



EXPORT CREDITS
INSURANCE CORPORATION

ANNUAL REPORT
AND
FINANCIAL STATEMENTS

DECEMBER 31, 1949

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EXPORT CREDITS INSURANCE CORPORATION

INCORPORATED UNDER THE EXPORT CREDITS INSURANCE ACT

**SIXTH
ANNUAL REPORT**

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1949

**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 15, 1950

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 accounts of the Export Credits Insurance Corporation for the year ended December 31, 1949.

During the year the number of Exporters insured under Export Credits Insurance Policies increased over the number insured in any previous year since the inception of the Corporation. The following table sets forth the number of Policyholders at the end of each of the last five fiscal years:

	<i>Policyholders</i>	<i>Policies Current</i>	<i>Estimated Export Volume</i>
*March 31, 1946	45	45	\$12,860,800
December 31, 1946	92	95	\$22,147,677
December 31, 1947	159	170	\$44,487,470
December 31, 1948	153	158	\$41,037,799
December 31, 1949	166	176	\$80,071,732

*In August, 1946 the fiscal year-end of the Corporation was changed from March 31 to December 31

The 176 Policies current at December 31, 1949 covered a variety of agricultural products, raw materials and manufactured goods originating in all parts of Canada. Of these Policies, 163 were issued to Exporters of general commodities, and 13 were specific Policies covering individual contracts of sale of capital goods. 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	37	\$ 460,000
\$ 25,001 to \$ 100,000	56	\$ 3,360,000
\$ 100,001 to \$ 250,000	35	\$ 5,744,000
\$ 250,001 to \$1,000,000	24	\$11,370,000
\$1,000,001 and over.	11	\$53,154,000
	<hr/>	<hr/>
	163	\$74,088,000
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CAPITAL GOODS POLICIES

	<i>Policies</i>	<i>Contract Amount</i>
\$ 25,000 and under	5	\$ 49,460
\$ 25,001 to \$ 100,000	2	\$ 59,460
\$ 100,001 to \$ 250,000	1	\$ 162,206
\$ 250,001 to \$1,000,000	4	\$ 2,412,606
\$1,000,001 and over.	1	\$ 3,300,000
	<hr style="width: 100%; border: 0.5px solid black;"/>	
	13	<hr style="width: 100%; border: 0.5px solid black;"/>
	<hr style="width: 100%; border: 0.5px solid black;"/>	<hr style="width: 100%; border: 0.5px solid black;"/>
		\$ 5,983,732

The Policies of the Corporation are issued to cover the estimated sales to be made in the succeeding twelve months, but by the terms of the Policies the total liability of the Corporation to each Policyholder is limited to a percentage of his estimated sales volume. Accordingly, while the estimated export volume of business underwritten by the Corporation during the past year is as shown in the above two tables, the aggregate liability assumed by the Corporation was \$36,529,755. In addition to this there is a further liability of \$6,588,750 resulting from Policies issued in prior years which have now expired. As at December 31, 1949, therefore, the maximum liability of the Corporation under all Policies was \$43,118,505.

Under Section 14 of the Act, the Corporation may assume liabilities of ten times the paid-up capital and surplus, which provides a maximum liability of \$100,000,000, so that the Corporation is empowered to more than double its present underwriting.

During 1949, Policyholders declared export sales amounting to \$35,841,184 and premiums paid in respect of these declarations totalled \$220,721. The comparable figures for the year 1948 were \$19,694,674 and \$103,505.

Section 20A of the Act provides that in certain circumstances contracts of insurance may be issued under which the risk is carried by the Consolidated Revenue Fund rather than the Corporation. During the year no new Policies were issued under this provision, but the Policy issued in 1948 to Canadian-Brazilian Services Limited under Order in Council P.C. 5214 of November 10, 1948, was terminated in accordance with its original terms upon the granting by the International Bank for Reconstruction and Development of a loan to Brazilian Traction, Light & Power Company, Limited. Premiums of \$7,713 were received under this Policy during 1949, of which 20%

has been applied against the Corporation's overhead. The remaining 80% has been credited to the account of the Receiver General of Canada, which now stands at \$17,508.

Total income for the year amounted to \$475,905, including \$255,183 interest earned on Government of Canada bonds. Operating expenses, details of which are set out in the attached Statement, totalled \$90,138.

137 claims were paid to Policyholders during 1949, covering losses sustained under the terms and conditions of their Policies, amounting to \$515,201. A large portion of these claims resulted from exchange transfer difficulties, and subsequent to payment of such claims, the necessary foreign exchange was made available by the importing country to cover some of them. Recoveries of \$85,529 were obtained against the 1949 claims. In addition, recoveries amounting to \$9,390 were received in connection with claims paid in previous years, so that total recoveries during the year amounted to \$94,919. The 137 claims paid this year amounting to \$515,201 compare with 58 claims totalling \$122,786, paid during the previous 3½ years since the Corporation commenced operations. The following tabulation sets out in some detail the total claims paid to December 31, 1949:

<i>Nature of Claim</i>	<i>Claims Paid</i>		<i>Recoveries</i>		<i>Net Outstanding</i>	
	<i>No.</i>	<i>Amount</i>	<i>No.</i>	<i>Amount</i>	<i>No.</i>	<i>Amount</i>
Insolvency	11	\$ 20,843	2	\$ 10,603	9	\$ 10,240
Overdue Accounts	8	\$171,319	3	\$ 4,588	5	\$166,731
Exchange Transfer						
Difficulties . . .	166	\$437,031	81	\$123,701	85	\$313,330
Other	10	\$ 8,794	5	\$ 3,177	5	\$ 5,617
	<u>195</u>	<u>\$637,987</u>	<u>91</u>	<u>\$142,069</u>	<u>104</u>	<u>\$495,918</u>

In the Corporation's view it is not practicable to attempt any evaluation of the recoveries that may be made on these claims and indeed the Corporation's policy is to write off all claims as soon as they are paid. However, substantial recoveries are expected and provisional deposits in foreign currencies have been made against claims totalling \$259,505 arising from transfer difficulties. 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.

After making full provision for all claims paid during the year, the Corporation's operations, as shown by the attached Statement of Income and Expenditure, disclose an excess of expenditure over income of \$34,515 which amount has been charged to the Underwriting Reserve which now stands at \$751,210.

The fourth meeting of the Advisory Council appointed pursuant to Section 9 of The Export Credits Insurance Act was held in Ottawa on November 16, 1949 and was attended by seven members of the Council. I have to record the resignation of Col. J. A. Amyot, K.C., of Quebec, as a member of the Advisory Council, and the appointment in his stead by Order in Council P.C. 235 dated January 19, 1949 of Raymond Garneau of Quebec.

The Corporation had a staff of 24 officers and employees at the end of the year. The Corporation has branches in Montreal and Toronto, and 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.

As pointed out in previous reports, it is difficult to measure the results achieved by the Corporation through an examination of its accounts on a year to year basis. However, it is interesting to note that during the 4½ years of the Corporation's existence, premiums received from Policyholders totalled some \$672,000 on export sales of close to \$100 millions. Total operating expenses other than claims have amounted to about \$292,000. Thus in a 4½ year period Exporters have provided, through the operation of the Corporation, a reserve of some \$380,000 against which net claims of \$495,000 have been paid. The excess has been paid from the interest earned on the capital of the Corporation. The balance at the credit of the Underwriting Reserve at the end of the fiscal year amounted to just over \$750,000.

The Corporation pursues the general policy of underwriting only those risks in which the credit terms are related to the type of goods concerned. It is, for example, prepared to extend coverage on credit terms running up to two to three years in the case of capital equipment, where a substantial downpayment is made before the goods leave Canada. It is not, however, prepared to cover shipments of consumable stores where credit terms are for periods longer than those normally extended by the particular trade. The Corporation's purpose has been to protect against unforeseen difficulties arising in international trade and, through the principle of "spread of risk,"

to provide Exporters with protection against serious losses, not only those arising from insolvency but others that may be produced as a result of sudden changes in import or exchange restrictions.

The Officers and Directors of the Corporation have been encouraged this year by the satisfactory increase in the number of Exporters making use of the services of the Corporation and indeed a number of Policyholders have reported that the insurance protection available has made a significant contribution to their ability to enter new markets.

Yours faithfully,

M. W. Mackenzie,
Chairman.

EXPORT CREDITS INSURANCE CORPORATION

(INCORPORATED UNDER "THE EXPORT CREDITS INSURANCE ACT")

Statement of Assets as at December 31, 1949

ASSETS		
Cash on Hand and in Banks	\$	535,371.93
Accounts Receivable — Premiums due from Policyholders		15,365.93
Accrued Interest on Investments . .		84,428.14
Investments—Government of Canada Bonds at amortized cost (Market value \$10,199,055) . . .		10,161,663.17
Nominal value of possible recoveries against amounts paid on Claims of \$495,918		1.00
Deferred Charges		382.05
Office Furnishings and Equipment at cost	\$15,875.78	
Less: Reserve for Depreciation	4,131.89	11,743.89
		<u>\$10,808,956.11</u>

Note: Under the contracts of insurance issued and outstanding at December 31, 1949, the maximum liability of the Corporation was . \$43,118,505.00

Approved on behalf of the Board

M. W. MACKENZIE,
Director

H. T. AITKEN,
Director

ANCE CORPORATION

(EXPORT CREDITS INSURANCE ACT)

and Liabilities

December 31, 1949

LIABILITIES AND CAPITAL

Accounts Payable	\$	877.30	
Policyholders' Deposits			39,360.00
Receiver General of Canada:			
Receipts, less overhead, arising out of contracts entered into under Section 20A of the Act.			17,508.71
Underwriting Reserve:			
Balance at December 31, 1948	\$	785,725.38	
Deduct: Excess of expenditure over income for the year ended December 31, 1949 (Schedule I)		34,515.28	751,210.10
			<hr/>
Capital:			
Capital Stock			
Authorized: 50,000 shares par value \$100 each			
Issued and fully paid: 50,000 shares held in trust for His Majesty by the Minister of Trade and Commerce		5,000,000.00	
Capital Surplus: Paid in by the Minister of Finance at the rate of \$100 per share of capital stock issued		5,000,000.00	10,000,000.00
			<hr/>
			<u>\$10,808,956.11</u>

I have examined the accounts of the Export Credits Insurance Corporation for the year ended December 31, 1949, and have obtained all the information and explanations I have required. In my opinion, the above Statement of Assets and Liabilities is properly drawn up so as to exhibit a true and correct view of the state of the Corporation's affairs as at December 31, 1949, according to the best of my information and the explanations given to me and as shown by the books of the Corporation.

WATSON SELLAR,
Auditor General.

EXPORT CREDITS INSURANCE CORPORATION

Statement of Income and Expenditure for the year
ended December 31, 1949

INCOME:

Premiums on risks underwritten	\$220,721.84	
Interest on investments	255,183.75	\$475,905.59
		<hr/>

EXPENSES:

Salaries	69,717.98	
Travelling expenses	7,272.83	
Telephone, telegrams, cables and credit reports	4,223.56	
Stationery, printing, postage and office supplies	2,587.07	
Rents	3,086.00	
Expenses of Advisory Council meeting in Ottawa	629.81	
Depreciation of office furnishings and equipment	1,587.58	
Other expenses	2,576.86	
	<hr/>	
	91,681.69	
Less: Overhead applicable to con- tracts issued under Section 20A of the Act	1,542.79	90,138.90
	<hr/>	<hr/>
		385,766.69

POLICYHOLDERS' CLAIMS:

Payments	515,201.92	
Recoveries	94,919.95	420,281.97
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Excess of expenditure over income, transferred to Underwriting Reserve		<u>\$34,515.28</u>
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Analysis, by countries, of actual

COUNTRY	AMOUNT
COMMONWEALTH COUNTRIES	
Anglo-Egyptian Sudan	\$ 12,836
Australia	483,045
Bermuda	17,310
British Guiana	32,843
British Honduras	5,281
British West Africa	5,630
British West Indies	502,397
Ceylon	11,086
Cyprus	22,493
Eire	149,409
Fiji	1,377
Hong Kong	7,101
India	262,741
Malaya	23,205
Mauritius	380
Newfoundland	10,470
New Zealand	275,631
Pakistan	53,536
Rhodesia	2,259
South Africa	2,461,308
United Kingdom	5,795,698
Total Commonwealth Countries	10,136,036
FOREIGN COUNTRIES	
Argentina	249,853
Austria	173,211
Bahrein Island	1,616
Belgian Congo	174,755
Belgium	869,155
Bolivia	29,854
Brazil	1,960,171
Chile	160,644
China	9,820
Colombia	707,428
Costa Rica	9,151
Cuba	827,287
Czechoslovakia	1,830,000
Denmark	705,472
Dominican Republic	82,497
Ecuador	167,089
Egypt	41,855
Finland	8,571
France	3,675,360
French Africa	327,103
French West Indies	342

risks underwritten during 1949

COUNTRY	AMOUNT
Germany (Western)	\$ 1,947,463
Greece	86,561
Guatemala	180,672
Haiti	67,375
Honduras	18,694
Hungary	11,874
Iceland	23,140
Iran	102,282
Iraq	250,874
Israel	296,375
Italy	434,005
Kuwait	889
Lebanon	3,198
Luxembourg	372
Madagascar	68,949
Mexico	838,341
Netherlands	603,838
Netherlands Antilles	68,495
Netherlands Guiana	30,853
Nicaragua	20,471
Norway	68,940
Panama	59,295
Paraguay	2,801
Peru	394,131
Philippines	82,504
Poland	272,976
Portugal	67,753
Portuguese Africa	1,289
Portuguese Asia	3,891
Puerto Rico	21,757
St. Pierre and Miquelon	523
Salvador	73,245
Samoa	241
Saudi Arabia	753
Spain	22,831
Sweden	248,774
Switzerland	287,005
Syria	162,366
Thailand	6,035
Turkey	4,319,194
United States of America	990,645
Uruguay	114,889
Venezuela	1,437,355
Total Foreign Countries	25,705,148
Total All Countries	\$35,841,184

BOARD OF DIRECTORS

M. W. MACKENZIE, C.M.G., CHAIRMAN

*Deputy Minister
of Trade and Commerce*

W. C. CLARK, C.M.G.
Deputy Minister of Finance

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

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

J. E. COYNE
*Deputy Governor
Bank of Canada*

J. J. DEUTSCH
Department of Finance

H. T. AITKEN
General Manager

ADVISORY COUNCIL

HON. HECTOR AUTHIER
Amos

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

R. B. BUCKERFIELD
Vancouver

GEORGE W. ROBERTSON
Regina

R. H. DAVIS
Welland

C. H. G. SHORT
Montreal

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

FLETCHER S. SMITH
Halifax

RAYMOND GARNEAU
Quebec

JAMES STEWART, C.B.E.
Toronto

H. G. HESLER
Montreal

C. D. JACOX
Edmonton

HOMER ZWICKER
Lunenburg

OFFICERS

H. T. AITKEN
General Manager

A. W. THOMAS
Chief Credit Officer

T. CHASE-CASGRAIN
Secretary

