

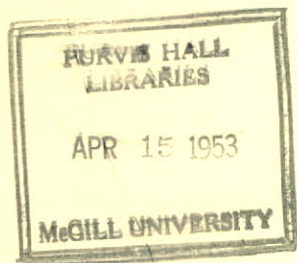
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EXPORT CREDITS
INSURANCE CORPORATION

ANNUAL REPORT
AND
FINANCIAL STATEMENTS

DECEMBER 31, 1952



EXPORT CREDITS INSURANCE CORPORATION

INCORPORATED UNDER THE EXPORT CREDITS INSURANCE ACT

NINTH
ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1952



HEAD OFFICE
OTTAWA

BRANCHES
MONTREAL TORONTO



“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 16, 1953

The Rt. Hon. C. D. Howe, 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, 1952, 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.

Dr. W. Clifford Clark, who had been a member of the Corporation since its inception, passed away a few days before the end of the year. His wise and prudent counsel was of inestimable value to the Corporation. Mr. K. W. Taylor as Deputy Minister of Finance is now, ex officio, a member of the Board of Directors.

The main feature of the Corporation's business during the year was its claims experience. In 1952 the Corporation paid 138 claims aggregating \$996,809, arising mainly from delays in payment due to exchange transfer difficulties in certain countries. Subsequent to payment of such claims the necessary currency was made available by the importing countries to cover some of them, and recoveries of \$75,541 were obtained against claims paid in 1952. In addition, recoveries amounting to \$8,332 were received in connection with claims paid in previous years. The 138 claims paid this year amounting to \$996,809 compare with 242 claims totalling \$705,895 paid during the previous seven years since the Corporation commenced operations. The claims experience of the Corporation from the commencement of operations in 1945 to December 31, 1952, analyzed by type of risk insured, is as follows:

<i>Nature of Claim</i>	<i>Claims</i>		<i>Irre-</i>	<i>Net</i>
	<i>Paid</i>	<i>Recoveries</i>	<i>coverable</i> <i>Losses</i>	<i>Outstanding</i>
Insolvency \$	30,956	\$ 18,122	\$ 5,508	\$ 7,326
Overdue accounts	203,096	21,473	5,588	176,035
Exchange transfer difficulties	1,441,385	545,075	2,011	894,299
Other	27,267	7,733	5,080	14,454
	<u>\$1,702,704</u>	<u>\$592,403</u>	<u>\$18,187</u>	<u>\$1,092,114</u>

In the Corporation's view it is not practicable to attempt any evaluation of the recoveries that may be made on these claims. All claims are written off as soon as they are paid. However, substantial recoveries are anticipated and provisional deposits in foreign currencies have been made against claims totalling \$667,594 arising

from difficulties in the transfer of funds. In addition, the Corporation ranks as creditor in certain insolvent estates and expects to make recoveries on claims paid on a number of overdue accounts.

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 180 Policies current at December 31, 1952, as against 168 at December 31, 1951, covering exports of a wide variety of products to some 80 different countries. A 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	32	\$ 420,000
\$ 25,001 to \$ 100,000	67	\$ 3,856,000
\$ 100,001 to \$ 250,000	41	\$ 7,328,000
\$ 250,001 to \$1,000,000	23	\$13,048,000
\$1,000,001 and over	8	\$31,000,000
	<u>171</u>	<u>\$55,652,000</u>

CAPITAL GOODS POLICIES

	<i>Policies</i>	<i>Contract Amount</i>
\$ 25,000 and under	1	\$ 2,800
\$ 25,001 to \$ 100,000	1	\$ 81,756
\$100,001 to \$ 250,000	3	\$ 449,834
\$250,001 to \$1,000,000	4	\$ 1,282,559
	<u>9</u>	<u>\$ 1,816,949</u>

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 Policies current at December 31, 1952 was \$29,186,762, and in addition there are liabilities totalling \$1,303,000 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 \$100 million.

Export sales during 1952 reported under Export Credits Insurance Policies totalled \$35,836,484, as compared with \$49,277,409 in 1951. Premiums are paid on the basis of monthly reports of export sales and amounted to \$354,348 in 1952 and \$345,935 in 1951. The main reasons for an increase in the total of premiums collected on a reduced volume of export sales were because of the lengthening of terms of payment for some commodities, and increased rates of premium for certain countries where the Corporation was paying claims.

The Corporation insures exporters of general commodities on either one of two bases. If an exporter wishes to cover the pre-shipment risk during the period of manufacture, he takes out a Policy which covers him from the date of the order. Other exporters insure under the second type of Policy, which covers them from date of shipment only. While actual shipments by Policyholders during 1952 were greater than in 1951 by about \$1 million, the volume of business insured by the Corporation in 1952 was down by about 27% as compared with 1951 due to a substantial reduction in the orders booked by exporters who have Policies covering the pre-shipment risk. The backlog of insured orders on hand at December 31, 1952 was down to \$3.6 million as compared with \$11.9 million a year ago.

Section 20A 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 a 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 out of the Consolidated Revenue Fund. By authority of Order-in-Council P.C.4335 of October 23, 1952, Policies were issued under which the Government of Canada assumes a liability of U.S. \$8,658,651. Premiums of \$84,763 were received under these Policies, of which 25% has been applied against the Corporation's overhead. The remaining 75% has been credited to the account of the Receiver General of Canada, which now stands at \$81,081.

Total income for the year amounted to \$665,225, including \$312,061 interest earned on Government of Canada bonds. Operating expenses, details of which are set out on the attached statement, totalled \$105,755. After making full provision for all claims paid during the year the Corporation's operations, as shown in the attached statement, resulted in a charge of \$353,466 to the underwriting reserve, which now stands at \$1,631,617.

An analysis of the underwriting reserve since the inception of the Corporation discloses the following:

Premiums			\$1,589,847
Deduct:			
Operating expenses	\$ 592,488		
Claims paid	\$1,702,704		
*Less: Recoveries	592,404	1,110,300	1,702,788
Deficit on operations before interest on investments			112,941
Interest on investments			1,744,558
Balance at credit of underwriting reserve as at December 31, 1952			<u>\$1,631,617</u>

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

From the above statement it will be seen that from the commencement of operations in 1945 to December 31, 1952, before taking into account interest on investments, the Corporation was out of pocket \$112,941. However, as indicated on the Balance Sheet, claims paid totalling \$1,092,114 are carried at a nominal value of \$1, and it is expected that a large proportion will be recovered. This present out-of-pocket position has resulted from the insurance of export sales totalling \$211,420,135.

The seventh 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 in Ottawa on November 18, 1952 and was attended by eight members of the Council. It is with regret that I have to record the death in November last of one of the members of the Advisory Council, Mr. C. H. G. Short of Montreal, whose advice and counsel will greatly be missed.

The Corporation maintains branches in Montreal and Toronto and had a total staff of 24 officers and employees at the end of the year. Senior officers of the Corporation made periodic trips throughout the year to various parts of Canada calling on associations, banks and exporters, and explaining the functions of the Corporation to interested groups. The General Manager attended the annual meeting in France of an international organization of government-owned export credits insurers, l'Union d'Assureurs pour le Controle des Credits Internationaux, of which the Corporation is a member. In addition, the Chief Credit Officer visited those Latin American countries where the Corporation was faced with heavy claims.

Yours faithfully,

WM. FREDERICK BULL,
Chairman.

EXPORT CREDITS INSURANCE CORPORATION

(INCORPORATED UNDER "THE EXCHANGE ACT")

Statement of Assets and Liabilities as at December 31, 1952

ASSETS

Cash on hand and in banks	\$	304,684
Accounts receivable:		
Premiums due from policyholders		30,517
Accrued interest on investments		88,223
Investments—Government of Canada bonds at amortized cost		
(par value \$11,205,000)		
(market value . . \$10,660,767)		11,321,752
Possible recoveries against claims paid of \$1,092,114 at nominal value		1
Deferred charges		401
Office furnishings and equipment at cost	\$ 17,773	
Less: Accumulated allowance for depreciation	9,350	8,423
		\$11,754,001

Note: As at December 31, 1952, under contracts of insurance issued and outstanding:

- (i) The limit of the liability of the Corporation, which by Section 14 of the Act shall not exceed one hundred million dollars, was \$30,489,762;
- (ii) The limit of the liability of the Government of Canada, which by Section 20A (3) of the Act shall not exceed one hundred million dollars, was U.S. \$8,658,651.

Approved on behalf of the Board

WM. FREDERICK BULL,
Director

H. T. AITKEN,
Director

INSURANCE CORPORATION

(PORT CREDITS INSURANCE ACT)

Assets and Liabilities

December 31, 1952

LIABILITIES AND CAPITAL

Accounts payable		\$	3,128
Policyholders' deposits			38,175
Receiver General of Canada:			
Receipts, less overhead, arising out of contracts entered into under Section 20A of the Act			81,081
Underwriting reserve:			
Balance at December 31, 1951 . . .	\$1,985,083		
Deduct: Net result of operations for the year ended December 31, 1952, per Schedule I	353,466		1,631,617
			<u>1,754,001</u>
Capital:			
Capital stock;			
Authorized, issued and fully paid— 50,000 shares par value \$100 each held in trust for Her Majesty by the Minister of Trade and Commerce	5,000,000		
Capital Surplus;			
Paid in by the Minister of Finance as directed under Section 10(3) of the Act at the rate of \$100 per share of capital stock issued . . .	5,000,000		10,000,000
			<u>\$11,754,001</u>

Signed for purposes of identification only and subject to my Report, herewith, to the Minister of Trade and Commerce.

WATSON SELLAR,
Auditor General of Canada

March 11, 1953

The Rt. Hon. C. D. Howe, M.P.,
Minister of Trade and Commerce,
OTTAWA.

Dear Mr. Howe:

Re: Export Credits Insurance Corporation

Having completed the audit of the accounts of the Corporation for the fiscal year ended December 31, 1952, I now report to you, in compliance with Section 87 of the Financial Administration Act, the results of the examination of both the accounts, and the Certified Financial Statement forwarded herewith.

Referring to the Statement of Assets and Liabilities, the asset 'Possible recoveries against claims paid', entered at the nominal sum of \$1, includes foreign currencies of approximately \$667,000 on deposit abroad but at present 'frozen' because of exchange restrictions, and \$203,000 where the buyer has undertakings from his Government that the necessary exchange will be made available later in 1953, also approximately \$190,000 representing doubtful accounts which are regarded as partially recoverable. The liabilities as shown do not include provision for the amount payable for income tax, if any. The amount of the 'Underwriting reserve' represents the cumulative excess of income over expenses and claims paid since the Corporation commenced operations; it is not a calculated reserve based on the risks underwritten because, owing to the many unpredictable factors in international credit insurance, it is not considered feasible to establish appropriate actuarial data such as is utilized for such calculations in other fields of insurance; the reserve is understated by whatever amount may be recovered in respect of foreign currencies and doubtful accounts.

Subject to the foregoing, I certify that, in my opinion,

1. proper books of account have been kept by the Corporation;
2. the Financial Statement has been prepared on a basis consistent with that of the preceding year and is in agreement with the books of account; also, the Statement of Assets and Liabilities and the accompanying Statement of Operations are properly drawn up so as to give a true and fair view of the state of the Corporation's affairs as at December 31, 1952 and of its operations, for the fiscal year, respectively;
3. the transactions of the Corporation, that have come under my notice, have been within its powers as set forth in The Export Credits Insurance Act and in the Financial Administration Act.

Yours faithfully,
WATSON SELLAR,
Auditor General

EXPORT CREDITS INSURANCE CORPORATION

Statement of Operations for the year ended
December 31, 1952

INCOME:

Premiums on risks underwritten		\$354,348	
Interest on investments	\$312,061		
Loss on investments sold	1,184	<u>310,877</u>	\$665,225

EXPENSES:

Salaries:

Executive officers	23,640		
Other	<u>62,828</u>	86,468	

Travel		10,106	
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Telephone, telegrams, cables and credit reports		6,097	
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Stationery, printing, postage and office supplies		2,700	
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Rents:

Applicable to 1951	3,693		
Applicable to 1952	<u>9,735</u>	13,428	

Prior to March 31, 1951, Ottawa office rent
was paid from the Department of Public
Works Vote

Advisory Council meeting in Ottawa		1,017	
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Depreciation of office furnishings and equipment		1,777	
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Other		<u>5,353</u>	
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		126,946	
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Less: Overhead applicable to contracts issued under Section 20A of the Act		<u>21,191</u>	<u>105,755</u>
			559,470

POLICYHOLDERS' CLAIMS:

Payments		996,809	
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Recoveries:

Applicable to payments in 1952	75,541		
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Applicable to payments prior to 1952	<u>8,332</u>	<u>83,873</u>	<u>912,936</u>
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Net result of operations deducted from underwriting reserve			<u>\$353,466</u>
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Analysis, by countries, of actual

COUNTRY	AMOUNT
COMMONWEALTH COUNTRIES	
Anglo-Egyptian Sudan	\$ 50,426
Australia	696,742
Bermuda	64,973
British East Africa	16,301
British Guiana	44,080
British Honduras	8,996
British West Indies	912,914
Ceylon	15,013
Cyprus	1,313
Fiji	43
Gibraltar	717
Hong Kong	4,373
India	315,262
Malaya	38,129
Mauritius	161
New Zealand	757,549
Pakistan	50,538
Rhodesia	67,210
South Africa	2,908,431
United Kingdom	3,067,120
Total Commonwealth Countries	\$ 9,020,291
FOREIGN COUNTRIES	
Argentina	3,185,633
Austria	24,112
Bahrein Island	1,400
Belgian Congo	297,851
Belgium	890,029
Bolivia	119,091
Brazil	3,256,697
Chile	265,615
Colombia	857,262
Costa Rica	148,820
Cuba	1,212,340
Denmark	107,308
Dominican Republic	352,492
Ecuador	211,959
Egypt	1,448
Finland	63,142
France	1,247,072
French Africa	576,331
French Oceania	36,311
French West Indies	1,479

risks underwritten during 1952

COUNTRY	AMOUNT
German Federal Republic	\$ 33,055
Greece	288,288
Guatemala	139,133
Haiti	33,989
Honduras	40,302
Iceland	13,187
Indonesia	9,196
Iran	75,853
Iraq	33,407
Ireland	944,821
Israel	17,453
Italy	1,102,464
Japan	101,906
Lebanon	65,454
Luxembourg	97
Madagascar	35,690
Marianas Islands	225
Mexico	1,371,536
Morocco	406
Netherlands	106,187
Netherlands Antilles	53,375
Netherlands Guiana	266,953
Nicaragua	114,676
Norway	84,562
Panama	80,178
Peru	303,374
Philippines	15,391
Portugal	195,826
Portuguese Africa	62,925
Puerto Rico	51,837
St. Pierre & Miquelon	262
Salvador	121,831
Samoa	1,408
Spain	30,300
Sweden	705,348
Switzerland	630,444
Syria	162,053
Thailand	68,491
Turkey	2,038,780
United States of America	680,777
Uruguay	714,401
Venezuela	2,550,458
Yugoslavia	613,502
Total Foreign Countries	<u>\$26,816,193</u>
Total All Countries	<u>\$35,836,484</u>

BOARD OF DIRECTORS

WM. FREDERICK BULL, CHAIRMAN

*Deputy Minister
of Trade and Commerce*

K. W. TAYLOR, C.B.E.
Deputy Minister of Finance

G. F. TOWERS, C.M.G.
*Governor
Bank of Canada*

L. C. AUDETTE
*Commissioner, Canadian
Maritime Commission*

J. J. DEUTSCH
*Assistant Deputy
Minister of Finance*

H. T. AITKEN
General Manager

ADVISORY COUNCIL

HON. HECTOR AUTHIER
Amos

C. D. JACOX
Edmonton

R. B. BUCKERFIELD
Vancouver

H. R. MACMILLAN, C.B.E.
Vancouver

R. H. DAVIS
Welland

GEORGE W. ROBERTSON
Regina

JAMES S. DUNCAN, C.M.G.
Toronto

FLETCHER S. SMITH
Halifax

RAYMOND GARNEAU
Quebec

JAMES STEWART, C.B.E.
Toronto

H. G. HESLER
Montreal

F. HOMER ZWICKER
Lunenburg

OFFICERS

H. T. AITKEN
General Manager

A. W. THOMAS
Chief Credit Officer

T. CHASE-CASGRAIN
Secretary

