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EXPORT CREDITS
INSURANCE CORPORATION

ANNUAL REPORT
AND
FINANCIAL STATEMENTS

DECEMBER 31, 1947

EXPORT CREDITS INSURANCE CORPORATION

INCORPORATED UNDER THE EXPORT CREDITS INSURANCE ACT

HEAD OFFICE — OTTAWA

BRANCHES — MONTREAL AND TORONTO

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 of the Bank of Canada

R. B. BRYCE

Assistant Deputy Minister of Finance

J. E. COYNE

*Executive Assistant to the Governors
Bank of Canada*

L. C. AUDETTE

*Commissioner, Canadian
Maritime Commission*

H. T. AITKEN

General Manager

ADVISORY COUNCIL

J. A. AMYOT, K.C.

Quebec

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

Vancouver

HON. HECTOR AUTHIER

Amos

K. A. MCLENNAN

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

H. G. HESLER

Montreal

JAMES STEWART, C.B.E.

Toronto

C. D. JACOX

Edmonton

HOMER ZWICKER

Lunenburg

OFFICERS

H. T. AITKEN

General Manager

A. W. THOMAS

Chief Credit Officer

T. CHASE-CASGRAIN

Secretary

Pres: Direct, Oct. 29/48.

EXPORT CREDITS INSURANCE CORPORATION

March 22, 1948

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, 1947.

During the year the number of Exporters insured under Export Credits Insurance Policies has continued to increase. The following table sets forth the number of Policyholders at the end of each of the last three fiscal years and indicates that the estimated export volume of \$12,860,800. insured under Policies current at March 31, 1946 had increased to \$44,487,470. at December 31, 1947.

	<i>Number of Policyholders</i>	<i>Number of Policies Current</i>	<i>Estimated Export Volume Insured</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

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

The 170 Policies current at December 31, 1947 covered a variety of agricultural products, raw materials and manufactured goods originating in all parts of Canada. Of these Policies, 150 covered general commodities sold on short credit terms of which 133 were of the "shipments type" Policy covering risks only after shipments are made, and 17 were of the "contracts type" Policy under which the Exporter is insured from the acceptance of orders until final payments are made. The remaining 20 Policies covered capital goods sold on short to medium term credit and were issued to cover individual contracts of sale. The classification of these Policies by export volume is as follows:

GENERAL COMMODITIES POLICIES		
	<i>Number of Policies</i>	<i>Estimated Annual Export Volume</i>
\$ 25,000 and under	23	\$ 386,000
\$ 25,001 to \$ 100,000	51	\$ 2,776,000
\$ 100,001 to \$ 250,000	44	\$ 7,343,000
\$ 250,001 to \$1,000,000	25	\$11,626,000
\$1,000,001 and over	7	\$15,372,000
	<u>150</u>	<u>(a) \$37,503,000</u>

CAPITAL GOODS POLICIES

	Number of Policies	Total Amount of Contracts
\$ 25,000 and under	12	\$ 78,560
\$ 25,001 to \$ 100,000	1	\$ 27,225
\$ 100,001 to \$ 250,000	2	\$ 358,915
\$ 250,001 to \$1,000,000	3	\$ 1,279,378
\$1,000,001 and over	2	\$ 5,240,392
	<u>20</u>	<u>(b) \$ 6,984,470</u>

Limitation of Corporation's Liability under (a) and (b) above

	(a) \$18,751,500
	(b) \$ 5,213,327

Maximum Liability of Corporation at December 31, 1947

Under Policies Current	\$23,964,827
Under Policies issued and expired	\$ 2,848,050
	<u>\$26,812,877</u>

During 1947 actual risks underwritten in connection with business done by Policyholders with buyers in some 70 different countries totalled \$28,226,075. as shown in the attached Analysis. Premiums received by the Corporation in respect of these risks amounted to \$277,089.22, as compared with a total of \$71,022.65 received to December 31, 1946. However, included in the premiums received during 1947 are substantial sums paid in respect of capital goods sold on medium credit terms to be shipped over a period of time extending in some cases to the year 1950. Interest earned on Government of Canada Bonds was \$196,611.13. Total income for the year amounted to \$473,755.25. Claims paid during 1947 amounted to \$527.70 and recoveries of \$9,412.37 were obtained on claims paid in previous years. Expenses during the year, details of which are set out in the attached statements, totalled \$60,092.93. The excess of income over expenditure for the year amounted to \$422,564.99.

The financial statements of the Corporation show that an Underwriting Reserve of \$584,336.07 has been accumulated. Since the business of the Corporation is to protect Exporters against credit and political risks involved in foreign trade, it must be expected that there will be an appreciable loss experience over a period of years. The three years of the Corporation's existence cannot be regarded as typical in this respect mainly because of the favourable credit conditions during this period. Accordingly, while no specific provision has been made for anticipated losses, the total excess of income over expenditure since the commencement of the Corporation's operations has been credited to the Underwriting Reserve.

The remaining 25,000 shares of the authorized capital stock of the Corporation were issued in June, 1947 against a payment from the Minister of Finance of \$5,000,000. increasing the issued Capital and Capital Surplus to \$10,000,000. These funds have been invested in Government of Canada securities.

The second meeting of the Advisory Council, which was appointed pursuant to Section 9 of The Export Credits Insurance Act by the Governor in Council to advise the Board of Directors on matters relative to the administration of the Corporation, was held in Ottawa on October 7, 1947 and was attended by seven members of the Council.

Branch offices of the Corporation were opened during the year in Montreal and Toronto, while extended visits were made by senior officers of the Corporation to the Maritimes and the West. Consideration will be given to the establishment of an office of the Corporation in any region where the volume of business in the area warrants such a step. The Corporation had a staff of twenty-two officers and employees at the end of the year.

In 1947 an important part of Canada's exports were sold under credits extended to foreign governments and under direct government contract. In addition, a considerable proportion of exports continues to be done on a cash basis. Accordingly, as stated in my previous Annual Report, the volume of business conducted by the Corporation cannot appropriately be compared with total Canadian exports; however, as evidenced by the increase in the number of Policyholders and the total amount of the risks underwritten by the Corporation, there is a continually increasing demand for its services.

Yours faithfully,

M. W. MACKENZIE,

Chairman.

**Analysis, by countries, of actual risks underwritten
during 1947**

COUNTRY	AMOUNT	COUNTRY	AMOUNT
BRITISH EMPIRE		France	\$ 72,344
Aden	\$ 450	Guatemala	65,405
Australia	410,387	Haiti	12,918
Bahrein Island	187	Honduras	13,072
Bermuda	92,041	Iceland	8,872
British East Africa	3,122	Iran	31
British Guiana	111,876	Italy	19,940
British Honduras	71,741	Lebanon	690
British West Africa	3,005	Luxembourg	107
British West Indies	1,186,375	Mexico	226,269
Ceylon	220,979	Netherlands	1,733,101
Eire	140,081	Netherlands Guiana	14,518
Hong Kong	10,890	Netherlands West Indies	43,640
India	63,333	Nicaragua	38,246
Malaya	8,857	Norway	16,129
Malta	391	Panama	19,431
Newfoundland	205,798	Paraguay	11,123
New Zealand	366,276	Peru	110,895
Pakistan	1,118	Poland	139,838
Palestine	1,000	Portugal	111,181
Rhodesia	41,076	Portuguese Africa	3,410
South Africa	1,145,146	Portuguese India	719
United Kingdom	6,391,772	Puerto Rico	20
Total British Empire	<u>10,475,901</u>	Reunion Island	98
FOREIGN COUNTRIES		Salvador	29,432
Argentina	1,489,099	Samoa	8
Belgium	1,470,970	Spain	83
Belgian Congo	9,037	Sweden	980,449
Bolivia	14,568	Switzerland	691,595
Brazil	772,653	Syria	258
Chile	243,471	Turkey	3,300,000
China	31,119	United States of America	1,018,046
Colombia	362,758	Uruguay	38,494
Costa Rica	50,809	Venezuela	1,363,492
Cuba	207,648	Total Foreign Countries	<u>17,750,174</u>
Denmark	2,786	Total All Countries	<u><u>\$28,226,075</u></u>
Dominican Republic	30,423		
Ecuador	40,120		
Egypt	1,946,680		
Finland	994,179		

EXPORT CREDITS
(INCORPORATED UNDER
Statement of Assets
as at December

ASSETS		
Cash on Hand and in Banks		\$ 191,735.12
Accounts Receivable — Premiums due from Policyholders		9,233.12
Accrued Interest on Investments		85,680.22
Investments — Government of Canada Bonds at amortized cost (Market value \$10,483,555.00)		10,312,531.15
Nominal value of possible recoveries against amounts paid on Claims		1.00
Deferred Charges		914.42
Office Furnishings and Equipment at cost	\$8,184.07	
Less: Reserve for Depreciation	<u>1,198.88</u>	6,985.19
		<u><u>\$10,607,080.22</u></u>

Note: Under Section 14 of the Act, the liability of the Corporation under the contracts of insurance issued and outstanding shall not at any time exceed a total of ten times the aggregate of the amount of the paid-up capital and the surplus of the Corporation. As at December 31, 1947, this liability was . . . \$26,812,877.00

Approved on behalf of the Board.

M. W. MACKENZIE,
Director
H. T. AITKEN,
Director

INSURANCE CORPORATION

"THE EXPORT CREDITS INSURANCE ACT")

and Liabilities

31, 1947

LIABILITIES	
Accounts Payable	\$ 424.15
Policyholders' Deposits	22,320.00
Underwriting Reserve:	
Balance at December 31, 1946	\$ 161,789.08
Excess of income over expenditure for the year ended December 31, 1947 (Schedule "A")	422,546.99
	584,336.07
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
	\$10,607,080.22

I have examined the accounts of the Export Credits Insurance Corporation for the period from January 1, 1947 to December 31, 1947, 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, 1947, 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, 1947

INCOME:

Premiums on risks underwritten . . .	\$277,089.22	
Interest on investments	196,611.13	
Profit on sale of investments	<u>54.90</u>	\$473,755.25

EXPENSES:

Salaries	44,889.91	
Travelling expenses	4,206.20	
Telephone, telegrams, cables and credit reports	2,751.06	
Stationery, printing, postage and office supplies	2,857.85	
Rents	1,040.15	
Expenses of Advisory Council meeting in Ottawa	1,081.54	
Depreciation of office furnishings and equipment	818.41	
Other expenses	<u>2,447.81</u>	60,092.93
		<u>\$413,662.32</u>

POLICYHOLDERS' CLAIMS:

Claims paid during the year	527.70	
Recoveries on claims paid in previous years	<u>9,412.37</u>	
Excess of recoveries over claims paid		8,884.67

Excess of income over expenditure, transferred to Underwriting Reserve	<u><u>\$422,546.99</u></u>
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