



**EXPORT CREDITS
INSURANCE CORPORATION**

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS**

DECEMBER 31, 1960

EXPORT CREDITS INSURANCE CORPORATION

ESTABLISHED UNDER THE EXPORT CREDITS INSURANCE ACT

SEVENTEENTH
ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1960



HEAD OFFICE
OTTAWA

MONTREAL

TORONTO

VANCOUVER

EXPORT CREDITS INSURANCE CORPORATION

March 27, 1961

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 statement of the accounts of the Export Credits Insurance Corporation for the year ended December 31, 1960, 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 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 247 Policies were current at December 31, 1960 (excluding Policies issued under Section 21 of the Act) covering a wide variety of products to some 90 countries. This is the largest number of Policies in force in any year in the Corporation's experience. 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	49	\$ 839,000
\$ 25,001 to \$ 100,000	102	6,584,000
\$ 100,001 to \$ 250,000	37	6,950,000
\$ 250,001 to \$1,000,000	30	17,280,000
\$1,000,001 and over	14	63,600,000
	232	\$95,253,000

CAPITAL GOODS POLICIES

	<i>Policies</i>	<i>Contract Amount</i>
\$ 25,001 to \$ 100,000	6	\$ 352,981
\$ 250,001 to \$1,000,000	4	1,771,826
\$1,000,001 and over	5	18,979,734
	15	\$21,104,541

The aggregate of the maximum liabilities under the above Policies was \$63,538,981 and, in addition, there were liabilities totalling \$1,308,000 under Policies issued in previous years which are no longer in force but under which claims might still be made.

Export sales insured by the Corporation during 1960 (excluding sales insured under Section 21 of the Act) totalled \$63,457,326. This is an increase of \$16 million, or 34%, over 1959.

Premium income for the year amounted to \$606,788, as compared with \$558,440 for 1959. Claims paid during 1960 totalled \$520,051, and recoveries of \$435,951 were obtained in respect of both these claims and claims paid in previous years. The claims experience of the Corporation from the commencement of operations in 1945 to December 31, 1960, 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	\$ 349,091	\$ 36,385	\$ 43,855	\$ 268,851
Default	793,860	352,184	169,297	272,379
Exchange Transfer	9,081,623	7,031,152	61,644	1,988,827
Other	88,361	11,088	76,553	720
	<u>\$10,312,935</u>	<u>\$7,430,809</u>	<u>\$351,349</u>	<u>\$2,530,777</u>

With respect to the outstanding exchange transfer claims amounting to \$1,988,827, 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. This amount is 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 of recoveries which might be obtained. All other outstanding claim payments, which total \$541,951, are carried on the books at a nominal value of \$1.

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 1960 goods to a value of \$38,219,389 were insured under this Section and the premiums on the 17 Policies issued amounted to \$875,665. 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, 1960 was \$110,066,563.

The excess of premium income over expense and Policyholders' claims amounted to \$422,196. Interest on investments totalled \$625,698. The Corporation is a proprietary Crown Company listed in Schedule D to the Financial Administration Act, and as such is subject to income tax. In computing its income for income tax purposes the Corporation may deduct any amount credited to the Underwriting Reserve, pursuant to Section 11A of the Act, provided that the Reserve does not exceed \$5 million. Of the net income of \$1,047,894, the sum of \$94,521 was credited to the Underwriting Reserve, bringing the Reserve to \$5 million. The remainder is subject to income tax, and after applying losses in previous years, the Corporation's income tax liability was \$207,086.

It is the aim of the Corporation to provide insurance on a cost basis. The 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 \$1,155,926, which is available to meet any claims that may arise in respect of insured export sales outstanding. This result has been achieved after insuring \$575 million of export sales (not including \$345 million insured under Section 21) since the first Policy was issued in 1945.

In November, 1960 it was announced that the Government had decided to implement the authority accorded by Section 21A of the Act to provide long term financing for export sales of capital goods in cases where the buying country is clearly not able to pay in the traditional five-year period, which is the maximum for which export credits insurance is available, and where the extended credit terms are necessary and justifiable. A number of applications have been received for financing such transactions and are under consideration. The maximum liability of the Corporation under Sections 21 and 21A of the Act is limited to \$200 million.

The Corporation is a member of the international association of export credits insurers "Union d'Assureurs des Credits Internationaux" (Berne Union), and its meetings in Europe during the year were attended by senior officers of the Corporation. There are eighteen member countries, representing the majority of the large trading nations of the world. One of the main objectives of the Union, besides discussing the results of members' experience in importing countries, is to exchange information on credit terms for various commodities. The members of the Union, as insurers

of suppliers' credits, are strongly of the opinion, and have an understanding among themselves, that even for the very heaviest of capital equipment a maximum of five years' credit after delivery should not be exceeded.

The 14th 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 14, 1960 and was attended by seven members of the Council.

Senior officers of the Corporation made periodic visits throughout the year to various parts of Canada to explain the functions of the Corporation to associations, banks, exporters, and other interested groups. 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 thirty.

Yours faithfully,

JAMES A. ROBERTS,

Chairman.

Ottawa, March 20, 1961.

The Honourable George H. Hees,
Minister of Trade and Commerce,
Ottawa.

Dear Sir,

The accounts and financial statements of Export Credits Insurance Corporation have been examined for the year ended December 31, 1960.

Section 11A.(2) of the Export Credits Insurance Act provides that the net earnings of the Corporation each year shall be transferred to the Underwriting Reserve until such time as said Reserve totals \$5,000,000. Pursuant to this requirement the net earnings of this Corporation from its inception on November 21, 1944 to December 31, 1959 have been transferred to the credit of the Underwriting Reserve which totalled \$4,905,479 at the latter date. It will be noted from the Statement of Operations of the Corporation for the year ended December 31, 1960 that the sum of \$94,521 has been similarly transferred to the Underwriting Reserve out of the net earnings of the Corporation for the year under review, with the result that the Reserve amounted to \$5,000,000 at December 31, 1960, as required by Section 11A.(2) of the Act.

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

EXPORT CREDITS INSURANCE CORPORATION

ESTABLISHED UNDER THE EXPORT CREDITS ACT

Statement of Assets and Liabilities
(with comparative figures)

ASSETS		1960	1959
Cash	\$	390,893	\$ 408,510
Treasury Bills of Canada		249,429	1,487,397
Premiums due from Policyholders	\$ 159,827		681,060
Less: Portion payable to the Receiver General under Section 21 of the Act	<u>95,294</u>		<u>484,539</u>
		64,533	196,521
Interest accrued on investments		152,632	124,591
Investments—Government of Canada bonds, at amortized cost (par value, \$16,350,000; market value, \$14,664,475)		16,167,186	13,717,366
Deferred accounts receivable arising out of claims paid in connection with exchange transfer difficulties, per contra		1,988,827	2,177,605
Possible recoveries in respect of other claims paid (\$541,951), at nominal value		1	1
Office furniture and equipment, at cost	39,539		38,726
Less: Accumulated provision for depreciation	<u>28,222</u>		<u>25,393</u>
		11,317	<u>13,333</u>

Note: The liability of the Corporation under the contracts of insurance issued and outstanding as at December 31, 1960 totalled \$174,913,544, of which \$110,066,563 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.

<u>\$19,024,818</u>	<u>\$18,125,324</u>
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Certified correct:
B. R. KING, JR.,
Accountant

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

ANCE CORPORATION

ORT CREDITS INSURANCE ACT

ilities as at December 31, 1960

as at December 31, 1959)

LIABILITIES

	1960	1959
Accounts payable	\$ 1,422	\$ 872
Provision for income tax	207,086	—
Policyholders' premium deposits	189,490	64,065
Deferred premium income:		
Unearned portion of premiums in respect of capital goods policies	\$ 238,251	393,038
Unearned portion of the Corporation's share of premiums in respect of contracts of insurance entered into under Section 21 of the Act	<u>653,455</u>	<u>584,265</u>
	891,706	<u>977,303</u>
Deferred credit—possible recoveries of claims paid, per contra	1,988,827	2,177,605
Underwriting reserve, pursuant to Section 11A of the Act (Exhibit A)	5,000,000	4,905,479
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>746,287</u>	—
	<u>10,746,287</u>	<u>10,000,000</u>
	<u>\$19,024,818</u>	<u>\$18,125,324</u>

The above Balance Sheet and the related Statement of Operations have been examined and reported upon under date of March 20, 1961 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

Statement of Operations for the year ended December 31, 1960

(with comparative figures as at December 31, 1959)

	1960	1959
PREMIUM INCOME:		
Premiums earned on risks insured, excluding business done under Section 21 of the Act.	\$ 606,788	\$ 558,440
Corporation's portion of premiums earned in respect of contracts entered into under Section 21 of the Act	<u>149,727</u>	<u>114,688</u>
	\$ 756,515	673,128
EXPENSE:		
Salaries of executive officers	40,417	37,500
Other salaries	140,638	130,332
Contributions to Civil Service Superannuation Account	10,552	9,712
Travel	15,359	15,900
Rents	10,800	10,800
Communications expense and credit reports	11,040	11,616
Stationery, printing and office expenses	9,407	8,491
Depreciation of office furniture and equipment	2,829	3,333
Advisory Council meeting	1,822	2,296
Other	<u>7,355</u>	<u>4,640</u>
	250,219	234,620
	506,296	438,508
POLICYHOLDERS' CLAIMS:		
Payments	520,051	175,887
Recoveries	<u>435,951</u>	<u>334,952</u>
	84,100	(159,065)
EXCESS OF PREMIUM INCOME OVER EXPENSE AND POLICYHOLDERS' CLAIMS		
	422,196	597,573
Add: Interest on investments	625,698	566,827
	1,047,894	1,164,400
Deduct:		
Transfer to underwriting reserve	94,521	1,164,400
Provision for income tax	<u>207,086</u>	<u>—</u>
	301,607	1,164,400
EARNED SURPLUS TRANSFERRED TO EARNED SURPLUS ACCOUNT.		
	<u>\$ 746,287</u>	<u>\$ -0-</u>

EXPORT CREDITS INSURANCE CORPORATION

Statement of Operations
from inception November 21, 1944 to December 31, 1960

PREMIUM INCOME:

Premiums earned on risks insured excluding business done under Section 21 of the Act	\$ 5,550,831	
Corporation's portion of premiums earned in respect of contracts entered into under Section 21 of the Act	632,537	\$6,183,368
EXPENSE		2,145,316
		4,038,052
POLICYHOLDERS' CLAIMS:		
Payments	10,312,935	
Recoveries	7,430,809	2,882,126
EXCESS OF PREMIUM INCOME OVER EXPENSE AND POLICYHOLDERS' CLAIMS		1,155,926
Add: Interest on Investments		5,086,953
		6,242,879
Deduct: Transfer to underwriting reserve	5,000,000	
Income tax	496,592	5,496,592
EARNED SURPLUS TRANSFERRED TO EARNED SURPLUS ACCOUNT		\$ 746,287

EXPORT CREDITS INSURANCE
Analysis, by countries, of actual

COUNTRY	AMOUNT AT THE GOVERNMENT'S RISK UNDER SECTION 21	AMOUNT AT THE CORPORATION'S RISK
COMMONWEALTH		
Australia		\$ 6,041,054
Bermuda		231,619
Borneo		4,152
British East Africa		8,340
British Guiana		370,101
British Honduras		28,381
British West Africa		6,312
British Oceania		949
Ceylon		12,548
Cyprus		35
Fiji		3,050
Ghana		1,978,506
Hong Kong		75,309
India		503,708
Malaya		237,536
Malta		104
New Zealand		2,696,050
Nigeria		450,073
Pakistan		34,536
Rhodesia & Nyasaland		248,222
South Africa		674,664
United Kingdom		9,283,507
West Indies Federation		4,039,908
Total Commonwealth Countries		<u>\$26,928,664</u>
FOREIGN		
Arabia		2,200
Argentina		395,003
Austria		123,920
Bahrein Islands		777
Belgium		1,650,720
Bolivia		80,343
Brazil		3,061,967
Chile		799,002
China (Mainland)		2,084,700
Colombia		1,787,320
Congo		386,495
Costa Rica		484,081
Cuba		2,044,866
Denmark		208,996
Dominican Republic		553,728
Ecuador		294,388
El Salvador		95,107
Ethiopia		2,195
Finland		122,154
France		2,035,804
French Africa		58,348
French West Indies		5,418
Gabon Republic		5,284
German Federal Republic		3,779,082

RANCE CORPORATION
 risks underwritten during 1960

COUNTRY	AMOUNT AT THE GOVERNMENT'S RISK UNDER SECTION 21	AMOUNT AT THE CORPORATION'S RISK
Greece		\$ 896,137
Guatemala		424,952
Haiti		23,444
Honduras		81,677
Iceland		2,486
Indonesia		249,416
Iran		132,584
Iraq		29,079
Ireland		307,007
Israel		10,512
Italy		2,989,315
Japan		17,504
Jordan		4,167
Kuwait		2,475
Lebanon		65,687
Liberia		14,713
Libya		1,476
Luxembourg		266
Malagasy Republic		57
Mexico	\$15,309,269	1,316,903
Morocco		21,576
Netherlands		1,460,974
Netherlands Antilles		116,590
Nicaragua		122,257
Norway		207,482
Panama		395,336
Paraguay		52,550
Peru		756,472
Philippines		3,057
Poland	11,307,427	384
Portugal		33,879
Portuguese Africa		5,287
Puerto Rico		624,343
St. Pierre & Miquelon		103,469
Spain		70,542
Sudan		6,213
Surinam		99,724
Sweden		1,090,610
Switzerland		1,031,868
Syria		33,516
Thailand		46,565
United States of America	11,602,693	1,146,141
Uruguay		24,788
Venezuela		2,443,284
Total Foreign Countries	\$38,219,389	\$36,528,662
TOTAL ALL COUNTRIES	\$38,219,389	\$63,457,326

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*

H. T. AITKEN
*President and
General Manager*

ADVISORY COUNCIL

R. B. BUCKERFIELD
Vancouver

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

HON. J. V. CLYNE
Vancouver

E. V. RIPPINGILLE, JR.
London

H. G. DeYOUNG
Welland

GEORGE W. ROBERTSON
Regina

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

F. G. RUTLEY
Montreal

RAYMOND DUPUIS, Q.C.
Montreal

FLETCHER S. SMITH
Halifax

H. G. HESLER
Montreal

JAMES STEWART, C.B.E.
Toronto

R. A. KIPP
Winnipeg

F. HOMER ZWICKER
Lunenburg

OFFICERS

H. T. AITKEN
*President and
General Manager*

A. W. THOMAS
*Assistant
General Manager*

T. CHASE-CASGRAIN
Secretary

