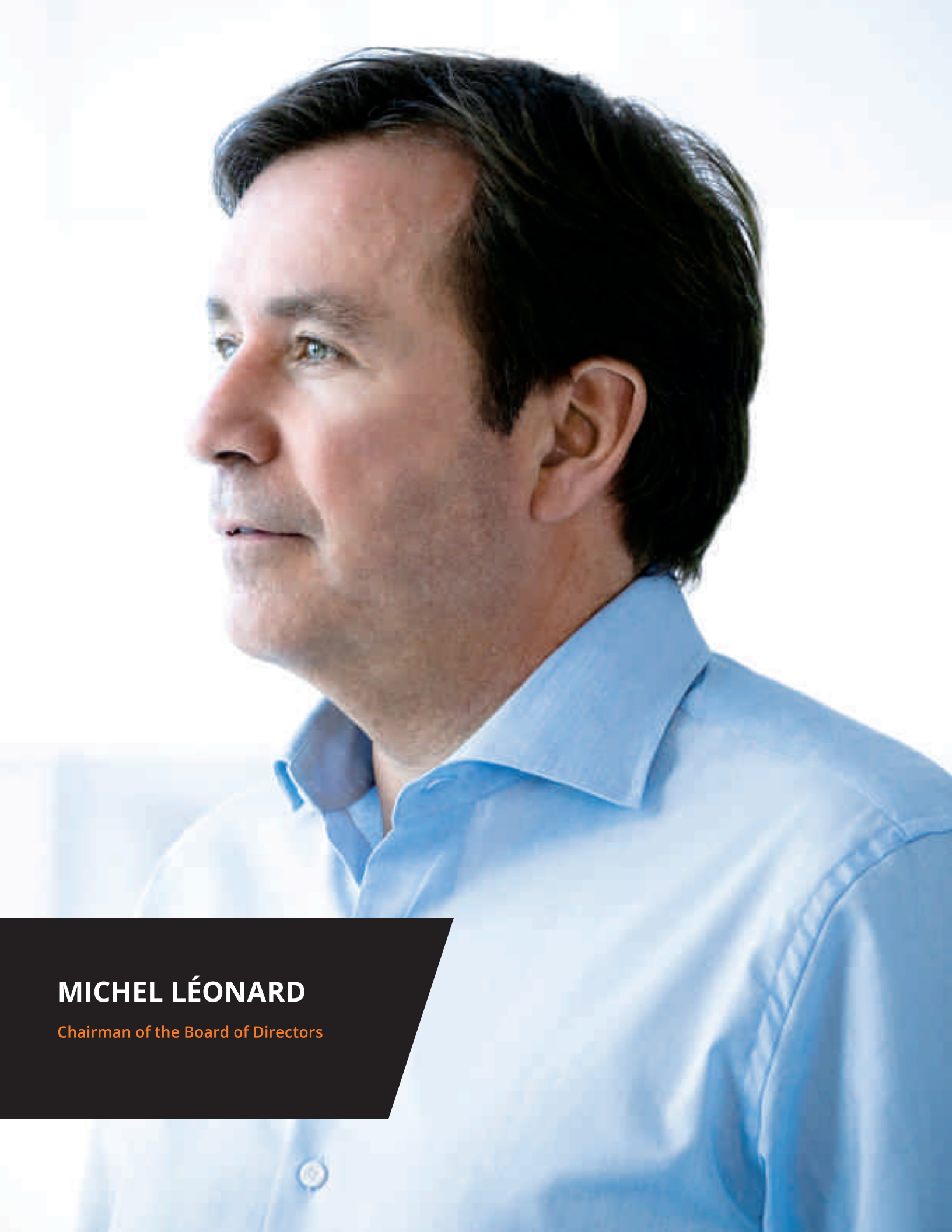

MICHEL LÉONARD

Chairman of the Board of Directors

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

We are happy to present the financial results of the *Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec* for 2013. For the year ended December 31, the number of policyholders dropped from 17,998 to 17,371. During this period the premium also decreased, going from $485 in 2012 to $420 in 2013, contributing to a decrease in the Fund's revenues. The number of new claims for the same period remained stable at 511.

In addition, the Fund closed 672 files, and the insurance coverage of $1,000,000 remained the same.

We ended the fiscal year 2013 with a profit of $4,842,363, bringing our accumulated surplus to $33,807,312. The Fund's solvency level is maintained above the target of 375%, set in consultation with its Appointed Actuary. This confirms its excellent financial health.

The primary role of the FARCIQ is to protect the assets of its policyholders in case of fault, error, negligence or omission committed in the course of their professional activities. Reducing its clients' exposure to professional liability claims enables the Fund to offer them advantageous coverage. Thus in 2013 the Fund participated in several prevention activities and engaged in a number of communication actions and interventions, in order to make an active contribution to the collective efforts aimed at reducing the number of claims, which benefits both brokers and consumers. The challenges relating to claims experience and prevention will remain a priority in 2014.

As in previous years, the Fund reassessed the amount of premiums needed to meet its obligations, based on claims experience and capitalization, and will be in a position to reduce it from $420 to $395 at policy renewal time in May 2014. In addition, the policy will be reviewed in an effort to take into account various concerns that have been raised.

On the administrative side, in July 2013 the Fund welcomed its new General Manager, Brigitte Corbeil. With a corporate governance certification, a Master's degree in Business Administration and a Bachelor's degree in Actuarial Science, Ms. Corbeil brings more than 25 years of experience in the property and casualty insurance industry to the Insurance Fund.

I would like to thank the members of the Fund's Board of Directors for their continued contributions and availability, as well as our former General Manager for his involvement in the various projects carried out in 2013.

Michel Léonard
Chairman of the Board of Directors

BRIGITTE CORBEIL

General Manager

MESSAGE FROM THE GENERAL MANAGER

First of all, allow me to say how proud I was to join the ranks of the FARCIQ in July 2013. As soon as I arrived, I was made aware of the needs and concerns of policyholders when it comes to their professional liability insurance, and of the importance of prevention and training for real estate and mortgage brokers. The last two elements play a major role in decreasing claims and keeping premiums under control.

Throughout the year, the Insurance Fund team worked to fulfill its mission of protecting policyholders' assets. With client satisfaction at the heart of our efforts, our team also guided policyholders through the various procedures relating to their professional liability.

2013 was marked by an intensive array of communications activities. A visibility program put forth by our Board of Directors gave rise to numerous projects:

- ## Capsules, articles and comic strips

  Some 20 columns, interviews, articles and informational texts in the form of comic strips (*Brokers' Actions*) were published in the OACIQ's *Pro@ctive* and *Profession Broker* newsletters.

- ## Prevention Guide

  We developed a guide containing useful tips on ways for brokers to reduce the risk of claims and outlining proper professional practices.

- ## Mass mailing to all our policyholders

  A USB key was sent to each broker containing various useful tools: *Prevention Guide, Liability Insurance Policy, the 10 Golden Rules of Real Estate and Mortgage Brokerage*, and the brochure presenting the role and mission of the Insurance Fund.

- **Seminars, conventions and fall tour of real estate boards**
  We participated as guest speaker or exhibitor in about a dozen activities.

- **Mandatory continuing education activity *Agency executive officer: more than a director***
  We helped develop the chapter on "Professional liability" of the OACIQ's *Participant's Guide* and *Trainer's Guide*, as well as the training session itself.

As you can see, our projects in 2013 focused on prevention and information.

I would like to say a special thank you to FARCIQ directors for their involvement and great cooperation. I also congratulate all FARCIQ employees for their commitment to our policyholders, their loyalty and their excellent work.

Brigitte Corbeil
General Manager

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, 2013, 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 in our audit 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, 2013, 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, 2014

[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, 2013

(in Canadian dollars)

	2013	2012
	$	$
Insurance operations		
Premiums earned (Note 11)	7,946,885	9,021,625
Reinsurance premiums ceded (Note 11)	(491,607)	(493,753)
Net earned premiums	7,455,278	8,527,872
Claims and loss adjustment expenses	1,801,311	2,517,429
General and administrative expenses	2,024,850	1,684,113
Total claims and expenses	3,826,161	4,201,542
Underwriting profit	3,629,117	4,326,330
Investment and other income (Note 4)	1,213,246	1,782,396
Income for the year	4,842,363	6,108,726
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss		
Unrealized (loss) gain on available-for-sale securities	(927,102)	227,473
Portion reclassified to income from available-for-sale securities	(62,397)	(658,549)
Other comprehensive income for the year	(989,499)	(431,076)
COMPREHENSIVE INCOME	3,852,864	5,677,650

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

Statement of changes in accumulated surplus · Year ended December 31, 2013

(in Canadian dollars)

	Accumulated surplus	Accumulated other comprehensive income	Total	
			2013	2012
	$	$	$	$
Balance, beginning of year	**29,558,369**	**396,079**	29,954,448	24,276,798
Income for the year	**4,842,363**	**-**	4,842,363	6,108,726
Other comprehensive income	**-**	**(989,499)**	(989,499)	(431,076)
BALANCE, END OF YEAR	**34,400,732**	**(593,420)**	33,807,312	29,954,448

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 · December 31, 2013

(in Canadian dollars)

	2013	2012
	$	$
Assets		
Cash	1,270,966	145,195
Treasury bills (interest rate of 0.89% in 2013)	349,398	-
Investments (Note 4)	47,278,143	46,993,685
Investment income receivable	185,223	171,186
Premiums and other receivables (Note 14)	42,055	126,446
Amounts recoverable from reinsurers for claims liabilities (Note 9)	2,394,000	2,575,000
Deductibles recoverable from policyholders for claims liabilities	397,984	528,627
Prepaid reinsurance	255,052	236,555
Prepaid expenses	36,761	38,142
Property, plant and equipment (Note 7)	34,887	58,123
Intangible assets (Note 8)	132,622	169,288
	52,377,091	51,042,247
Liabilities		
Accounts payable and accrued liabilities	151,464	93,237
Due to OACIQ (Note 13)	15,929	249,792
Unearned premiums	2,528,148	3,023,266
Claims liabilities (Note 9)	15,874,238	17,721,504
	18,569,779	21,087,799
Commitments (Note 16)		
Accumulated surplus		
Accumulated surplus, end of year	34,400,732	29,558,369
Accumulated other comprehensive income	(593,420)	396,079
	33,807,312	29,954,448
	52,377,091	51,042,247

Approved by the Board of Directors

Michel Léonard
Chairman of the Board of Directors

Martin Dupras
Treasurer and Director

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

Statement of cash flows · Year ended December 31, 2013

(in Canadian dollars)

	2013	2012
	$	$
Operating activities		
Income for the year	4,842,363	6,108,726
Adjustments for:		
Amortization of property, plant and equipment	30,923	35,665
Amortization of intangible assets	36,666	22,435
Amortization of premiums and investment discounts	144,243	155,216
Gain on disposal of investments	(62,397)	(658,549)
Income of reinvested dividends	(293,562)	(261,443)
	4,698,236	5,402,050
Change in non-cash working capital items		
Investment income receivable	(14,037)	11,432
Premiums and other receivables	84,391	12,689
Prepaid expenses	1,381	(32,732)
Amounts recoverable from reinsurers for claims liabilities	181,000	2,004,000
Prepaid reinsurance	(18,497)	20,643
Deductibles recoverable from policyholders for claims liabilities	130,643	(72,288)
Accounts payable and accrued liabilities	58,227	(451,082)
Due to OACIQ	(233,863)	238,967
Unearned premiums	(495,118)	(136,582)
Claims liabilities	(1,847,266)	(2,828,835)
	2,545,097	4,168,262
Investing activities		
Acquisition of investments	(40,164,328)	(33,410,018)
Proceeds on disposal of investments	39,102,087	28,589,409
Additions to property, plant and equipment	(7,687)	(4,645)
Additions to intangible assets	-	(76,134)
	(1,069,928)	(4,901,388)
(Decrease) increase in cash and cash equivalents	1 475 169	(733,126)
Cash and cash equivalents, beginning of year	145 195	878,321
Cash and cash equivalents, end of year	1 620 364	145,195
Cash and cash equivalents consist of:		
Cash	1,270,966	145,195
Treasury bills	349,398	-
	1,620,364	145,195

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

FONDS D'ASSURANCE RESPONSABILITÉ PROFESSIONNELLE DU COURTAGE IMMOBILIER DU QUÉBEC

Notes to financial statements · December 31, 2013

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") (formerly the Fonds d'assurance responsabilité professionnelle de l'Association des courtiers et agents immobiliers du Québec) was incorporated by Québec's self-regulatory body for real estate brokers, the Organisme d'autoréglementation du courtage immobilier du Québec (the "OACIQ") (formerly the Association des courtiers et agents immobiliers du Québec). 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, 2014.

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

3. Accounting policies

Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when the Insurance Fund agrees to compensate a policyholder on the occurrence of an adverse specified uncertain future event. As a general guideline, the Insurance Fund determines whether it has significant insurance risks, by comparing the benefits that could become payable under various possible scenarios relative to the premium received from the policyholder for insuring the risk.

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.

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. 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.

3. Accounting policies (cont'd)

Financial instruments (cont'd)

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.

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 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 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

A. **IAS 1 – Presentation of Financial Statements**

On January 1, 2013, the Insurance Fund adopted the amendments to IAS 1, *Presentation of Financial Statements* which improve the presentation of items of other comprehensive income. The amendments require the presentation by nature of items by distinguishing those that will not be reclassified to the statements of net income in a subsequent period from those that will. The retrospective application of this standard has no impact on the comprehensive income.

B. **Offsetting Financial Assets and Financial Liabilities**

On January 1, 2013, the Insurance Fund adopted the amendments to IFRS 7, *Financial instruments: Disclosures*. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The purpose of these amendments is to help users of financial statements better evaluate the effect of netting agreements on the financial position of an entity and how an entity manages credit risk in connection with such agreements. The retrospective application of this standard has no impact on the financial statements.

C. **IFRS 13 – Fair value measurement**

On January 1, 2013, the Insurance Fund adopted IFRS 13, *Fair value measurement*. This standard defines fair value and sets out a single framework for measuring the fair value of transactions and balances for which IFRS require or permit fair value measurement.

The Insurance Fund has applied these changes prospectively. These changes, which specifically target the disclosure to be provided, had no impact on the statement of comprehensive income or on the statement of financial position of the Insurance Fund. The new disclosure requirements under IFRS 13 are disclosed in Note 4.

3. Accounting policies (cont'd)

Standards issued but not yet effective

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

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

The IASB has issued a new standard, IFRS 9, Financial Instruments, which is the first phase of the IASB's three phase project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides guidance on the classification and measurement of financial assets and financial liabilities, and requirements for the derecognition of financial assets and financial liabilities. IFRS 9 will be applied prospectively with transitional arrangements depending on the date of application. There is currently no mandatory effective date in IFRS 9 and it is left open pending the finalization of the impairment and classification and measurement requirements.

B. **Amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities***

In December 2011, the IASB published the amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities*. The amendments to IAS 32 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 amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014.

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, 2013.

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

4. Investments (cont'd)

Fair value hierarchy

	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

	2012		
	Level 1	Level 2	Total
	$	$	$
Provincial government bonds	-	11,572,530	11,572,530
Municipal government bonds	-	10,664,505	10,664,505
Corporate bonds	-	11,498,872	11,498,872
Investment funds	-	8,893,426	8,893,426
Preferred shares	4,364,352	-	4,364,352
	4,364,352	42,629,333	46,993,685

Investment maturities

	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

	2012				
	Under 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
	$	$	$	$	$
Provincial government bonds	-	9,922,846	1,649,684	-	11,572,530
Municipal government bonds	2,052,887	8,611,618	-	-	10,664,505
Corporate bonds	380,244	7,349,270	3,769,358	-	11,498,872
Investment funds	-	-	-	8,893,426	8,893,426
Preferred shares	-	-	-	4,364,352	4,364,352
	2,433,131	25,883,734	5,419,042	13,257,778	46,993,685

4. Investments (cont'd)

Unrealized investment gains (losses)

	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

	2012			
	Amortized cost	Gains	Losses	Fair value
	$	$	$	$
Provincial government bonds	11,536,716	38,314	(2,500)	11,572,530
Municipal government bonds	10,457,938	247,180	(40,613)	10,664,505
Corporate bonds	11,294,707	217,339	(13,174)	11,498,872
Investment funds	8,993,764	-	(100,338)	8,893,426
Preferred shares	4,314,481	73,727	(23,856)	4,364,352
	46,597,606	576,560	(180,481)	46,993,685

Investment and other income

	2013	2012
	$	$
Interest income	974,330	934,020
Dividend income	486,552	466,601
Amortization of premiums and discounts	(144,243)	(155,216)
Gain from disposal of investments	62,397	658,549
	1,379,036	1,903,954
Investment management and custody fees	165,790	141,610
Investment income	1,213,246	1,762,344
Other income	-	20,052
INVESTMENT AND OTHER INCOME	1,213,246	1,782,396

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.

Financial instrument interest rates by maturity

	2013			
	Floating rate	Under 12 months	1 to 5 years	Over 5 years
	%	%	%	%
Assets				
Fixed-income securities	-	1.35 to 5.74	1 to 5.8	2.85 to 5.54
Reinsurance and deductibles	-	2.21	2.21	2.21
Liabilities				
Claims liabilities	-	2.21	2.21	2.21

	2012			
	Floating rate	Under 12 months	1 to 5 years	Over 5 years
	%	%	%	%
Assets				
Fixed-income securities	-	1.75 to 5.2	1.40 to 5.28	2.5 to 8.25
Reinsurance and deductibles	-	1.93	1.93	1.93
Liabilities				
Claims liabilities	-	1.93	1.93	1.93

5. Additional information about financial instruments (cont'd)

A 1% change in interest rates would result in a $1,536,329 decrease (increase) in investment income ($1,502,570 in 2012).

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 June 14, 2013. The Insurance Fund uses AM Best ratings agency.

Maximum credit risk exposure arising from financial instruments

	2013	2012
	$	$
Cash	1,270,966	145,195
Treasury bills	349,398	-
Canadian, provincial and municipal government bonds	21,072,011	22,237,035
Corporate bonds	13,482,709	11,498,872
Investment funds	9,295,173	8,893,426
Preferred shares	3,428,250	4,364,352
Investment income receivable	185,223	171,186
Premiums receivable	42,055	126,446
Amounts recoverable from reinsurers for claims liabilities	2,394,000	2,575,000
Deductibles recoverable from policyholders for claims liabilities	397,984	528,627
TOTAL	51,917,769	50,540,139

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 (cont'd)

Debt securities by industry

	2013	2012
	%	%
Federal, provincial and municipal governments – Canada	69.44	72.30
Financials	18.50	17.37
Industrials	3.31	1.52
Energy	2.28	1.55
Infrastructure	2.38	2.71
Real estate	3.11	2.60
Telecommunication	0.98	1.95
	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 $485 in 2012, was decreased to $420 in 2013. 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 resolution and administration. 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

6. Insurance risk (cont'd)

managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that could negatively impact the business. The Insurance Fund has established a Claims Committee responsible for analyzing claims and contentious matters to ensure that appropriate claims liabilities are established and approved.

C. Sensitivity to insurance risk

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

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

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

Most or all of the qualitative factors are not directly quantifiable, particularly on a prospective basis, and the effects of these 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

	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

7. Property, plant and equipment (cont'd)

	2012		
	Cost	Accumulated amortization	Carrying value
	$	$	$
Telephone system	22,927	18,469	4,458
Leasehold improvements	55,343	26,090	29,253
Furniture and equipment	82,575	70,668	11,907
Computer hardware	33,418	20,913	12,505
TOTAL	194,263	136,140	58,123

	Carrying value December 31, 2011	Additions/ (disposals)	Amortization	Carrying value December 31, 2012
	$	$	$	$
Reconciliation of carrying value				
Telephone system	12,100	-	7,642	4,458
Leasehold improvements	40,321	-	11,068	29,253
Furniture and equipment	20,939	776	9,808	11,907
Computer hardware	15,783	3,869	7,147	12,505
TOTAL	89,143	4,645	35,665	58,123

8. Intangible assets

	2013			2012
	Cost	Accumulated amortization	Carrying value	Carrying value
	$	$	$	$
Software	535,286	402,664	132,622	169,288

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

General and administrative expenses include amortization for the year of $20,662 ($14,117 in 2012), included in general and administrative expenses, and $16,004 ($8,318 in 2012), included in claims and loss adjustment expenses.

9. Claims liabilities

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

Unpaid claims and amounts recoverable from reinsurers

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

Unpaid claims were reduced on a net basis by $357,232 as at December 31, 2013 ($299,000 in 2012) to reflect the time value of money, using an average discount rate of 2.21% (1.93% in 2012) on underlying claim settlement patterns. The provision for adverse deviations increased unpaid claims, on a net basis, by $693,707 as at December 31, 2013 ($916,000 in 2012).

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 $169,716 negative impact on the fair value of unpaid claims as at the statement of financial position date ($202,000 in 2012), while a 1% decrease in the discount rate would have a $174,957 positive impact on the fair value of unpaid claims as at the statement of financial position date ($208,000 in 2012).

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.

Prior year claims development

Ultimate incurred claims estimate	2006	2007	2008	2009	2010	2011	2012	2013	TOTAL
	$	$	$	$	$	$	$	$	$
As at end of underwriting year	508,900	3,207,940	6,526,460	6,562,559	6,673,910	6,073,405	5,608,678	5,283,626	
One year later	538,200	5,073,644	7,023,718	6,424,801	6,033,124	4,671,308	4,468,644		
Two years later	260,762	5,285,586	5,651,971	4,772,070	4,790,220	4,077,761			
Three years later	227,329	4,034,785	4,585,239	3,220,954	4,076,860				
Four years later	240,641	2,984,691	3,439,944	2,761,601					
Five years later	222,240	2,778,007	3,073,062						
Six years later	233,275	2,728,906							
Seven years later	220,914								
Total liabilities	220,914	2,728,906	3,073,062	2,761,601	4,076 860	4,077,761	4,468,644	5,283,626	26,691,374
Paid claims	(220,914)	(2,674,145)	(2,802,958)	(1,989,149)	(2,529,303)	(1,968,215)	(1,453,208)	(351,815)	(13,989,707)
Unpaid claims	-	54,761	270,104	772,452	1,547,557	2,109,546	3,015,436	4,931,811	12,701,667
Prior years									-
Effect of discounting and margins									1,193,956
Other									1,580,631
Final unpaid Claims									15,476,254

Note: These amounts exclude $397,984 in deductibles recoverable from policyholders for claims liabilities.

9. Claims liabilities (cont'd)

Movement of net claims liabilities

	2013			2012		
	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	17,192	2,575	14,167	20,094	4,579	15,515
Changes in estimated losses and expenses for claims incurred in prior years	(5,253)	(1,385)	(3,868)	(7,394)	(3,829)	(3,565)
Losses and expenses on claims incurred in the current year	6,878	1,204	5,674	7,795	1,825	5,970
Less recoveries received (amounts paid) in respect of incurred claims						
During the current year	(579)	-	(579)	(746)	-	(746)
During prior years	(2,762)	-	(2,762)	(2,557)	-	(2,557)
BALANCE, END OF YEAR	15,476	2,394	13,082	17,192	2,575	14,617

Note: This table excludes $397,984 in deductibles recoverable from policyholders for claims liabilities ($528,627 in 2012).

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.

11. Net earned premiums

	2013	2012
	$	$
Earned premiums	7,946,885	9,021,625
Reinsurance premiums written	510,104	473,110
Change in unearned reinsurance premiums	(18,497)	20,643
Reinsurance premiums ceded	491,607	493,753
Net earned premiums	7,455,278	8,527,872

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

	2013	2012
	$	$
	(in thousands of dollars)	
Capital available	33,808	29,786
Capital required	4,413	3,980
Excess of capital available over capital required	29,395	25,806
MCT (as a %)	766.10 %	748.39 %

13. Transactions with the OACIQ

By various agreements with OACIQ, the Insurance Fund received certain management services and provided sponsorship, totaling $227,355 ($59,802 in 2012), in addition to rent expenses of $84,166 ($91,669 in 2012). To these amounts are added the compensatory tax $126,122 ($186,000 in 2012, included in accounts payable at December 31, 2012) and other paid expenses totaling $38,225 (nil in 2012). These transactions were concluded in the normal course of business and measured at the value agreed between parties. As at December 31, 2013, an amount of $15,929 is payable ($70,143 in 2012) in connection with these transactions. Premiums and other receivables include an amount of $11,555 ($7,690 in 2012) for the premiums collected by the OACIQ on behalf of the Fund.

14. Premiums and other receivables

	2013	2012
	$	$
Deductibles receivable	41,968	51,175
QST receivable	87	75,271
TOTAL	42,055	126,446

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 2013 amounted to $507,099 ($395,349 for 2012).

16. Commitments

The Insurance Fund is committed under a subletting arrangement with the OACIQ under a lease expiring in July 2015. Future minimum payments under the contract are as follows:

	$
2014	65,502
2015	38,209

17. Comparative figures

Following an analysis of the internal loss adjustment expenses, FARCIQ conducted a reclassification of $46,234 in General and administrative expenses which was previously presented in the claims and loss adjustment expenses.

Opinion of the Actuary

I have valued the policy liabilities and reinsurance recoverable of *Fonds d'assurance responsabilité professionnelle de l'Association des courtiers et agents immobiliers du Québec* for its statement of financial position at December 31, 2013 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	**15,476**	**15,476**
(2) Assumed unpaid claims and adjustment expenses	**0**	**0**
(3) Gross unpaid claims and adjustment expenses (1) + (2)	**15,476**	**15,476**
(4) Ceded unpaid claims and adjustment expenses	**2,394**	**2,394**
(5) Other amounts to recover	**398**	**398**
(6) Other net liabilities	**398**	**398**
(7) Net unpaid claims and adjustment expenses (3) – (4) – (5) + (6)	**13,082**	**13,082**

Premium Liabilities ($'000)	Carried in Annual Return	Actuary's Estimate
(1) Gross policy liabilities in connection with unearned premiums		**2,452**
(2) Net policy liabilities in connection with unearned premiums		**1,917**
(3) Gross unearned premiums	**2,528**	
(4) Net unearned premiums	**2,273**	
(5) Premium deficiency	**0**	**0**
(6) Other net liabilities	**0**	**0**
(7) Deferred policy acquisition expenses	**0**	
(8) Maximum policy acquisition expenses deferrable reportés [(4) + (5) + (9)] col. 1 – (2) col. 2		**356**
(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, 2014
Date opinion was rendered

Eckler

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