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**EXPORT CREDITS
INSURANCE CORPORATION**

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS.**

DECEMBER 31, 1958

EXPORT CREDITS INSURANCE CORPORATION

ESTABLISHED UNDER THE EXPORT CREDITS INSURANCE ACT

FIFTEENTH
ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1958



HEAD OFFICE
OTTAWA

MONTREAL

TORONTO

VANCOUVER

EXPORT CREDITS INSURANCE CORPORATION

March 23, 1959

The Honourable Gordon Churchill, M.P.,
Minister of Trade and Commerce,
OTTAWA.

Dear Sir:

In accordance with Section 17 of the Export Credits Insurance Act, I have the honour to transmit to you the attached statement of the accounts of the Export Credits Insurance Corporation for the year ended December 31, 1958, including, as required by Section 87 of the Financial Administration Act, the Auditor General's report on the result of his examination of the accounts and financial statements.

The business of the Corporation is to provide insurance at a suitable premium to Canadian exporters against non-payment by foreign buyers due to credit and political risks involved in foreign trade. The Corporation is authorized to insure not only goods exported from Canada but also sales of Canadian produced goods by foreign subsidiaries of Canadian companies, goods shipped on consignment, and engineering and technical services. In connection with the sale of goods and services there is the risk of a foreign buyer becoming insolvent. Exporters are unable to protect themselves against this by means of ordinary commercial insurance except in the case of sales to the U.S.A. There is also the risk of cancellation of an import licence and the risk of delay in the transfer of funds due to foreign exchange difficulties in the buyer's country. These are risks over which the exporters themselves have no control and against which ordinary commercial insurance is not available. Generally, the insurance protects Canadian exporters against losses arising from circumstances outside the control of both the buyer and the seller.

Whole turnover Policies are issued to exporters of general commodities to cover their anticipated business during the succeeding twelve months. A Specific Policy is issued to cover each contract of sale involving capital goods or services. A total of 230 Policies were current at December 31, 1958 (excluding Policies issued under Section 21 of the Act) covering a wide variety of products to some 85 different countries. This is the largest number of Policies in force in any year in the Corporation's experience. The classification of these Policies by export volume (as estimated by the Policy-holders in their applications) is as follows:

GENERAL COMMODITIES POLICIES

	<i>Policies</i>	<i>Estimated Export Volume</i>
\$ 25,000 and under	48	\$ 810,000
\$ 25,001 to \$ 100,000	85	5,234,000
\$ 100,001 to \$ 250,000	33	5,990,000
\$ 250,001 to \$1,000,000	26	14,250,000
\$1,000,001 and over	12	58,300,000
	<hr/> 204	<hr/> \$84,584,000

CAPITAL GOODS POLICIES

	<i>Policies</i>	<i>Contract Amount</i>
\$ 25,001 to \$ 100,000	8	\$ 409,405
\$ 100,001 to \$ 250,000	4	632,436
\$ 250,001 to \$1,000,000	8	3,935,407
\$1,000,001 and over	6	25,652,011
	26	\$30,629,259

Under each Policy issued the maximum liability of the Corporation is set at a percentage of the estimated export volume. The aggregate of the maximum liabilities under the above Policies was \$66,249,823, and in addition there were liabilities totalling \$2,499,000 under Policies issued in previous years which are no longer in force but under which claims might still be made. The maximum liability of the Corporation under Section 14 of the Act is limited to \$200 million.

Export sales insured by the Corporation during 1958 (excluding sales insured under Section 21 of the Act) totalled \$41,989,846. This is a reduction of \$3.7 million from the 1957 figures. The reduction was due to a decrease of \$12 million in the volume of capital goods Policies, partly offset by an increase of \$8.3 million in the volume of general commodities exports insured. General commodities insured during 1958 increased 25% over 1957. Premium income for 1958 was \$623,379 as compared with \$554,472 for 1957. Since the premium income on capital goods Policies is spread over the period during which payments are to be made by the buyer under the contract of sale insured, 1958 premium income was credited with its applicable share of such premiums. This factor, along with the increase in the volume of general commodities exports insured, resulted in the higher premium income for 1958.

Claims paid during 1958 aggregated \$185,980. Recoveries of \$81,772 were obtained in respect of these claims. In addition recoveries amounting to \$436,724 were received in connection with claims paid in previous years. Thus there was an excess of recoveries over claim payments during the year of \$332,516. The claims experience of the Corporation from the commencement of operations in 1945 to December 31, 1958, analyzed by type of risk insured, is as follows:

<i>Nature of Claim</i>	<i>Claims Paid</i>	<i>Recoveries</i>	<i>Written Off</i>	<i>Net Outstanding</i>
Insolvency	\$ 117,471	\$ 28,939	\$ 18,774	\$ 69,758
Overdue accounts	599,620	262,675	138,934	198,011
Exchange transfer	8,871,456	6,357,204	54,117	2,460,135
Other	28,450	11,087	16,642	721
	\$9,616,997	\$6,659,905	\$228,467	\$2,728,625

In connection with exchange transfer claims paid to Policyholders of \$2,460,135, bank deposits of local currency in the buyers' countries have been made at the rate of exchange in effect at the date of

the respective deposits. This amount is included in the Statement of Assets and Liabilities described as "Deferred accounts receivable" with a contra credit of a like amount, because in the Corporation's view it is not practicable to attempt any evaluation of the amount or time of recoveries which might be obtained. All other outstanding claim payments, which total \$268,490, are carried on the books at \$1.

The Corporation is a member of an international organization of export credits insurers "Union d'Assureurs des Credits Internationaux" (Berne Union), and the President attended its meetings in Europe during the year. There are eighteen member countries representing the majority of the large trading nations of the world. One of the main objectives of the Union is to exchange information on credit terms for various commodities and to hold them within reasonable limits. The members of the Union, as insurers of suppliers' credits, are strongly of the opinion, and have an understanding among themselves, that even for the very heaviest of capital equipment a maximum of five years credit after delivery should not be exceeded. There is no doubt that such a stand, adhered to by all credits insurers, is having the desired effect of holding credit terms to normal levels.

Section 21 of the Act provides that the Governor in Council may authorize the Corporation to enter into a contract of insurance where the Board is of the opinion that the proposed contract of insurance would impose upon the Corporation a liability for a term or in an amount in excess of that which the Corporation would normally undertake in relation to any one contract, exporter, commodity or country, and in the opinion of the Minister it is in the national interest that the proposed contract be entered into. In the event of a loss the necessary moneys would be paid to the Corporation out of the Consolidated Revenue Fund. Policies were issued in 1958 covering export shipments of \$7,939,286, and premiums of \$255,903 were received of which 25% has been retained to meet expenses and overhead, \$6,724 being credited to 1958 income and \$57,252 deferred over the life of the contracts of insurance with the remaining 75% paid to the Receiver General. This \$6,724 together with \$81,865, the applicable portion of the amount deferred in 1957, resulted in a credit of \$88,589 to income. The aggregate of the maximum liabilities under Section 21 Policies in force as at December 31, 1958 was \$51,186,373. There have not been any claim payments under Policies issued by authority of Section 21. The maximum liability of the Corporation under Section 21 of the Act is limited to \$200 million.

Total income for the year amounted to \$1,197,129, including \$485,161 earned on Government of Canada bonds. Operating expenses, details of which are set out in the attached statement, totalled \$226,067. The result of operations of the Corporation for the year was a net addition of \$1,303,578 to the Underwriting Reserve, which now stands at \$3,741,079.

Section 11A. of the Act requires that the Corporation shall at the end of each fiscal year, if the amount standing to the credit of the Underwriting Reserve is less than \$5 million, credit to the Reserve the excess, if any, of its revenues over its disbursements in that fiscal year. The Corporation is a proprietary Crown Company listed in Schedule D to the Financial Administration Act, and as such is subject to income tax. In computing its income for income tax purposes, the Corporation may deduct any amount credited by it to the Underwriting Reserve, pursuant to Section 11A. of the Act. Accordingly, no income tax was payable in respect of operations for 1958.

An analysis of the Underwriting Reserve, from the inception of the Corporation and after insuring \$464 million of export sales (not including \$215 million insured under Section 21) since the first Policy was issued in 1945, discloses the following:

Premiums (not including \$632,592 deferred)			\$4,385,603
Deduct:			
Operating expenses		\$1,292,355	
Claims paid	\$9,616,997		
*Less: Recoveries	6,659,906	2,957,091	4,249,446
Surplus on operations before interest on investments			136,157
Interest on investments		3,894,428	
Less: Income taxes		289,506	3,604,922
Balance at credit of underwriting reserve as at December 31, 1958			<u>\$3,741,079</u>

* Includes \$1 set up as nominal value of anticipated recoveries.

In 1958 there were five additions to the Advisory Council, which is appointed by the Governor in Council pursuant to Section 9 of the Export Credits Insurance Act to advise the Board of Directors on matters relative to the administration of the Corporation.

These appointments were: Hon. J. V. Clyne of Vancouver, Mr. H. G. DeYoung of Welland, Mr. Raymond Dupuis of Montreal, Mr. A. C. McKim of Montreal, and Mr. F. G. Rutley of Montreal. I wish to express my appreciation of the services rendered by the Hon. Hector Authier of Amos, and Mr. Raymond Garneau of Quebec, who resigned from the Advisory Council during the year.

Senior officers of the Corporation made periodic visits throughout the year to various parts of Canada to explain the functions of the Corporation to associations, banks, exporters and other interested groups. The Corporation maintains branches in Montreal and Toronto and is represented in Vancouver by an officer of the Department of Trade and Commerce. The total staff at the end of the year numbered thirty.

Yours faithfully,

JOHN H. ENGLISH,
Chairman.

EXPORT CREDITS INSURANCE CORPORATION

ESTABLISHED UNDER THE EXPORT CREDITS INSURANCE ACT

Statement of Assets and Liabilities

(with comparative figures for 1957)

ASSETS	1958	1957
Cash	\$ 183,974	\$ 311,383
Treasury Bills of Canada	—	199,415
Premium and other receivables	29,830	143,453
Interest accrued on investments	119,843	96,700
Investments—Government of Canada bonds at amortized cost (par value, \$14,250,000; market value, \$13,172,895)	14,216,542	12,789,183
Deferred accounts receivable arising out of claims paid in connection with exchange transfer difficulties, per contra	2,460,135	2,757,419
Possible recoveries in respect of other claims paid (\$268,490), at nominal value	1	1
Office furniture and equipment, at cost	\$ 36,399	35,119
Less: Accumulated provision for depreciation	22,187	19,216
	14,212	15,903
	\$17,024,537	\$16,313,457

Note: The liability of the Corporation under the contracts of insurance issued and outstanding as at December 31, 1958, totalled \$119,935,196, of which \$51,186,373 was for contracts entered into under Section 21 of the Act, which provides that all moneys required to discharge the liabilities arising under such contracts are payable to the Corporation by the Minister of Finance, out of unappropriated moneys in the Consolidated Revenue Fund.

Certified correct:

B. R. KING, JR.,
Accountant

Approved:

H. T. AITKEN,
President and General Manager

INSURANCE CORPORATION

SHORT CREDITS INSURANCE ACT

Liabilities as at December 31, 1958

(as at December 31, 1957)

		LIABILITIES	
		1958	1957
Accounts payable	\$	1,497	\$ 721
Policyholders' premium deposits		63,055	46,040
Deferred premium income:			
Unearned portion of premiums received in respect of capital goods policies	\$ 632,592		920,983
Unearned portion of the Corporation's share of premiums received in respect of contracts of insurance entered into under Section 21 of the Act	<u>126,179</u>		150,793
		758,771	
Deferred credit — possible recoveries of claims paid, per contra		2,460,135	2,757,419
Underwriting reserve:			
Balance at beginning of year	2,437,501		
Add: Net result of operations for the year, per Statement of Operations	<u>1,303,578</u>		
Balance at end of year		<u>3,741,079</u>	2,437,501
		7,024,537	6,313,457
Capital:			
Capital stock:			
Authorized and subscribed—150,000 shares of \$100 each	<u>15,000,000</u>		
Issued and fully paid—50,000 shares of \$100 each	5,000,000		
Capital surplus paid in by the Minister of Finance	<u>5,000,000</u>		
		<u>10,000,000</u>	<u>10,000,000</u>
		<u>\$17,024,537</u>	<u>\$16,313,457</u>

Certified in accordance with my report dated February 18, 1959 to the Minister of Trade and Commerce, under Section 87 of the Financial Administration Act.

WATSON SELLAR,
Auditor General of Canada

EXPORT CREDITS INSURANCE CORPORATION

Statement of Operations for the year ended December 31, 1958

(with comparative figures for the year ended December 31, 1957)

INCOME:	1958	1957
Premiums on risks insured, excluding business done under Section 21 of the Act	\$ 623,379	\$ 554,472
Portion of premiums received with respect to contracts of insurance entered into under Section 21 of the Act	88,589	63,387
Interest on investments	485,161	375,468
	<u>\$ 1,197,129</u>	<u>993,327</u>
EXPENSE:		
Salaries of executive officers	35,500	32,600
Other salaries	126,132	111,563
Contributions to Civil Service Superannuation Account	9,353	8,125
Travel	14,137	11,120
Rents	10,515	10,515
Communications expense and credit reports	10,466	9,702
Stationery, printing and office supplies	5,116	4,048
Depreciation of office furniture and equipment	3,553	3,975
Advisory Council meeting in Ottawa	2,251	—
Other	9,044	8,153
	<u>226,067</u>	<u>199,801</u>
	971,062	793,526
POLICYHOLDERS' CLAIMS:		
Payments	185,980	1,609,405
Recoveries:		
Applicable to payments in the current year	\$ 81,772	238,514
Applicable to payments in prior years	436,724	1,596,763
	<u>518,496</u>	<u>1,835,277</u>
	(332,516)	(225,872)
 NET RESULT OF OPERATIONS	 <u>\$ 1,303,578</u>	 <u>\$ 1,019,398</u>

Ottawa, February 18, 1959.

The Honourable Gordon Churchill,
Minister of Trade and Commerce,
Ottawa.

Sir,

The accounts and financial statements of Export Credits Insurance Corporation have been examined for the year ended December 31, 1958. In compliance with the requirements of Section 87 of the Financial Administration Act, I now report that, in my opinion:

- (a) proper books of account have been kept by the Corporation;
- (b) the financial statements of the Corporation
 - (i) were prepared on a basis consistent with that of the preceding year and are in agreement with the books of account,
 - (ii) in the case of the statement of assets and liabilities, give a true and fair view of the state of the Corporation's affairs as at the end of the financial year, and
 - (iii) in the case of the statement of operations, give a true and fair view of the income and expense (including policyholders' claims) of the Corporation for the financial year; and
- (c) the transactions of the Corporation that have come under my notice have been within the powers of the Corporation under the Financial Administration Act and any other Act applicable to the Corporation.

Yours faithfully,

WATSON SELLAR,
Auditor General

EXPORT CREDITS INSURANCE

Analysis, by countries, of actual
(excluding contracts entered

COUNTRY	AMOUNT
COMMONWEALTH COUNTRIES	
Australia	\$ 3,527,482
Bermuda	126,879
British East Africa	4,735
British Guiana	126,981
British Honduras	11,634
British West Africa	24,384
Ceylon	3,767
Cyprus	2,498
Ghana	800,840
Hong Kong	56,906
India	215,385
Malaya	177,851
Malta	603
New Zealand	1,256,759
Pakistan	7,401
Rhodesia & Nyasaland	31,073
South Africa	684,893
United Kingdom	6,984,936
West Indies Federation	2,331,909

Total Commonwealth Countries \$ 16,376,916

FOREIGN COUNTRIES

Arabia	7,880
Argentina	32,600
Austria	62,010
Belgian Congo	336,776
Belgium	1,180,239
Bolivia	58,694
Brazil	1,731,756
Burma	311,806
Chile	259,636
Colombia	1,169,175
Costa Rica	322,796
Cuba	2,135,333
Denmark	283,215
Dominican Republic	579,324
Ecuador	282,247
Egypt	20,868
Finland	20,618
France	1,161,633
French Africa	234,862
French Oceania	4,867
German Federal Republic	2,071,693
Greece	1,123,515

RANCE CORPORATION

risks underwritten during 1958

into under Section 21 of the Act)

COUNTRY	AMOUNT
Guam	\$ 2,383
Guatemala	314,119
Haiti	132,255
Honduras	69,447
Iceland	4,421
Indonesia	10,838
Iran	96,812
Iraq	155,075
Ireland	55,144
Israel	49,708
Italy	1,606,205
Japan	12,266
Jordan	2,368
Kuwait	9,336
Lebanon	130,183
Libya	648
Madagascar	6,871
Marshall Islands	10,667
Mexico	1,695,194
Morocco	60,593
Netherlands	658,098
Netherlands Antilles	210,336
Nicaragua	135,838
Norway	63,613
Panama	305,574
Paraguay	164,378
Peru	243,916
Philippines	1,398
Portugal	39,563
Portuguese Africa	6,411
Puerto Rico	418,918
St. Pierre & Miquelon	17,275
Salvador	114,517
Spain	2,967
Sudan	18,467
Surinam	67,789
Sweden	437,037
Switzerland	676,601
Syria	34,380
Thailand	2,955
United States of America	197,578
Uruguay	37,911
Venezuela	3,941,334
Total Foreign Countries	\$ 25,612,930
Total all Countries	\$ 41,989,846

EXPORT CREDITS INSURANCE CORPORATION

BOARD OF DIRECTORS

JOHN H. ENGLISH, CHAIRMAN

*Deputy Minister
of Trade and Commerce*

Alternate - H. LESLIE BROWN

K. W. TAYLOR, C.B.E.

*Deputy Minister
of Finance*

Alternate - J. F. PARKINSON

L. C. AUDETTE, Q.C.

*Chairman, Canadian
Maritime Commission*

A. F. W. PLUMPTRE

*Assistant Deputy Minister
of Finance*

J. E. COYNE

*Governor
Bank of Canada*

Alternate - J. R. BEATTIE

J. A. ROBERTS

*Associate Deputy Minister
of Trade and Commerce*

H. T. AITKEN

*President and
General Manager*

ADVISORY COUNCIL

R. B. BUCKERFIELD

Vancouver

HON. J. V. CLYNE

Vancouver

H. G. DEYOUNG

Welland

JAMES S. DUNCAN, C.M.G.

Toronto

RAYMOND DUPUIS, Q.C.

Montreal

H. G. HESLER

Montreal

A. C. MCKIM, O.B.E.

Montreal

GEORGE W. ROBERTSON

Regina

F. G. RUTLEY

Montreal

FLETCHER S. SMITH

Halifax

JAMES STEWART, C.B.E.

Toronto

K. F. WADSWORTH

Toronto

F. HOMER ZWICKER

Lunenburg

OFFICERS

H. T. AITKEN

*President and
General Manager*

A. W. THOMAS

*Assistant
General Manager*

T. CHASE-CASGRAIN

Secretary



Exporters life guard for world trade