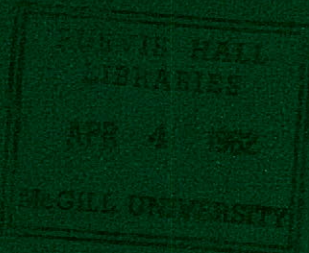




**EXPORT CREDITS
INSURANCE CORPORATION**

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS**

DECEMBER 31, 1961



EXPORT CREDITS INSURANCE CORPORATION

ESTABLISHED UNDER THE EXPORT CREDITS INSURANCE ACT

EIGHTEENTH
ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1961



HEAD OFFICE
OTTAWA

BRANCH OFFICES

MONTREAL

TORONTO

REPRESENTATIVES

HALIFAX

WINNIPEG

VANCOUVER

EXPORT CREDITS INSURANCE CORPORATION

March 29, 1962

The Honourable George Hees, 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 statements of the accounts of the Export Credits Insurance Corporation for the year ended December 31, 1961, 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 operates in two main fields—that of export credits insurance; and that of long term export financing.

Export Credits Insurance

The Corporation provides insurance at an appropriate premium to Canadian exporters of goods and services to protect them against non-payment by foreign buyers due to credit and political risks involved in foreign trade. Whole turnover Policies are issued to exporters of general commodities to cover their anticipated business during the succeeding twelve months. A Specific Policy is issued to cover each contract of sale involving capital goods or services. A total of 301 Policies were current at December 31, 1961 (excluding Policies issued under Section 21 of the Act) covering a wide variety of products to some 95 countries. This is the largest number of Policies in force in any year in the Corporation's existence and is an increase of 22% over the number in force a year previously. 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	60	\$ 1,021,000
\$ 25,001 to \$ 100,000	133	8,596,000
\$ 100,001 to \$ 250,000	38	6,900,000
\$ 250,001 to \$1,000,000	35	18,000,000
\$1,000,001 and over	18	65,600,000
	<u>284</u>	<u>\$100,117,000</u>

CAPITAL GOODS POLICIES

	<i>Policies</i>	<i>Contract Amount</i>
\$ 25,000 and under	3	\$ 36,251
\$ 25,001 to \$ 100,000	3	160,216
\$ 100,001 to \$ 250,000	4	672,761
\$ 250,001 to \$1,000,000	3	1,140,670
\$1,000,001 and over	4	12,739,784
	<u>17</u>	<u>\$14,749,682</u>

The aggregate of the maximum liabilities under the above Policies was \$61,247,800 and, in addition, there were liabilities totalling \$4,863,000 under Policies issued in previous years which are no longer in force but under which claims can still be made.

Export sales insured by the Corporation during 1961 (excluding sales insured under Section 21 of the Act) totalled \$65,602,617. This is an increase of \$2.1 million over 1960.

Premiums earned in 1961 on risks insured on the Corporation's own account amounted to \$565,734 as compared with \$606,788 for 1960. The lower premium income, despite the increased volume of business, is evidence of the Corporation's continuing policy of reducing premium rates wherever possible.

Claims paid during 1961 totalled \$163,673, and recoveries of \$558,223 were obtained in respect of these claims and claims paid in previous years. The claims experience of the Corporation from the commencement of operations in 1945 to December 31, 1961, 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	\$ 357,844	\$ 37,617	\$ 52,220	\$ 268,007
Default	925,230	366,061	204,306	354,863
Exchange Transfer	9,105,118	7,574,266	49,035	1,481,817
Other	88,416	11,087	76,608	721
	<u>\$10,476,608</u>	<u>\$7,989,031</u>	<u>\$382,169</u>	<u>\$2,105,408</u>

With respect to the outstanding exchange transfer claims amounting to \$1,481,817, bank deposits of local currency in the buyers' countries have been made at the rate of exchange in effect at the date of the respective deposits.

The excess of premium income, including the Corporation's portion of premiums and fees earned in respect of contracts entered into under Sections 21 and 21A of the Act, over expenses and Policyholders' claims amounted to \$809,635. Interest on investments totalled \$677,957. As the Corporation is a proprietary Crown Company listed in Schedule D to the Financial Administration Act, it is subject to income tax. Income tax payable by the Corporation for 1961 was \$740,427.

It is the aim of the Corporation to provide insurance on a cost basis. Premiums are charged at rates which will, it is hoped, in the long run just meet the Corporation's operating expenses and net claims. It will be noted from Exhibit A of the financial statements that the excess of premiums over expenses and claims to date, from the inception of the Corporation, amounts to \$1,965,560, which is available to meet any claims that may arise in respect of insured export sales outstanding.

Section 21 of the Export Credits Insurance 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 1961 exports to a value of \$65,607,223 were insured under this Section and the premiums on the 55 Policies issued amounted to \$1,093,854. The Corporation retains 25% of this premium to meet expenses and overhead, the balance being remitted to the Receiver General. The maximum liability under Section 21 Policies in force as at December 31, 1961 was \$168,902,187.

Since the first Policy was issued in 1945 the Corporation has insured \$1,050,000,000 of export sales (including \$410 million under Section 21).

Long Term Export Financing

Under Section 21A of the Act the Corporation may, with the authority of the Governor in Council, provide long term financing for export sales of capital goods up to a total of \$200 million.

The guiding rules that determine the eligibility of transactions for long term financing are that the extended credit terms are clearly necessary and justifiable; that the transaction gives promise of continuing export trade; that the Canadian content is not less than 80%; that the transaction gives rise to significant employment and industrial benefits in Canada; that the export transaction is substantial in value, at least \$2 million; and that the foreign buyer and country of purchase have a satisfactory credit standing.

To the end of the year contracts had been signed covering \$41 million of capital goods to be exported to Argentina, Brazil, Chile and Mexico. The goods involved will require more than 5.7 million man hours of Canadian labour to produce. In addition, commitments had been given to Canadian exporters in connection with the financing of prospective export orders totalling \$114 million. Prior to the June 1961 amendment to Section 21A, guarantees totalling \$31 million had been given and were in effect at December 31, 1961. Thus, \$186 million of the \$200 million available under Section 21A had been committed. Subsequent to the year end, Parliament authorized an increase of \$100 million for long term financing, thus making available \$300 million under Section 21A.

The 15th 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 10, 1961 and was attended by eleven members of the Council.

The Corporation maintains branches in Montreal and Toronto, and is represented in Vancouver, Winnipeg and Halifax by officers of the Department of Trade and Commerce. The total staff at the end of the year numbered thirty-nine.

Yours faithfully,

JAMES A. ROBERTS,

Chairman.

Ottawa, March 15, 1962.

The Honourable George H. Hees,
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, 1961. 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,

A. M. HENDERSON
Auditor General of Canada

EXPORT CREDITS INS

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Balance Sheet as
(with comparative figur

ASSETS		1961	1960
Cash	\$	173,713	\$ 390,893
Treasury Bills of Canada		598,828	249,429
Premium and other receivables		35,763	159,827
Less: Portion payable to the Receiver General of Canada under Section 21 of the Act		-	95,294
			<hr/>
			64,533
Interest accrued on investments		162,783	152,632
Government of Canada—obligations under agreements to finance export sales under Section 21A of the Act	40,647,306		-
Notes receivable in respect of export transactions under Section 21A of the Act	995,663		-
Interest accrued on notes receivable		13,649	-
Investments — Government of Canada bonds, at amortized cost (par value, \$17,350,000; market value, \$16,207,650)	17,147,342		16,167,186
Office furniture and equipment, at cost	\$55,897		39,539
Less: Accumulated provision for depreciation	30,827		28,222
		<hr/>	<hr/>
		25,070	11,317
		<hr/> <hr/>	<hr/> <hr/>
		\$59,800,117	\$17,035,990

The accompanying notes are an integral part of this statement.

Certified correct:
B. R. KING,
Accountant

Approved:
H. T. AITKEN,
President and General Manager

RANCE CORPORATION

RT CREDITS INSURANCE ACT

December 31, 1961

(as at December 31, 1960)

LIABILITIES

	1961	1960
Provision for income tax	\$ 642,997	\$ 208,508
Policyholders' premium deposits	95,132	189,490
Deferred premium income:		
Unearned portion of premiums in respect of capital goods policies	\$ 151,760	238,251
Unearned portion of the Corporation's share of premiums in respect of contracts of insurance entered into under Section 21 of the Act	<u>760,728</u>	<u>653,455</u>
	912,488	891,706
Agreements to finance export sales by the purchase of negotiable instruments	40,647,306	-
Government of Canada:		
Advances under Section 21A of the Act	995,663	-
Accrued interest on notes receivable — Government portion	<u>13,080</u>	-
	1,008,743	-
Underwriting reserve (Exhibit A)	5,000,000	5,000,000
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	5,000,000
Capital surplus paid in by the Minister of Finance	5,000,000	5,000,000
Earned surplus (Exhibit A)	<u>1,493,451</u>	<u>746,286</u>
	<u>11,493,451</u>	<u>10,746,286</u>
	<u>\$59,800,117</u>	<u>\$17,035,990</u>

The above Balance Sheet and the related Statement of Operations have been examined and reported upon under date of March 15, 1962 to the Minister of Trade and Commerce, as required by Section 87 of the Financial Administration Act.

A. M. HENDERSON,
Auditor General of Canada

EXPORT CREDITS INSURANCE CORPORATION

Notes to Balance Sheet

1. Export Credits Insurance:

- (a) The liability of the Corporation under contracts of insurance entered into on its own account and outstanding as at December 31, 1961, amounted to \$ 66,110,800
- (b) The liability of the Corporation under contracts of insurance entered into under Section 21 of the Export Credits Insurance Act (which provides that all moneys required to discharge its liabilities arising under such contracts are payable to the Corporation out of the Consolidated Revenue Fund) and outstanding as at December 31, 1961, amounted to \$168,902,187
- (c) Deferred accounts receivable arising out of claims paid in connection with exchange transfer difficulties as at December 31, 1961, amounted to \$ 1,481,816
- (d) Other claims paid from which future recoveries might be made, as at December 31, 1961, amounted to \$ 623,591

2. Export Credits Financing:

Section 21A of the Act provides that all moneys required by the Corporation for implementing a guarantee given under that Section, for the purchase of a guaranteed instrument, or for making a loan on the security of a guaranteed instrument shall be paid to the Corporation out of the Consolidated Revenue Fund.

- (a) Undertakings to guarantee payment of negotiable instruments, if required, entered into by the Corporation and outstanding as at December 31, 1961, amounted to \$ 21,220,000
- (b) The Corporation is authorized to guarantee and purchase negotiable instruments held by the Export Finance Corporation of Canada, Limited, up to an amount of U.S.\$ 10,000,000

EXPORT CREDITS INSURANCE CORPORATION

Statement of Operations for the year ended December 31, 1961

(with comparative figures for the year ended December 31, 1960)

	1961	1960
PREMIUM INCOME:		
Premiums earned on risks insured on the Corporation's own account	\$565,734	\$ 606,788
Corporation's portion of premiums and fees earned in respect of contracts entered into under Sections 21 and 21A of the Act	<u>178,622</u>	<u>149,727</u>
	\$ 744,356	<u>756,515</u>
EXPENSE:		
Salaries of executive officers	44,000	40,417
Other salaries	164,916	140,638
Contributions to Public Service Superannuation Account	12,356	10,552
Travel	14,930	15,359
Rents	17,436	10,800
Communications expense and credit reports	15,600	11,040
Stationery, printing and office expenses	18,244	9,407
Depreciation of office furniture and equipment	6,267	2,829
Advisory Council meeting	2,124	1,822
Leasehold improvements and office removal expenses	24,055	—
Other	<u>9,343</u>	<u>7,355</u>
	329,271	250,219
	<u>415,085</u>	<u>506,296</u>
POLICYHOLDERS' CLAIMS:		
Recoveries	558,223	435,951
Payments	<u>163,673</u>	<u>520,051</u>
	394,550	(84,100)
EXCESS OF PREMIUM INCOME OVER EXPENSE AND POLICYHOLDERS' CLAIMS (NET)		
	809,635	422,196
Add: Interest on investments	<u>677,957</u>	<u>625,698</u>
	1,487,592	<u>1,047,894</u>
Deduct: Transfer to underwriting reserve		
	—	94,521
Provision for income tax	<u>740,427</u>	<u>207,087</u>
	740,427	<u>301,608</u>
EARNED SURPLUS TRANSFERRED TO EARNED SURPLUS ACCOUNT		
	<u>\$ 747,165</u>	<u>\$ 746,286</u>

EXPORT CREDITS INSURANCE CORPORATION

Statement of Operations
from inception November 21, 1944 to December 31, 1961

PREMIUM INCOME:

Premiums earned on risks insured on the
 Corporation's own account. \$ 6,116,565

Corporation's portion of premiums and
 fees earned in respect of contracts
 entered into under Sections 21 and 21A
 of the Act 811,159 \$6,927,724

EXPENSE 2,474,587
4,453,137

POLICYHOLDERS' CLAIMS:

Payments 10,476,608
 Recoveries 7,989,031 2,487,577

EXCESS OF PREMIUM INCOME OVER EXPENSE
 AND POLICYHOLDERS' CLAIMS 1,965,560

Add: Interest on investments 5,764,910
7,730,470

Deduct: Transfer to underwriting reserve 5,000,000
 Income tax 1,237,019 6,237,019

EARNED SURPLUS TRANSFERRED TO EARNED
 SURPLUS ACCOUNT \$1,493,451

EXPORT CREDITS INSURANCE CORPORATION

Financing Agreements under Section 21A of the Export Credits Insurance Act as at December 31, 1961

COUNTRY & OBLIGOR	PRODUCTS FINANCED	DATE OF CONTRACT	AMOUNT & RATE OF INTEREST	DISBURSED	TERMS OF PAYMENT
<i>Guarantor in italics</i>	<i>Exporter in italics</i>				
ARGENTINA					
Empressa Ferrocarriles del Estado Argentino <i>Government of the Argentine Nation</i>	Locomotives <i>Montreal Locomotive Works, Limited</i>	Nov. 6/61	\$12,500,000 (6%)	-	13 s.a. from November 6, 1964.
BRAZIL					
Companhia Siderurgica Nacional	Locomotives <i>Montreal Locomotive Works, Limited</i>	Dec. 20/61	2,600,000 (6%)	-	15 s.a. from December 20, 1964.
CHILE					
Industrias Forestales S.A. <i>Corporacion de Fomento de la Produccion</i>	Newsprint pulp and paper mill <i>John Inglis Co. Ltd. & Sandwell and Company Limited</i>	Aug. 18/61	13,500,000 (6%)	995,663	25 s.a. from October 1, 1964.
MEXICO					
Ferrocarriles Nacionales de Mexico <i>Nacional Financiera S.A.</i>	Rails <i>Dominion Steel and Coal Corporation Limited</i>	Dec. 14/61	U.S. Currency 12,500,000 (6%)	-	28 quarterly from September 1, 1962.

EXPORT CREDITS INS
Analysis, by countries, of actual

COUNTRY	AMOUNT AT THE GOVERNMENT'S RISK UNDER SECTION 21	AMOUNT AT THE CORPORATION'S RISK
COMMONWEALTH COUNTRIES		
Australia		\$ 5,549,004
Bermuda		299,804
Borneo		22,308
British East Africa		7,828
British Guiana		485,697
British Honduras		48,715
British Oceania		43,084
Ceylon		48,008
Cyprus		3,336
Fiji		12,165
Ghana		1,340,310
Gibraltar		173
Hong Kong		583,176
India		878,455
Malaya		277,117
Malta		897
New Zealand		2,460,397
Nigeria		758,790
Pakistan		27,612
Rhodesia & Nyasaland		232,041
Sierra Leone		6,704
South Africa		1,156,232
United Kingdom		8,850,979
West Indies Federation		4,421,672
Total Commonwealth Countries		\$27,514,504
FOREIGN COUNTRIES		
Arabia		443
Argentina		3,784,079
Austria		303,376
Belgium		1,235,147
Bolivia		45,734
Brazil		1,621,405
Burma		2,861
Chile		2,180,737
China (Mainland)		404,072
Colombia		2,012,476
Congo		230,955
Costa Rica		230,933
Cuba		276,675
Czechoslovakia	\$23,823,238	
Denmark		349,160
Dominican Republic		869,603
Ecuador		329,228
El Salvador		198,676
Ethiopia		2,394
Finland		190,270
France		2,247,941
French Africa		18,544
French West Indies		5,854

FRANCE CORPORATION
risks underwritten during 1961

COUNTRY	AMOUNT AT THE GOVERNMENT'S RISK UNDER SECTION 21	AMOUNT AT THE CORPORATION'S RISK
Gabon Republic		\$ 3,164
German Federal Republic		3,276,598
Germany East		107,387
Greece		256,142
Guatemala		659,931
Haiti		42,784
Honduras		280,060
Hungary		4,982
Iceland		31,308
Indonesia		13,637
Iran		191,092
Iraq		39,727
Ireland		159,708
Israel		100,937
Italy		2,566,192
Japan		366,826
Kuwait		13,217
Lebanon		59,600
Liberia		23,166
Libya		731
Mexico		1,829,538
Morocco		29,926
Netherlands		1,252,876
Netherlands Antilles		146,630
Nicaragua		227,330
Norway		344,412
Panama		476,144
Paraguay		8,755
Peru		1,055,353
Philippines		1,445
Poland	\$41,564,360	14,409
Portugal		69,934
Portuguese Africa		6,854
Puerto Rico		757,092
St. Pierre & Miquelon		129,943
Spain		142,322
Sudan		53,040
Surinam		91,651
Sweden		852,234
Switzerland		1,274,535
Syria		13,609
Taiwan		12,441
Thailand		51,445
United States of America	219,625	1,438,540
Uruguay		50,315
U.S.S.R.		20,750
Venezuela		2,994,914
Virgin Islands		3,924
Total Foreign Countries	\$65,607,223	\$38,088,113
Total all Countries	\$65,607,223	\$65,602,617

EXPORT CREDITS INSURANCE CORPORATION

BOARD OF DIRECTORS

JAMES A. ROBERTS, CHAIRMAN
*Deputy Minister
of Trade and Commerce*

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

A. F. W. PLUMPTRE, C.B.E.
*Assistant Deputy Minister
of Finance*

Alternate— J. F. PARKINSON

L. C. AUDETTE, Q.C.
*Chairman,
Tariff Board*

A. E. RITCHIE
*Assistant Under-Secretary of State
for External Affairs*

D. HARVEY
*Assistant Deputy Minister
of Trade and Commerce*

H. T. AITKEN
*President and
General Manager*

ADVISORY COUNCIL

D. BELHUMEUR, C.A.
Three Rivers

S. J. RANDALL
Toronto

R. B. BUCKERFIELD
Vancouver

E. V. RIPPINGILLE, JR.
London

H. G. DEYOUNG
Welland

GEORGE W. ROBERTSON
Regina

R. A. KIPP
Winnipeg

F. G. RUTLEY
Montreal

A. F. MAYNE
Montreal

FLETCHER S. SMITH
Halifax

A. F. McALPINE
Vancouver

JAMES STEWART, C.B.E.
Toronto

A. C. McKIM, O.B.E.
Montreal

P. A. OUMET
Montreal

F. HOMER ZWICKER
Lunenburg

OFFICERS

H. T. AITKEN
*President and
General Manager*

A. W. THOMAS
Vice President

T. CHASE-CASGRAIN
Secretary

