



**EXPORT CREDITS
INSURANCE CORPORATION**

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS**

DECEMBER 31, 1956

EXPORT CREDITS INSURANCE CORPORATION

ESTABLISHED UNDER THE EXPORT CREDITS INSURANCE ACT

THIRTEENTH
ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1956



HEAD OFFICE
OTTAWA

MONTREAL

TORONTO

VANCOUVER



“The Corporation may, for the purpose of facilitating and developing trade between Canada and any other country, enter into a contract of insurance with an exporter to insure him against any risk of loss in connection with the export or an agreement for the export of goods by reason of the failure of the exporter, for any cause not avoidable by the exporter, to recover the selling price of the goods.”

—*Extract from the Export Credits Insurance Act*

EXPORT CREDITS INSURANCE CORPORATION

March 13, 1957

The Right Honourable C. D. Howe, P.C.,
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, 1956, 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. 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 license 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 Policies protect against losses arising from circumstances outside the control of both the buyer and the seller.

1956 witnessed the largest annual volume of business insured in the Corporation's experience and amounted to \$54,777,665, an increase of 13% over 1955. The volume of insurance of goods sold on medium term credit, where payment terms for heavy capital equipment in some cases extended to five years, increased 17% over 1955, while the insured total of general commodities sold on short credit terms was up by 11% over the previous year. Competition abroad and the demands of foreign buyers continue to make credit terms an important factor in negotiating sales of capital equipment. The protection of export credits insurance assists Canadian exporters of heavy equipment and indeed of every commodity to compete in the world's markets.

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 198 Policies current at December 31, 1956 (excluding Policies issued under Section 21 of the Act) covering exports of a wide variety of products to some 80 different countries. 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	41	\$ 626,000
\$ 25,001 to \$ 100,000	78	4,994,000
\$ 100,001 to \$ 250,000	29	5,180,000
\$ 250,001 to \$1,000,000	19	10,240,000
\$1,000,001 and over	9	36,600,000
	176	\$57,640,000

CAPITAL GOODS POLICIES

	<i>Policies</i>	<i>Contract Amount</i>
\$ 25,001 to \$ 100,000	3	\$ 172,768
\$ 100,001 to \$ 250,000	3	416,148
\$ 250,001 to \$1,000,000	7	4,197,560
\$1,000,001 and over	9	26,741,020
	22	\$31,527,496

Under each Policy 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 \$48,601,024 and in addition there were liabilities totalling \$1,286,000 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.

In 1956 the Corporation paid \$1,564,968 in claims, arising mainly from delays in payment due to exchange transfer difficulties in certain countries. Recoveries of only \$30,924 were obtained during the year. The claims experience of the Corporation from the commencement of operations in 1945 to December 31, 1956, 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	\$ 104,342	\$ 22,690	\$ 14,360	\$ 67,292
Overdue accounts	278,631	96,958	127,847	53,826
Exchange transfer difficulties	7,410,910	4,175,396	21,273	3,214,241
Other	27,729	11,088	16,641	—
	\$7,821,612	\$4,306,132	\$180,121	\$3,335,359

It will be noted that only \$180,121 has been written off. Of the net outstanding amount of \$3,335,359 the sum of \$3,214,241 has been paid to Policyholders in connection with exchange transfer difficulties and is fully covered by deposits of local currency with banks abroad. This amount of \$3,214,241 has been 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 the recoveries which might be obtained.

All other outstanding claim payments, which total \$121,118, are carried on the books at \$1.

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. Orders-in-Council were passed during 1956 under this Section authorizing the Corporation to issue certain Policies. Export shipments of \$45,926,649 were insured in 1956 and premiums of \$374,352 were received, of which 25% has been retained to meet expenses and overhead, and 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, 1956 was \$41,748,312. The maximum liability of the Corporation under Section 21 of the Act is limited to \$100 million.

The practice of the Corporation heretofore has been to include all premiums as income in the year of receipt, since it was recognized that it was not possible to determine a basis on which premium income received under general commodities Policies could be deferred without requiring voluminous detailed reports from the Policyholder. While the volume of capital goods exports insured under medium term Policies has comprised a minor portion of the Corporation's total business, the premium income received for such business during 1956 was \$630,421 as compared with \$279,483 under general commodities Policies. On the advice and recommendation of the Advisory Council it has been decided to spread the premium income received on medium term Policies over the period during which payments are to be made by the buyer under the contract of sale insured. In order that the 1956 statements may be comparable with those of future years, premium income amounting to \$296,867 of medium term business received prior to January 1, 1956 and included in the accounts of previous years has been debited to the Underwriting Reserve, of which \$164,911 has been credited to 1956 premium income and \$131,956 credited to deferred premium account. In addition, premium income of \$602,643 received in 1956 in connection with medium term Policies issued during the year has been credited to deferred premium account.

Total income for the year amounted to \$805,528, including \$333,356 interest earned on Government of Canada bonds. Net operating expenses, details of which are set out in the attached statement, total \$86,334. The result of operations of the Corporation for the year showed an excess of claims and expenses over premiums and interest amounting to \$814,850. The Corporation is a proprietary Crown Company listed in Schedule D to the Financial Administration Act, and as such is subject to income tax. During the year income tax assessments amounting to \$282,631 and

\$137,845 were paid for the years 1954 and 1955 respectively, and income tax recoverable as a result of the loss on operations for 1956 is estimated at \$130,970.

An analysis of the Underwriting Reserve from the inception of the Corporation and after insuring \$376 million of export sales since the first Policy was issued in 1945, discloses the following:

Premiums			\$3,207,751
Deduct:			
Operating expenses		\$1,018,461	
Claims paid	\$7,821,612		
*Less: Recoveries	4,306,133	3,515,479	4,533,940
Deficit on operations before interest on investments			1,326,189
Interest on investments		3,033,798	
Less: Income taxes		289,506	2,744,292
Balance at credit of underwriting reserve as at December 31, 1956 . .			<u>\$1,418,103</u>

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

The eleventh meeting of 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, was held on November 12, 1956 and was attended by seven members of the Council. It is with regret that I have to record the death in July last of Mr. R. H. Davis of Welland, who was a member of the Advisory Council from its inception and whose advice and counsel will greatly be missed.

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-seven. Senior officers of the Corporation made periodic visits throughout the year to various parts of Canada calling on associations, banks and exporters, and explaining the functions of the Corporation to interested groups. Mr. H. T. Aitken, the President and General Manager of the Corporation, attended the meetings in Europe of an international organization of export credits insurers, l'Union d'Assureurs pour le Controle des Credits Internationaux, of which the Corporation is a member. He was elected Vice-President of that organization at its annual meeting in May, 1956.

Yours faithfully,

WM. FREDERICK BULL,
Chairman.

EXPORT CREDITS INS

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Statement of Assets and Lia

(with comparative figure

	ASSETS	1956	1955
Cash	\$	791,579	\$ 250,060
Premiums receivable		21,164	39,447
Interest accrued on investments		82,450	88,402
Prepaid expenses		292	356
Income taxes recoverable — estimated		130,970	—
Investments — Government of Canada bonds at amortized cost (par value, \$11,300,000; market value, \$10,289,212)		11,334,132	12,497,878
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		3,214,241	1,689,104
Possible recoveries in respect of other claims paid (\$121,118), at nominal value		1	1
Office furniture and equip- ment, at cost \$	25,732		21,679
Less: Accumulated provisions for depreciation	15,609		13,403
		10,123	8,276
		\$15,584,952	\$14,573,524

Note: The liability of the Corporation under the contracts of insurance issued and outstanding as at December 31, 1956 totalled \$91,635,336, of which \$41,748,312 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

URANCE CORPORATION

EXPORT CREDITS INSURANCE ACT

Liabilities as at December 31, 1956

(as at December 31, 1955)

LIABILITIES	1956	1955
Accounts payable	\$ 787	\$ 3,055
Policyholders' premium deposits	45,655	50,355
Due to the Receiver General of Canada in respect of contracts of insurance entered into under Section 21 of the Act	—	11,684
Premium paid in advance	171,567	—
Deferred premium income on capital goods policies	734,599	—
Deferred credit— possible recoveries of claims paid, per contra	3,214,241	1,689,104
Underwriting reserve, per Statement of Underwriting Reserve	1,418,103	2,819,326
	<hr/>	<hr/>
	5,584,952	4,573,524
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>	
	<hr/>	<hr/>
	10,000,000	10,000,000
	<hr/>	<hr/>
	<u>\$15,584,952</u>	<u>\$14,573,524</u>

Certified in accordance with my report dated February 22, 1957 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, 1956

(with comparative figures for the year ended December 31, 1955)

INCOME:	1956	1955
Premiums on risks insured, excluding business done under Section 21 of the Act . . . \$	472,172	\$ 455,368
Interest on investments . . .	333,356	367,557
	\$ 805,528	822,925
EXPENSE:		
Salaries of executive officers . . .	29,550	28,000
Other salaries	98,659	82,250
Contributions to Civil Service Superannuation Account . . .	7,339	7,166
Travel	9,845	7,587
Rents	10,515	10,515
Communications expense and credit reports	8,441	7,851
Stationery, printing and office supplies	3,160	2,085
Advisory Council meeting . . .	1,421	1,564
Depreciation of office furniture and equipment	2,530	2,065
Other	8,462	7,654
	179,922	156,737
Less: 25% of premiums received with respect to contracts of insurance entered into under Section 21 of the Act, retained to meet expenses and overhead arising out of such contracts	93,588	13,831
	86,334	142,906
	719,194	680,019
POLICYHOLDERS' CLAIMS:		
Payments	1,564,968	1,843,990
Recoveries:		
Applicable to payments in the current year \$23,539		101,863
Applicable to payments in prior years 7,385		1,352,256
	30,924	1,454,119
	1,534,044	389,871
NET RESULT OF OPERATIONS	\$ (814,850)	\$ 290,148

EXPORT CREDITS INSURANCE CORPORATION

Statement of Underwriting Reserve for the year ended December 31, 1956

Balance as at January 1, 1956		\$ 2,819,326
Deduct:		
Income tax assessments in respect of the years 1954 and 1955 (\$420,476) less estimated income tax recoverable through the application of the loss on operations for 1956 against the taxable income for 1955 (\$130,970)	\$ 289,506	
Deferred portion of premiums on capital goods policies issued in prior years, now allocated to 1956 and subsequent years .	296,867	
Net result of operations for the year ended December 31, 1956, per Statement of Operations	814,850	1,401,223
Balance as at December 31, 1956		<u>\$ 1,418,103</u>

Ottawa, February 22, 1957.

The Right Honourable C. D. Howe,
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, 1956.

In previous years, premiums were recorded as income of the year in which policies were issued. In the year under review, the Corporation apportioned the premiums received in respect of capital goods policies which were in force as at January 1, 1956 or were issued during the year, over the period of risk—many of these policies covering risks extending over periods of several years. Thus, the income for 1956 includes only those portions of the premiums for capital goods policies, which were earned during the year. No audit exception is taken to this change in accounting practice.

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) are in agreement with the books of account and were prepared on a basis consistent with that of the preceding year, save for the change, referred to above, in the basis of recording income from premiums for capital goods policies,
 - (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.

Analysis, by countries, of actu

COUNTRY	AMOUNT
COMMONWEALTH COUNTRIES	
Australia	\$ 1,117,074
Bermuda	59,246
British East Africa	17,254
British Guiana	212,143
British Honduras	12,169
British West Africa	4,365
British West Indies	1,600,750
Ceylon	2,098
Cyprus	2,192
Fiji	609
Hong Kong	81,130
India	1,258,096
Malaya	115,700
New Zealand	693,497
Rhodesia & Nyasaland	34,795
Sarawak	546
South Africa	5,694,518
United Kingdom	10,186,836
Total Commonwealth Countries	\$ 21,093,018
FOREIGN COUNTRIES	
Arabia	20,943
Argentina	7,165,712
Austria	14,447
Belgian Congo	371,746
Belgium	1,492,660
Bolivia	399,392
Brazil	5,448,728
Chile	502,296
Colombia	898,755
Costa Rica	273,309
Cuba	1,769,741
Denmark	39,771
Dominican Republic	270,788
Ecuador	165,336
Egypt	149,859
Finland	38,292
France	1,351,325
French Africa	398,667
French Guiana	175
French Oceania	19,991
French West Indies	366

isks underwritten during 1956

COUNTRY	AMOUNT
German Federal Republic	\$ 526,212
Greece	499,915
Guatemala	170,055
Haiti	60,981
Honduras	21,289
Iceland	9,625
Iran	48,015
Iraq	60,202
Ireland	23,388
Israel	120,385
Italy	1,589,774
Japan	335,772
Kuwait	4,300
Lebanon	106,595
Luxembourg	82
Madagascar	2,537
Mexico	2,322,634
Netherlands	301,386
Netherlands Antilles	183,803
Netherlands Guiana	17,069
Nicaragua	88,827
Norway	50,869
Panama	234,110
Paraguay	10,631
Peru	289,156
Philippines	2,448
Portugal	163,448
Portuguese Africa	14,131
Puerto Rico	102,422
St. Pierre & Miquelon	4,411
Salvador	153,131
Sudan	34,281
Sweden	326,489
Switzerland	404,979
Syria	254,610
Thailand	22,460
United States of America	1,309,600
Uruguay	282,862
Venezuela	2,739,464
Total Foreign Countries	\$ 33,684,647
Total all Countries	\$ 54,777,665

BOARD OF DIRECTORS

WM. FREDERICK BULL, CHAIRMAN

*Deputy Minister
of Trade and Commerce*

Alternate - J. H. ENGLISH

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

*Deputy Minister
of Finance*

J. E. COYNE

*Governor
Bank of Canada*

Alternate - J. R. BEATTIE

L. C. AUDETTE

*Chairman, Canadian
Maritime Commission*

M. W. SHARP

*Associate Deputy Minister
of Trade and Commerce*

A. F. W. PLUMPTRE

*Assistant Deputy Minister
of Finance*

H. T. AITKEN

*President and
General Manager*

ADVISORY COUNCIL

HON. HECTOR AUTHIER

Amos

GEORGE W. ROBERTSON

Regina

R. B. BUCKERFIELD

Vancouver

FLETCHER S. SMITH

Halifax

JAMES S. DUNCAN, C.M.G.

Toronto

JAMES STEWART, C.B.E.

Toronto

RAYMOND GARNEAU

Quebec

K. F. WADSWORTH

Toronto

H. G. HESLER

Montreal

F. HOMER ZWICKER

Lunenburg

LEON J. KOERNER

Vancouver

OFFICERS

H. T. AITKEN

*President and
General Manager*

A. W. THOMAS

*Assistant
General Manager*

T. CHASE-CASGRAIN

Secretary



Exporters life guard for world trade