



**EXPORT CREDITS  
INSURANCE CORPORATION**

**ANNUAL REPORT  
AND  
FINANCIAL STATEMENTS**

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**DECEMBER 31, 1957**



# EXPORT CREDITS INSURANCE CORPORATION

ESTABLISHED UNDER THE EXPORT CREDITS INSURANCE ACT

## FOURTEENTH ANNUAL REPORT

AND

## FINANCIAL STATEMENTS

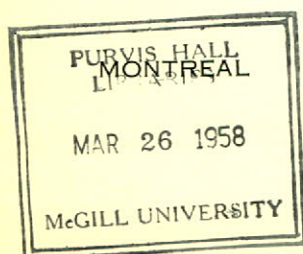
FOR THE YEAR ENDED DECEMBER 31, 1957

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HEAD OFFICE  
OTTAWA

TORONTO

VANCOUVER



# EXPORT CREDITS INSURANCE CORPORATION

March 24, 1958

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, 1957, 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 Corporation has been insuring exporters against non-payment by foreign buyers arising from credit and political risks involved in foreign trade. This type of protection is not available from commercial sources. Some of the risks covered are insolvency of a foreign buyer, cancellation of an import licence in the buyer's country, and the risk of delay in the transfer of funds due to foreign exchange difficulties. Parliament amended the Export Credits Insurance Act in March, 1957 to extend the scope of insurance protection available to Canadian exporters through the facilities of the Corporation. In addition to insuring against non-payment for goods exported from Canada the Corporation may now provide insurance for:

- (a) goods shipped abroad for exhibition purposes or on consignment, and sales of such goods;
- (b) sales made abroad by foreign subsidiaries of Canadian companies;
- (c) payment for engineering, construction, technical or similar services in foreign countries; and
- (d) expenses incurred abroad for installation, servicing, procurement of materials and labour by Canadian exporters of capital goods or services and which form a minor but integral part of this type of business.

No significant volume of insurance has yet been extended by the Corporation under the amendment, but it is expected that future years will show a rising demand for these new facilities.

This year the main feature of the Corporation's business was its claims experience. In 1957 the Corporation paid 208 claims aggregating \$1,609,405, arising mainly from delays in payment due to exchange transfer difficulties in certain countries. Subsequent to payment of such claims the necessary foreign exchange was made available by the importing countries to cover some of them, and recoveries of \$238,514 were obtained against claims paid in 1957. In addition recoveries amounting to \$1,596,763 were received in connection with claims paid in previous years. Thus there was an excess of recoveries over claim payments during the year of \$225,872.

The claims experience of the Corporation from the commencement of operations in 1945 to December 31, 1957, 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 . . . . .	\$ 114,684	\$ 25,199	\$ 17,497	\$ 71,988
Overdue accounts . . . . .	486,638	114,071	129,135	243,432
Exchange transfer difficulties	8,801,966	5,991,051	53,496	2,757,419
Other . . . . .	27,729	11,088	16,641	—
	<u>\$9,431,017</u>	<u>\$6,141,409</u>	<u>\$216,769</u>	<u>\$3,072,839</u>

The amount of \$2,757,419 which has been paid to Policyholders in connection with exchange transfer difficulties is fully covered by bank deposits of local currency in the buyers' countries. It 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 \$315,420, are carried on the books at \$1.

Policies are issued to exporters of general commodities to cover their anticipated business during the succeeding twelve months. Where capital goods are concerned a Specific Policy is issued to cover the individual contract of sale. There were 211 Policies current at December 31, 1957 (excluding Policies issued under Section 21 of the Act) covering exports of a wide variety of products to some 80 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 Policyholders in their Applications) is as follows:

#### GENERAL COMMODITIES POLICIES

	<i>Policies</i>	<i>Estimated Export Volume</i>
\$ 25,000 and under . . . . .	43	\$ 690,000
\$ 25,001 to \$ 100,000 . . . . .	79	4,896,000
\$ 100,001 to \$ 250,000 . . . . .	27	4,760,000
\$ 250,001 to \$1,000,000 . . . . .	23	11,650,000
\$1,000,001 and over . . . . .	9	35,400,000
	<u>181</u>	<u>\$57,396,000</u>

#### CAPITAL GOODS POLICIES

	<i>Policies</i>	<i>Contract Amount</i>
\$ 25,001 to \$ 100,000 . . . . .	8	\$ 406,397
\$ 100,001 to \$ 250,000 . . . . .	4	632,436
\$ 250,001 to \$1,000,000 . . . . .	8	3,730,432
\$1,000,001 and over . . . . .	10	32,538,153
	<u>30</u>	<u>\$37,307,418</u>

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 \$57,348,559

and in addition there were liabilities totalling \$1,410,000 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 1957 totalled \$45,684,345 as compared with \$54,777,665 in 1956. However, despite the reduction in the volume of export sales insured, premium income in 1957 amounted to \$554,472, an increase over 1956 premium income, which was \$472,172. The increase in premium income was attributable to premiums on capital goods Policies issued in previous years, the applicable portion of which has been credited to 1957 premium income.

The Corporation is a member of an international organization of export credits insurers "Union d'Assureurs des Credits Internationaux" (Berne Union) and both the President and the Assistant General Manager attended meetings in Europe during the year. There are sixteen member countries representing the majority of the large trading nations of the world. One of the main objects of the Union is to exchange information about credit terms and to hold them within reasonable limits. Pressure for longer terms of payment for capital goods has been encountered during the past year by practically all Berne Union members. To some extent this situation has been brought about through the practice of authorities in overseas countries dictating terms of payment applicable to the import of various categories of goods. Frequently these terms are longer than those generally accepted by conventional international practice. There is general agreement among members of the Union to resist such forms of pressure, which, if acceded to, would inevitably lead to ever-lengthening credit terms.

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. Under Section 21, export shipments of \$107,539,903 were insured in 1957 and premiums of \$856,721 were received, of which 25% has been retained to meet expenses and overhead, \$63,387 being credited to 1957 income and \$150,793 deferred over the life of the contracts of insurance with the remaining 75% credited to the account of the Receiver General. The aggregate of the maximum liabilities under these Policies in force as at December 31, 1957 was \$63,947,604. There have not been any claim payments under Policies issued by authority of Section 21. In the latter part of the year, because of commitments undertaken and prospective business, the Government felt it necessary to recommend an increase in the amount of the maximum

liability which the Corporation could take on under Section 21 of the Act, and in December, 1957 Parliament increased this maximum liability from \$100 million to \$200 million by amendment to the Act.

Total income for the year amounted to \$993,327, including \$375,468 interest earned on Government of Canada bonds. Operating expenses, details of which are set out in the attached statement, totalled \$199,801. The result of operations of the Corporation for the year was a net addition of \$1,019,398 to the Underwriting Reserve, which now stands at \$2,437,501.

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 during 1957.

An analysis of the Underwriting Reserve, from the inception of the Corporation and after insuring \$422 million of export sales since the first Policy was issued in 1945, discloses the following:

Premiums (not including \$920,983 deferred) . . . . .			\$3,762,223
Deduct:			
Operating expenses . . . . .		\$1,154,875	
Claims paid . . . . .	\$9,431,017		
*Less: Recoveries . . . . .	6,141,410	3,289,607	4,444,482
Deficit on operations before interest on investments			682,259
Interest on investments . . . . .		3,409,266	
Less: Income taxes . . . . .		289,506	3,119,760
Balance at credit of underwriting reserve as at December 31, 1957			<u>\$2,437,501</u>

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

It is with regret that I report the resignations of Mr. Leon J. Koerner of Vancouver, who was a member of the Advisory Council for five years, and Mr. Wm. Frederick Bull, former Deputy Minister of Trade and Commerce. Mr. Bull, who was Chairman of the Board for six years, was appointed Ambassador to Japan in 1957.

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 twenty-nine.

Yours faithfully,

MITCHELL W. SHARP,  
*Chairman.*

# EXPORT CREDITS INS

ESTABLISHED UNDER THE EX

## Statement of Assets and Lia

(with comparative figure

ASSETS	1957	1956
Cash . . . . .	\$ 311,383	\$ 791,579
Treasury Bills of Canada . . . . .	199,415	—
Premiums and other receivables . . . . .	143,453	21,456
Interest accrued on investments . . . . .	96,700	82,450
Income taxes recoverable — estimated . . . . .	—	130,970
Investments — Government of Canada bonds at amortized cost (par value, \$12,800,000; market value, \$12,147,423) . . . . .	12,789,183	11,334,132
Deferred accounts receivable arising out of claims paid in connection with exchange transfer difficulties, secured by deposits of local currencies with banks abroad, per contra . . . . .	2,757,419	3,214,241
Possible recoveries in respect of other claims paid (\$315,420), at nominal value . . . . .	1	1
Office furniture and equipment, at cost . . . . .	\$ 35,119	25,732
Less: Accumulated provision for depreciation . . . . .	19,216	15,609
	15,903	10,123
	\$16,313,457	\$15,584,952

*Note:* The liability of the Corporation under the contracts of insurance issued and outstanding as at December 31, 1957, totalled \$122,706,163, of which \$63,947,604 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*



# FRANCE CORPORATION

SHORT CREDITS INSURANCE ACT

Liabilities as at December 31, 1957

(as at December 31, 1956)

	LIABILITIES	
	1957	1956
Accounts payable . . . . .	\$ 721	\$ 787
Policyholders' premium deposits . . . . .	46,040	45,655
Premium paid in advance . . . . .	—	171,567
Deferred premium income:		
Unearned portion of premiums received in respect of capital goods policies . . . . .	\$ 920,983	734,599
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>150,793</u>	
	1,071,776	—
Deferred credit — possible recoveries of claims paid, per contra . . . . .	2,757,419	3,214,241
Underwriting reserve:		
Balance at beginning of year . . . . .	1,418,103	
Add: Net result of operations for the year, per Statement of Operations . . . . .	<u>1,019,398</u>	
Balance at end of year . . . . .	2,437,501	1,418,103
	<u>6,313,457</u>	<u>5,584,952</u>
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>	
	10,000,000	10,000,000
	<u>\$16,313,457</u>	<u>\$15,584,952</u>

Certified in accordance with my report dated February 12, 1958 to the Minister of Trade and Commerce, under Section 87 of the Financial Administration Act.

IAN STEVENSON,  
(for) Auditor General of Canada

## EXPORT CREDITS INSURANCE CORPORATION

### Statement of Operations for the year ended December 31, 1957

(with comparative figures for the year ended December 31, 1956)

	1957	1956
<b>INCOME:</b>		
Premiums on risks insured, excluding business done under Section 21 of the Act . . . . .	\$ 554,472	\$ 472,172
Portion of premiums received with respect to contracts of insurance entered into under Section 21 of the Act . . . . .	63,387	93,588
Interest on investments . . . . .	375,468	333,356
	\$ 993,327	899,116
<b>EXPENSE:</b>		
Salaries of executive officers . . . . .	32,600	29,550
Other salaries . . . . .	111,563	98,659
Contributions to Civil Service Superannuation Account . . . . .	8,125	7,339
Travel . . . . .	11,120	9,845
Rents . . . . .	10,515	10,515
Communications expense and credit reports . . . . .	9,702	8,441
Stationery, printing and office supplies . . . . .	4,048	3,160
Depreciation of office furniture and equipment . . . . .	3,975	2,530
Other . . . . .	8,153	9,883
	199,801	179,922
	793,526	719,194
<b>POLICYHOLDERS' CLAIMS:</b>		
Payments . . . . .	1,609,405	1,564,968
Recoveries:		
Applicable to payments in the current year . . . . .	\$ 238,514	23,539
Applicable to payments in prior years . . . . .	1,596,763	7,385
	1,835,277	30,924
	(225,872)	1,534,044
<b>NET RESULT OF OPERATIONS . . . . .</b>	<b>\$ 1,019,398</b>	<b>\$ (814,850)</b>

Ottawa, February 12, 1958.

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, 1957. 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,

IAN STEVENSON,  
(for) Auditor General

EXPORT CREDITS INSURANCE

Analysis, by countries, of actual  
(excluding contracts entered into)

COUNTRY	AMOUNT
<b>COMMONWEALTH COUNTRIES</b>	
Australia . . . . .	\$ 2,151,157
Bermuda . . . . .	33,450
British East Africa . . . . .	7,891
British Guiana . . . . .	108,553
British Honduras . . . . .	2,662
British West Africa . . . . .	7,773
British West Indies . . . . .	1,449,751
Ceylon . . . . .	2,109
Cyprus . . . . .	5,360
Ghana . . . . .	2,265
Hong Kong . . . . .	87,861
India . . . . .	4,161,090
Malaya . . . . .	134,427
Mauritius . . . . .	410
New Zealand . . . . .	1,618,395
Pakistan . . . . .	1,803
Rhodesia & Nyasaland . . . . .	66,749
Sarawak . . . . .	10
South Africa . . . . .	1,294,795
United Kingdom . . . . .	4,927,929
Total Commonwealth Countries . . . . .	\$ 16,064,440
<b>FOREIGN COUNTRIES</b>	
Arabia . . . . .	49,694
Argentina . . . . .	2,537,101
Austria . . . . .	30,700
Belgian Congo . . . . .	393,319
Belgium . . . . .	869,614
Bolivia . . . . .	232,476
Brazil . . . . .	2,002,361
Burma . . . . .	34,891
Caroline Islands . . . . .	837
Chile . . . . .	352,077
Colombia . . . . .	1,126,236
Costa Rica . . . . .	236,868
Cuba . . . . .	2,022,996
Denmark . . . . .	108,377
Dominican Republic . . . . .	253,904
Ecuador . . . . .	266,759
Egypt . . . . .	43,627
Finland . . . . .	26,368
France . . . . .	1,087,171
French Africa . . . . .	359,984
French Guiana . . . . .	21
French Oceania . . . . .	9,973

RANCE CORPORATION

risks underwritten during 1957

into under Section 21 of the Act)

COUNTRY	AMOUNT
German Federal Republic . . . . .	\$ 989,334
Greece . . . . .	580,256
Guam . . . . .	33,404
Guatemala . . . . .	160,261
Haiti . . . . .	103,415
Honduras . . . . .	28,370
Iceland . . . . .	10,353
Iran . . . . .	111,509
Iraq . . . . .	216,270
Ireland . . . . .	15,071
Israel . . . . .	122,610
Italy . . . . .	1,151,615
Japan . . . . .	5,694,166
Jordan . . . . .	1,283
Kuwait . . . . .	8,593
Lebanon . . . . .	86,922
Libya . . . . .	861
Luxembourg . . . . .	10
Madagascar . . . . .	4,128
Marshall Islands . . . . .	11,154
Mexico . . . . .	1,704,331
Morocco . . . . .	4,178
Netherlands . . . . .	315,929
Netherlands Antilles . . . . .	161,931
Netherlands Guiana . . . . .	22,945
Nicaragua . . . . .	78,339
Norway . . . . .	120,672
Panama . . . . .	191,635
Paraguay . . . . .	32,911
Peru . . . . .	302,429
Portugal . . . . .	186,364
Portuguese Africa . . . . .	23,587
Puerto Rico . . . . .	243,750
St. Pierre & Miquelon . . . . .	15,970
Salvador . . . . .	177,279
Spain . . . . .	175,864
Sudan . . . . .	25,526
Sweden . . . . .	788,957
Switzerland . . . . .	316,212
Syria . . . . .	27,016
Thailand . . . . .	23,141
United States of America . . . . .	303,305
Uruguay . . . . .	239,251
Venezuela . . . . .	2,763,444
Total Foreign Countries . . . . .	\$ 29,619,905
Total all Countries . . . . .	\$ 45,684,345

# EXPORT CREDITS INSURANCE CORPORATION

## BOARD OF DIRECTORS

MITCHELL W. SHARP, CHAIRMAN

*Deputy Minister  
of Trade and Commerce*

Alternate - D. HARVEY

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

*Deputy Minister  
of Finance*

Alternate - J. F. PARKINSON

L. C. AUDETTE

*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. H. ENGLISH

*Assistant Deputy Minister  
of Trade and Commerce*

H. T. AITKEN

*President and  
General Manager*

## ADVISORY COUNCIL

HON. HECTOR AUTHIER

Amos

R. B. BUCKERFIELD

Vancouver

JAMES S. DUNCAN, C.M.G.

Toronto

RAYMOND GARNEAU

Quebec

H. G. HESLER

Montreal

GEORGE W. ROBERTSON

Regina

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*