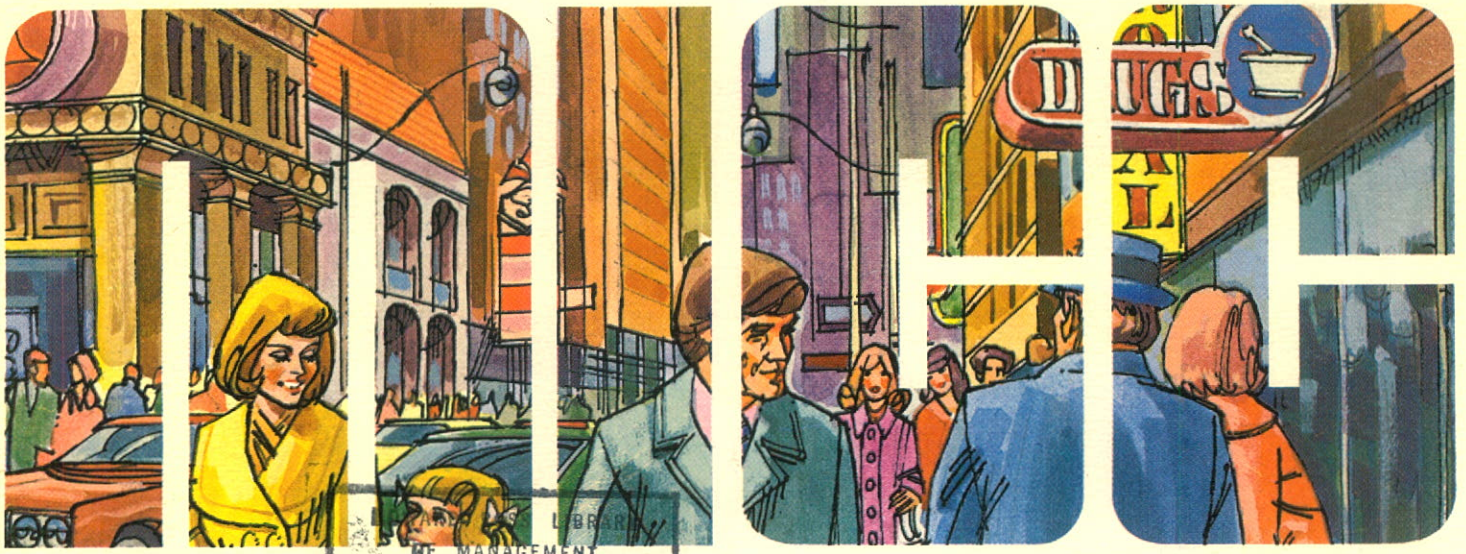
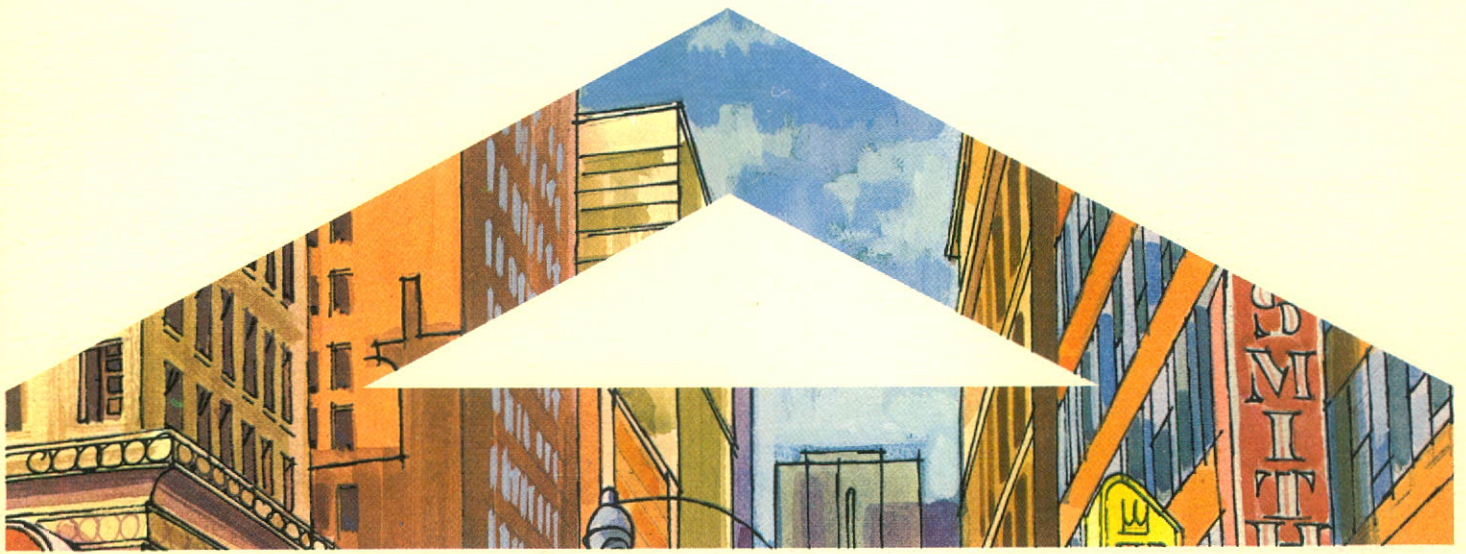


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Mortgage Insurance Co. of Canada

**MICC** INVESTMENTS LIMITED 1973 ANNUAL REPORT







**MICC INVESTMENTS LIMITED**

401 BAY STREET

TORONTO, ONTARIO

## BOARD OF DIRECTORS OF

## MICC INVESTMENTS LIMITED AND THE MORTGAGE INSURANCE COMPANY OF CANADA

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The Bank of Nova Scotia  
Toronto, Ontario

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Blake, Cassels & Graydon  
Toronto, Ontario

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MICC Investments Limited  
Toronto, Ontario

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Corporation Limited  
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Canadian National Railways  
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Assistant General Manager  
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Toronto, Ontario

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Executive  
141 Hampshire Crescent  
Beaconsfield, Quebec

B. G. WILLIS  
Senior Vice President  
Greenshields Incorporated  
Toronto, Ontario

AS AT DECEMBER 31, 1973

## EXECUTIVE OFFICERS

### MICC INVESTMENTS LIMITED

*President*  
GARDNER ENGLISH

*Executive Vice-President*  
REGINALD T. RYAN

*Secretary-Treasurer*  
DAVID C. TOMS

*Vice-President*  
C. W. JAMESON

### THE MORTGAGE INSURANCE COMPANY OF CANADA

*Chairman and  
Chief Executive Officer*  
GARDNER ENGLISH

*Vice-President*  
C. W. JAMESON

*Secretary-Treasurer*  
DAVID C. TOMS

*President*  
REGINALD T. RYAN

*Vice-President*  
JAMES McAVOY

*Assistant Vice-President*  
GEORGES W. CARPENTIER

## MICC INVESTMENTS LIMITED

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### PRESIDENT'S MESSAGE

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The year under review was one of excellent progress by the company with the achievement of new records in business volume and profits. Our subsidiary, The Mortgage Insurance Company of Canada, issued commitments for nearly \$2,200,000,000 in new Canadian mortgage insurance. Premiums written amounted to \$20,563,000. Resulting net profits before investment loss, on a consolidated basis, were \$3,627,000 or 93¢ per share compared to 58¢ in 1972. At the year end, consolidated assets of MICC Investments Limited stood at \$65,827,000. The report of Mr. R. T. Ryan, president of The Mortgage Insurance Company of Canada, which describes its operations in detail, is set out in later pages of this booklet.

The continued rapid growth in our mortgage insurance business made it necessary to increase our capital base to support growing insurance in force. In July, your company issued rights to shareholders to purchase one new share for each three shares held. The issue was successfully subscribed and the sum of \$12,337,000 in new capital was raised. Capital account of the company at year end rose to \$32,407,000 compared with \$18,158,000 at the end of 1972. In December 1973, shares in the capital stock of the company were subdivided into two shares for each share previously held. As a result of this split, the number of shares outstanding at year end was 4,594,752. Dividends were paid during the year in the amount of \$482,017 representing 11<sup>1</sup>/<sub>2</sub>¢ per share on the divided shares.

The large increase in volume of mortgage insurance commitments was achieved notwithstanding the entry of two new private mortgage insurers into the Canadian market early in 1973. We estimate that the three private mortgage insurance companies accounted for \$2<sup>3</sup>/<sub>4</sub> billion in mortgage commitments. This figure is larger than the volume of



mortgage insurance written by government insurers. In my report last year, the belief was stated that competition would substantially expand the potential for private mortgage insurance. The extraordinary growth of private mortgage insurance in 1973 confirms the assumption.

New records were set for the building and mortgage industry in 1973. The housing industry of Canada was responsible for 268,000 new dwelling starts — an all time high. Mortgage investment for housing exceeded \$6.5 billion, also a record achievement. Real estate turnover, particularly the sale of

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homes, likewise set new records. All of these accomplishments were achieved despite a wide range of political and monetary uncertainties and the emergence of world energy problems late in the year. Despite the continuance of a number of these problems, there seems to be reason for considerable optimism for the mortgage and housing industries in 1974. Most industry spokesmen and government leaders who are close to housing look for an achievement in 1974 which will continue the high production of last year. Your company is prepared for the new business potential which these forecasts suggest.

Remarks on the investment of the premium reserve and capital funds of The Mortgage Insurance Company of Canada are contained in the pages of the report of its president. Attention is drawn to announcements by the company during 1973 that a shift in investment emphasis was carried out in 1973. A substantial increase in holdings of preferred stock, and to a lesser degree in common stock, occurred during the year. Holdings in several classes of bonds were reduced to provide funds for the investment in preferred and common shares. These investment changes resulted in a book loss of

\$257,000. The change in portfolio mix has resulted in a substantial increase in after-tax income in 1973 and the benefits of this change will continue in future years.

MICC owns a 50% interest in Charlotte Properties Limited, a recreation land development company. Charlotte controls extensive acreage in Hastings County, Ontario, which is being developed as the "Shawano" project on Dickey Lake. Good progress was made in land sales and extension of roads and services during the year. Profit on operations was approximately \$31,000 in 1973 and the outlook for the coming year is favourable.

MICC made significant strides in the past year and your management is confident of further progress in 1974.



Gardner English  
President

February, 1974



## MICC INVESTMENTS LIMITED

### HIGHLIGHTS FOR THE YEAR

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	1973	1972
	\$	\$
NET EARNINGS . . . . . (before realized investment gain or loss)	3,626,972	1,646,160
NET EARNINGS . . . . .	3,369,768	1,653,034
TOTAL ASSETS . . . . .	65,827,358	33,777,684
SHAREHOLDERS' EQUITY . . . . .	32,407,316	18,158,370
INVESTMENT INCOME . . . . .	3,101,839	1,352,400
PREMIUMS EARNED . . . . .	<u>4,376,445</u>	<u>2,501,954</u>
EARNINGS PER SHARE . . . . . (before realized investment gain or loss)	93¢	58¢
EARNINGS PER SHARE . . . . .	<u>86¢</u>	<u>58¢</u>

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# MICC INVESTMENTS LIMITED

## CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1973

	ASSETS	1973 \$	1972 \$
CASH AND ACCOUNTS RECEIVABLE			
Cash . . . . .		411,083	279,001
Interest accrued and sundry receivables . . . . .		508,770	410,852
Premiums receivable . . . . .		1,020,000	590,400
Due from other insurance companies . . . . .		—	1,404,208
		<u>1,939,853</u>	<u>2,684,461</u>
INVESTMENTS			
Treasury bills and other short-term securities — at cost . . . . .		10,638,380	5,854,787
Bonds and debentures — at amortized cost (market value \$23,748,002; 1972 — \$21,745,692) . . . . .		25,082,281	22,357,351
Preferred stocks — at market value (Cost \$20,914,240; 1972 — \$1,060,423) . . . . .		20,135,165	905,275
Common stocks — at market value (Cost \$6,956,616; 1972 — \$775,054) . . . . .		6,819,248	1,013,907
Mortgages — at cost . . . . .		455,345	411,808
Real estate . . . . .		20,700	63,360
Corporate joint venture (note 3) . . . . .		260,570	215,176
		<u>63,411,689</u>	<u>30,821,664</u>
OTHER ASSETS			
Loan to trustees under employee stock purchase plan (note 5) . . . . .		351,486	215,578
Other . . . . .		124,330	55,981
		475,816	271,559
Signed on behalf of the Board			
	GARDNER ENGLISH, Director.		
	G. D. SUTTON, Director.		
		<u>65,827,358</u>	<u>33,777,684</u>



## LIABILITIES

	1973 \$	1972 \$
ACCOUNTS PAYABLE		
Due to other insurance companies . . . . .	100,608	57,404
Provision for claims . . . . .	95,167	46,892
Accounts payable and accrued liabilities . . . . .	177,063	58,041
Premium taxes payable . . . . .	359,808	136,146
Income taxes payable . . . . .	1,760,860	644,431
Due on undelivered securities . . . . .	56,902	—
	<u>2,550,408</u>	<u>942,914</u>
UNEARNED NET PREMIUMS . . . . .	29,721,051	13,534,428
DEFERRED INCOME TAXES . . . . .	1,148,583	1,141,972
	<u>33,420,042</u>	<u>15,619,314</u>

## SHAREHOLDERS' EQUITY

### CAPITAL STOCK (note 5)

Authorized —

10,000,000 common shares without par value (1972 — 10,000,000 as subdivided)

Issued and fully paid —

4,594,752 common shares (1972 — 3,437,528 as subdivided) . . . . . 26,266,909 13,789,852

RETAINED EARNINGS (note 6) . . . . . 7,056,850 4,304,902

33,323,759 18,094,754

UNREALIZED GAIN (LOSS) ON STOCKS . . . . . (916,443) 63,616

32,407,316 18,158,370

65,827,358 33,777,684

## MICC INVESTMENTS LIMITED

### CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1973

	1973 \$	1972 \$
<b>INCOME</b>		
Net premiums written (note 7) . . . . .	20,563,068	11,223,332
Less: Transfers to unearned net premiums . . . . .	16,186,623	8,721,378
Premiums earned . . . . .	4,376,445	2,501,954
Application fees . . . . .	1,521,980	614,921
Commission income . . . . .	16,458	6,057
	<u>5,914,883</u>	<u>3,122,932</u>
Investment income —		
Interest . . . . .	2,580,640	1,270,396
Dividends . . . . .	505,805	85,229
Corporate joint venture (note 3) . . . . .	15,394	(3,225)
	<u>3,101,839</u>	<u>1,352,400</u>
	<u>9,016,722</u>	<u>4,475,332</u>
<b>EXPENSES</b>		
Losses on claims incurred . . . . .	257,889	97,952
Underwriting and policy issuance expenses . . . . .	1,070,041	756,937
Premium taxes . . . . .	369,001	143,764
Other operating expenses . . . . .	705,719	402,696
	<u>2,402,650</u>	<u>1,401,349</u>
<b>EARNINGS BEFORE INCOME TAXES</b> . . . . .	<u>6,614,072</u>	<u>3,073,983</u>
<b>PROVISION FOR INCOME TAXES</b>		
Current . . . . .	2,960,400	1,163,500
Deferred . . . . .	26,700	264,323
	<u>2,987,100</u>	<u>1,427,823</u>
<b>NET EARNINGS BEFORE REALIZED INVESTMENT GAIN (LOSS)</b> . . . . .	3,626,972	1,646,160
Realized gain (loss) on disposal of investments (net of income taxes applicable thereto of \$Nil; 1972 — \$2,700) . . . . .	(257,204)	6,874
<b>NET EARNINGS FOR THE YEAR</b> . . . . .	<u>3,369,768</u>	<u>1,653,034</u>
<b>EARNINGS PER SHARE (note 8)</b>		
Net earnings before realized investment gain (loss) . . . . .	\$0.93	\$0.58
Net earnings for the year . . . . .	\$0.86	\$0.58
Average number of shares outstanding . . . . .	3,920,805	2,868,994

## MICC INVESTMENTS LIMITED

### CONSOLIDATED STATEMENT OF UNREALIZED GAIN (LOSS) ON STOCKS

FOR THE YEAR ENDED DECEMBER 31, 1973

	1973 \$	1972 \$
UNREALIZED GAIN (LOSS) ON STOCKS — BEGINNING OF YEAR . . . . .	63,616	(91,953)
Unrealized gain (loss) on stocks for the year . . . . .	(1,000,148)	175,658
	(936,532)	83,705
Provision for deferred income taxes . . . . .	20,089	(20,089)
UNREALIZED GAIN (LOSS) ON STOCKS — END OF YEAR . . . . .	<u>(916,443)</u>	<u>63,616</u>

### CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1973

	1973 \$	1972 \$
RETAINED EARNINGS — BEGINNING OF YEAR . . . . .	4,304,902	2,964,147
Net earnings for the year . . . . .	3,369,768	1,653,034
	<u>7,674,670</u>	<u>4,617,181</u>
Expenses of share and rights issues . . . . .	135,803	54,464
Cash dividend . . . . .	482,017	257,815
	<u>617,820</u>	<u>312,279</u>
RETAINED EARNINGS — END OF YEAR . . . . .	<u>7,056,850</u>	<u>4,304,902</u>

## MICC INVESTMENTS LIMITED

### CONSOLIDATED STATEMENT OF CHANGES IN INVESTMENT FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1973

SOURCE OF FUNDS	1973 \$	1972 \$
Operations —		
Net earnings for the year . . . . .	3,369,768	1,653,034
Income taxes deferred . . . . .	26,700	264,323
Depreciation . . . . .	31,082	12,525
Funds generated from operations . . . . .	3,427,550	1,929,882
Increase in unearned net premiums . . . . .	16,186,623	8,721,378
Common shares issued (net of expenses) . . . . .	12,341,254	7,923,856
Decrease in cash and accounts receivable over accounts payable . . . . .	2,352,102	—
	<u>34,307,529</u>	<u>18,575,116</u>
USE OF FUNDS		
Increase in cash and accounts receivable over accounts payable . . . . .	—	1,344,715
Purchase of fixed assets . . . . .	99,431	48,235
Dividends . . . . .	482,017	257,815
Increase in loan to trustees under employee stock purchase plan . . . . .	135,908	215,578
	<u>717,356</u>	<u>1,866,343</u>
FUNDS AVAILABLE FOR INVESTMENT . . . . .	33,590,173	16,708,773
INVESTMENT FUNDS — BEGINNING OF YEAR . . . . .	30,821,664	13,937,233
	64,411,837	30,646,006
Change in unrealized gain (loss) on stocks . . . . .	(1,000,148)	175,658
INVESTMENT FUNDS — END OF YEAR . . . . .	<u>63,411,689</u>	<u>30,821,664</u>

### NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1973

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of MICC Investments Limited (the "company") include the accounts of its subsidiary, The Mortgage Insurance Company of Canada (MICC).

*no  
change*

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2. BASIS OF PRESENTATION

The accounts of MICC are included herein in accordance with generally accepted accounting principles. Adjustments have been made for consolidation purposes to convert these accounts from a statutory basis. The most significant adjustments are as follows:

- change*
- (a) The values of bonds and debentures have been converted to amortized cost from values authorized by the Superintendent of Insurance.
  - (b) The values of stocks have been converted to quoted market values from values authorized by the Superintendent of Insurance.
  - (c) Acquisition costs and other expenses related to premium income, and application fees have been amortized over the life of the policies and not charged to expense or income in the year incurred.
  - (d) The "additional policy reserve" set up under statutory requirements has been eliminated and the reserve for unearned premiums has been reduced to account for the deferral of acquisition costs referred to under (c).
  - (e) Other assets, comprising office equipment and leasehold improvements, have been capitalized and then depreciated over their useful lives rather than being written off when acquired.
  - (f) Provision has been made for deferred income taxes, not required under the statutory basis.

3. CORPORATE JOINT VENTURE

The investment in the corporate joint venture is accounted for on the equity basis and consists of the following:

*no change*

	\$
Demand loan (unsecured) . . . . .	100,000
12,000 redeemable preference shares . . . . .	120,000
20,000 common shares . . . . .	20,000
Share of earnings to November 30, 1973 . . . . .	<u>20,570</u>
	<u>40,570</u>
	<u>260,570</u>

4. CONTINGENT LIABILITY

The company has guaranteed bank advances to the corporate joint venture to a maximum of \$500,000. As at December 31, 1973, the bank advances to the corporate joint venture were \$455,000.

5. CAPITAL STOCK

During the year 15,000 common shares were reserved for allotment and issue to the trustees of the employee stock purchase plan. 4,800 shares were issued to employees of the company for a total consideration of \$140,100.

573,812 common shares were issued pursuant to a rights issue to shareholders as at June 25, 1973. The total cash consideration was \$12,336,958. Expenses of \$135,803 relating to this issue have been charged to retained earnings.

Subsequent to the above events, by Supplementary Letters Patent dated December 12, 1973, the company subdivided each of the issued and unissued common shares of the company into two shares thereby increasing the authorized capital of the company to 10,000,000 common shares without par value.

A non-assignable stock option for the purchase of 10,000 common shares was granted to a director of the company, and is exercisable over a period of five years from June 6, 1973 at a price of \$16.75 per share.

6. RETAINED EARNINGS

Dividends payable by MICC are limited in 1974, under the provisions of Section 105 of the Canadian and British Insurance Companies Act, to 75% of the average statutory results of MICC for the preceding three years. In effect, these provisions reduce the amount of retained earnings of the company available for distribution in 1974 by approximately \$6,100,000.

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7. NET PREMIUMS WRITTEN

Net premiums written for the year ended December 31, 1973 were derived from the following sources:

	1973	1972
	\$	\$
Mortgage insurance in Canada . . . . .	18,217,194	7,111,305
U.S. mortgage reinsurance . . . . .	2,181,635	4,051,454
Lease guarantee insurance in Canada . . . . .	164,239	60,573
	<u>20,563,068</u>	<u>11,223,332</u>

8. EARNINGS PER SHARE

Earnings per share are based on the weighted average number of shares outstanding during the year. 1972 comparative earnings per share have been restated giving effect to the subdivision of shares referred to in note 5.

9. STATUTORY INFORMATION

Depreciation charged in the year amounted to \$31,082.

As required under the Canada Corporations Act, fees and other remuneration paid to directors and officers were as follows:

Number of directors of the company . . . . .	18
Aggregate remuneration as directors of the company . . . . .	Nil
Aggregate remuneration as directors of MICC . . . . .	\$ 39,700
Number of officers of the company . . . . .	4
Aggregate remuneration as officers of MICC . . . . .	\$129,145
Number of officers of the company who are also directors of the company . . . . .	3

One officer, who is also a director, receives no remuneration as an officer.

The aggregate remuneration paid to directors and senior officers, as defined by The Securities Act (Ontario) totalled \$201,100.

In addition, loans made to a director who is also an officer and to another officer, under the employee stock purchase plan referred to in note 5, totalled \$109,074 as of December 31, 1973.

10. PENSION COSTS

Included in expenses are pension costs of \$52,000 for the employer's contribution to staff pension plans. Actuarial valuations of the plans show an unfunded amount of \$24,000 which is being amortized at the rate of \$10,000 per annum.

11. FOREIGN EXCHANGE

Assets and liabilities in United States dollars have been translated at the rate prevailing on December 31, 1973. Earnings have been translated into Canadian dollars at the average rate prevailing through the year.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of MICC Investments Limited and subsidiary company as at December 31, 1973 and the consolidated statements of earnings, retained earnings, unrealized gain (loss) on stocks and changes in investment funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the changes in their investment funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Toronto, Ontario,

February 11, 1974.

COOPERS & LYBRAND  
Chartered Accountants

57 per line

# THE MORTGAGE INSURANCE COMPANY OF CANADA

## PRESIDENT'S REPORT

The year 1973 was another excellent year of progress for The Mortgage Insurance Company of Canada. Mortgage insurance commitments issued, premiums written, total assets and insurance in force all reached record levels. New business, measured by mortgage insurance commitments issued, tripled from \$770,000,000 in 1972 to \$2,197,000,000 last year. Insurance in force in Canada increased to approximately \$2.2 billion at year end compared to \$965,000,000 on December 31, 1972.

New premiums written totalled \$20,563,068 compared to \$11,223,332 in 1972, an increase of 83%. The 1973 figure included \$2,181,635 in premiums from reinsurance of 95% house loans insured in the U.S.A. by Mortgage Guaranty Insurance Corporation, compared to \$4,051,454 received in 1972. As announced earlier, new reinsurance business was substantially reduced after June 30, 1973. Premiums received under this arrangement have been credited to unearned premium reserve and a portion will be drawn down into earned income over the remaining term of the reinsurance coverage.

The high level of new business contributed to a substantial increase in assets, from \$32,138,162 at December 31, 1972 to \$64,543,121 at the end of 1973. During the year, 16,145 shares of capital stock were issued to M.I.C. Investments Limited for a total cash consideration of \$12,002,000.

### Insurance Operations

The insuring of high ratio mortgages on houses, duplexes and triplexes continues to be our most important insurance program and in 1973 accounted for approximately 82% of commitments issued. Approximately 93% of these commitments assisted in home purchase, while the balance were for refinancing purposes — e.g. to consolidate a first and second mortgage, to finance house improvements, to raise cash, etc. Of 64,000 commitments issued, 33,000 related to new housing and the balance to existing homes.

Average loan for new houses was \$30,507 and for existing houses \$24,825, for an overall average loan of \$27,729 compared to an overall average of \$24,000 in 1972. The quality of new borrowers, based on the ratio of mortgage payment to income, continues to be excellent. The Company was active in the insuring of mort-



gages on condominium projects and issued commitments on approximately 5,000 units during the year.

During 1973, we achieved a 320% increase in the volume of commitments to insure on apartment loans — from \$62,000,000 in 1972 to \$261,000,000 in 1973. Approximately 95% of these loans were in excess of 75% of value, with the average loan being \$147,000. Volume of mortgage insurance on commercial and industrial properties also rose substantially in 1973 to \$109,000,000 from \$58,100,000 in 1972. The average loan was approximately \$200,000. Commitment volume under the vacation home program totalled \$4,820,000 compared to \$1,550,000 in 1972. Lease guarantee insurance commitments were issued covering \$13,500,000 in aggregate insured rent, compared to \$9,900,000 in 1972.

During the year, a number of changes were made to mortgage insurance programs. The most important of these changes were:

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294  
210  
239 ✓ char. per page



- 1) Policy term for mortgage insurance covering all residential and vacation home loans was increased from 15 to 20 years. The longer term was also made available for commercial and industrial properties.
- 2) The maximum insurable loan for rental projects and commercial and industrial properties was increased to \$4,000,000.
- 3) Insurance of progress advances was made available to lenders for mortgages on rental projects and commercial and industrial properties.
- 4) Premiums were reduced for all mortgage insurance programs. For high ratio house loans, the premium is now 1<sup>0</sup>/<sub>10</sub>, the same as for new house loans under the National Housing Act.

During the year, 69 new lenders were added to our Approved Lender list and 11 others have been added since year end. There are now 159 MICC Approved Lenders (10 chartered banks, 36 life insurance companies, 41 trust companies, 23 loan companies, 42 credit unions and caisses populaires, and 7 other type companies). In addition, there are 32 Approved Correspondents.

In February, 1973, Regional Offices were opened in Halifax, Montreal and Vancouver, and in September, in Edmonton and Toronto. These offices have been very successful, both in improving service to clients and increasing volume of new business. It is our intention to open additional offices this spring in Winnipeg and Ottawa.

In recognition of our growing involvement with new housing, we have created a Construction Inspection Department. This department will work with lenders and builders to ensure that new housing built with MICC insured mortgages is of good quality.

#### *Investments*

Because of the substantial increase in the investment portfolio, steps were taken during the year to strengthen our investment operation. A consultant has been engaged and an investment officer taken on staff.

Progress was made in 1973 towards increasing the after-tax rate of return on the investment portfolio. This objective was accomplished mainly through investment in dividend paying securities — principally, preferred

shares; and, through the restructuring of the bond portfolio. This latter change necessitated the sale of certain bonds and the consequent realization of book losses. More importantly, the future after-tax investment income from the portfolio has been increased. The net effect of the shift in emphasis in the portfolio is that the average rate of return, after tax, increased to 4.5<sup>0</sup>/<sub>10</sub> in 1973 from 3.8<sup>0</sup>/<sub>10</sub> in 1972.

The investment portfolio of the Company at December 31, 1973 was as follows: (includes U.S. portfolio)

<i>Classification</i>	<i>Book Value</i>
Money Market Securities . . . . .	\$ 9,700,000
Federal Government Obligations (3 years and under) . . . . .	<u>2,674,475</u>
Liquid Assets . . . . .	12,374,475
Federal Government Obligations (3 years and over) . . . . .	<u>7,200,566</u>
Readily Marketable Securities . . . . .	<u>19,575,041</u>
Provincial Government Obligations . . . . .	6,216,838
Corporate Securities	
Fixed Income (over 3 years) . . . . .	9,279,115
Preferred shares . . . . .	20,914,240
Common Shares . . . . .	<u>6,956,616</u>
TOTAL INVESTMENT PORTFOLIO	\$62,941,850

The Company has a securities portfolio lodged with a trustee in accordance with U.S. legislative requirements to support insurance liability under our reinsurance treaty with Mortgage Guaranty Insurance Corporation. This portfolio as at December 31, 1973 was as follows:

<i>Classification</i>	<i>Book Value</i>
Obligations of U.S. Government . . . . .	\$ 2,494,465
Corporate Fixed Income Securities . . . . .	<u>6,956,538</u>
TOTAL U.S. PORTFOLIO . . . . .	\$ 9,445,003

#### *Defaults and Claims*

At year end, of approximately 82,500 insured high ratio house mortgages under administration by lenders, 236 were 3 or more months in default — a default ratio of 0.29<sup>0</sup>/<sub>10</sub> compared to 0.23<sup>0</sup>/<sub>10</sub> at December 31, 1972. There were also 8 defaults reported on mortgages cover-



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ing apartment projects and 2 on commercial and industrial properties. Initial reports indicate that losses will not result from these defaults.

Losses on claims totalled \$257,889 compared to \$97,952 in 1972. Although 1973 losses are higher than 1972, they are considered to be at a very satisfactory level in light of the substantial increase in insurance in force. Included in these figures, are losses on U.S. reinsurance of \$237,346 in 1973 compared to \$40,071 in 1972. U.S. mortgage loss experience is normally higher than in Canada and the 1973 loss figure is in line with our expectations.

While losses continue at a low level, it is anticipated that higher losses will be incurred in the future. New business written increased substantially in 1973 and the impact of this business has not yet been felt in default and claims experience. Furthermore, the 95% loan ratio for house loans was just introduced in late 1972 and higher losses are expected from this class of business.

#### *1974 Outlook*

Last year, construction was started in Canada on 268,523 new housing units — the third consecutive year in which a new record was established. The 1973 figure represents an increase of 7% over the 249,914 units started in 1972. Mortgage funds were generally in adequate supply throughout the year and interest rates increased from their low point of  $8\frac{3}{4}\%$  - 9% at the beginning of the year to 10% -  $10\frac{1}{4}\%$  by year end.

While production of new housing achieved record levels in 1973, the housing scene was marred by severe price increases in most large cities in Canada. It is unfortunate that while governments are devoting more and more time to the development of programs to assist low and moderate income families with their housing needs, the price of new and existing housing is increasing so rapidly, putting decent accommodation beyond the financial capability of more and more Canadian families.

More attention must be devoted to finding solutions which will stop the rapid price escalation. Although material and labour costs have increased, the principal reason for the rapid rise in house prices is the shortage of serviced lots. While conditions vary across the country, we usually find that, where price increases have been most severe, there is a lack of adequate trunk

services, the time required to process new subdivision plan approvals is excessive, and subdivision servicing standards are too high. In many municipalities, one can only conclude that new housing development is not wanted because of the problems that housing creates. In this regard, we feel that some changes are needed in the municipal financing system to remove some of the present load being borne by homeowners.

The need to deal with basic issues is urgent and we hope that action will be taken without further delay in those jurisdictions where the problems are most acute.

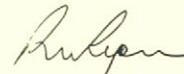
The desire for home-ownership is still very strong in Canada. It is interesting to note that despite the rapid increase in house prices and high mortgage rates last year, we experienced a record year in starts for home-ownership housing. Condominium housing is beginning to play a significant role in this regard and MICC was quite active in the insuring of mortgages on condominium projects last year.

The year 1974 should be another good year for housing, although starts will probably be slightly below the record level achieved in 1973. Mortgage funds should be in adequate supply for the year with interest rates remaining around current levels. There will probably be some reduction in privately initiated starts this year, offset, at least in part, by an increase in publicly assisted housing starts which were at a low level in 1973.

While we will not be able to duplicate our achievements of 1972 and 1973 when new commitment volume tripled each year, we are very optimistic about 1974. Our enlarged regional office system is enabling us to continue to provide good service to our lender clients and we are confident that the trend to privately insured mortgages will continue this year.

#### *Staff*

The success which MICC has achieved to date is due in large measure to the diligence and loyalty of its staff. To each of them I wish to extend thanks for another fine effort in 1973.



R. T. RYAN  
President

February, 1974

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# THE MORTGAGE INSURANCE COMPANY OF CANADA

## BALANCE SHEET AS AT DECEMBER 31, 1973

	ASSETS	1973 \$	1972 \$
CASH AND ACCOUNTS RECEIVABLE			
Cash . . . . .		358,543	246,723
Premiums receivable . . . . .		1,020,000	590,400
Interest accrued and sundry receivables . . . . .		506,275	405,543
Due from other insurance companies . . . . .		—	1,404,208
		<u>1,884,818</u>	<u>2,646,874</u>
INVESTMENTS			
Bonds, debentures and stock, at authorized values . . . . .		62,182,258	29,016,120
Mortgages . . . . .		455,345	411,808
Real estate . . . . .		<u>20,700</u>	<u>63,360</u>
		62,658,303	29,491,288
		<u><u>64,543,121</u></u>	<u><u>32,138,162</u></u>

Signed on behalf of the Board,

GARDNER ENGLISH, Director.

G. D. SUTTON, Director.

## LIABILITIES

	1973 \$	1972 \$
<b>ACCOUNTS PAYABLE</b>		
Due to other insurance companies . . . . .	100,608	57,404
Provision for claims . . . . .	95,167	46,892
Accounts payable and accrued liabilities . . . . .	174,896	69,017
Premium taxes payable . . . . .	359,808	136,146
Income taxes payable . . . . .	1,717,760	641,731
Due on undelivered securities . . . . .	56,902	—
	<u>2,505,141</u>	<u>951,190</u>
<b>RESERVES</b>		
Reserve for unearned premiums . . . . .	30,918,320	14,900,549
Additional policy reserve . . . . .	1,155,869	875,287
Reserve for unregistered reinsurance . . . . .	257,905	108,522
	<u>32,332,094</u>	<u>15,884,358</u>
	<u>34,837,235</u>	<u>16,835,548</u>

## SHAREHOLDERS' EQUITY

<b>CAPITAL STOCK</b>		
Authorized — 100,000 shares of the par value of \$100 each		
Issued and fully paid — 87,545 shares (1972 — 71,400) . . . . .	8,754,500	7,140,000
<b>SURPLUS</b> . . . . .	<u>20,951,386</u>	<u>8,162,614</u>
	29,705,886	15,302,614
	<u>64,543,121</u>	<u>32,138,162</u>

## HEAD OFFICE SENIOR STAFF

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JOHN SUTTON, *Supervisor, Administration*; DAVID C. TOMS, *Secretary-Treasurer*; BARRY MORRISON, *Investment Officer*.



GORDON McLEAN, *Manager Designate of office to be opened in Ottawa*; GEORGES CARPENTIER, *Assistant Vice-President, Chief Underwriter*; THOMAS A. BOYER, *Underwriter*; JAMES McAVOY, *Vice-President*; CLIFFORD E. MADDEN, *Supervisor, Lease Insurance*; LORNE F. LeBAR, *Senior Underwriter*; J. GERALD KINGSTON, *Chief Inspector*.

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## REGIONAL MANAGERS

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S. PHILIPPE  
Halifax



J. D. BOUDREAU  
Montreal



G. PENNIE  
Toronto



E. P. WASSLEN  
Winnipeg



C. W. WHELAN  
Edmonton



G. K. BRIGHT  
Vancouver

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## HEAD OFFICE

Suite 1212, 401 Bay Street Toronto 1, Ontario  
Georges Carpentier — Assistant Vice-President, Chief Underwriter  
Gerald Kingston — Chief Inspector  
Clifford E. Madden — Supervisor, Lease Guarantee  
Barry Morrison — Investment Officer  
John Sutton — Supervisor, Administration

## REGIONAL OFFICES

### HALIFAX

Suite 1700, 5151 George Street Halifax, Nova Scotia  
S. Philippe — Manager

### MONTREAL

Suite 504, 4 Place Ville Marie Montreal 113, Quebec  
J. D. Boudreau — Manager  
A. I. MacIntyre — Business Development Officer

### TORONTO

Suite 507, 401 Bay Street Toronto 1, Ontario  
G. Pennie — Manager  
D. Stewart — Assistant Manager

### WINNIPEG

Suite 1010, 330 Portage Avenue Winnipeg, Manitoba  
E. P. Wasslen — Manager

### EDMONTON

Suite 1317, 10025 Jasper Avenue Edmonton, Alberta  
C. W. Whelan — Manager

### VANCOUVER

Suite 1902, 1177 West Hastings Street Vancouver 1, B.C.  
G. K. Bright — Manager  
W. C. Lee — Business Development Officer

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TRANSFER AGENT: The Canada Trust Company  
REGISTRAR: Canada Permanent Trust Company  
AUDITORS: Coopers & Lybrand



