



**EXPORT CREDITS
INSURANCE CORPORATION**

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS**

DECEMBER 31, 1959

EXPORT CREDITS INSURANCE CORPORATION

ESTABLISHED UNDER THE EXPORT CREDITS INSURANCE ACT

SIXTEENTH
ANNUAL REPORT

AND

FINANCIAL STATEMENTS

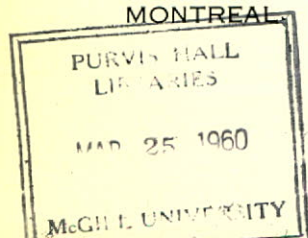
FOR THE YEAR ENDED DECEMBER 31, 1959

HEAD OFFICE
OTTAWA

MONTREAL

TORONTO

VANCOUVER



EXPORT CREDITS INSURANCE CORPORATION

March 21, 1960

The Honourable Gordon Churchill, 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, 1959, 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.

I regret to have to record the death of Mr. John H. English, Chairman of the Board, who passed away on January 1 of this year. The Corporation had had the benefit of his advice for a number of years, and his wise counsel was of great value to the Board of Directors.

Legislation to amend the Export Credits Insurance Act received Royal Assent on July 8, 1959. The main purpose of the amendments was to permit the Corporation, when authorized by the Governor in Council, to give direct guarantees to lenders covering payment of negotiable instruments given to Canadian exporters by foreign buyers in respect of export transactions. A guarantee is applicable to export paper issued in connection with a contract involving the export of goods or services for an amount of not less than \$250,000 and involving a payment period of at least two years. A guarantee becomes effective only after delivery of the goods by the exporter and acceptance of the goods by the buyer, while during the predelivery period the transaction is covered by an Export Credits Insurance Policy.

The amending legislation also took cognizance of altered circumstances and provided that the Governor of the Bank of Canada no longer serve as a member of the Corporation. The Board recorded its appreciation of the valuable services rendered by Mr. J. E. Coyne during the many years he was a Director.

The Corporation provides insurance at a suitable premium to Canadian exporters 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 230 Policies were current at December 31, 1959 (excluding Policies issued under

Section 21 of the Act) covering a wide variety of products to some 87 different countries. 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	45	\$ 750,000
\$ 25,001 to \$ 100,000	91	5,694,000
\$ 100,001 to \$ 250,000	34	6,390,000
\$ 250,001 to \$1,000,000	26	13,690,000
\$1,000,001 and over	14	58,100,000
	<u>210</u>	<u>\$84,624,000</u>

CAPITAL GOODS POLICIES

	<i>Policies</i>	<i>Contract Amount</i>
\$ 25,001 to \$ 100,000	10	\$ 522,074
\$ 250,001 to \$1,000,000	6	2,387,921
\$1,000,001 and over	4	17,894,014
	<u>20</u>	<u>\$20,804,009</u>

The aggregate of the maximum liabilities under the above Policies was \$58,226,997, and in addition there were liabilities totaling \$1,979,000 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 1959 (excluding sales insured under Section 21 of the Act) totaled \$47,527,608. This is an increase of \$5.5 million, or 13%, over 1958.

Despite the increase in volume of business insured, premium income for 1959 amounted to \$558,440 as compared with \$623,379 for 1958. This was because there was a greater concentration of business in general commodities Policies, which carry lower rates of premium than do capital goods Policies.

Claims paid during 1959 totaled \$175,887. Recoveries of \$314 were obtained in respect of these claims. In addition recoveries amounting to \$334,638 were received in connection with claims paid in previous years. Thus there was an excess of recoveries over claim payments during the year of \$159,065. The claims experience

of the Corporation from the commencement of operations in 1945 to December 31, 1959, 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	\$ 215,268	\$ 31,943	\$ 33,605	\$ 149,720
Overdue Accounts	617,799	318,877	141,513	157,409
Exchange Transfer	8,871,456	6,632,950	60,901	2,177,605
Other	88,361	11,087	76,554	720
	<u>\$9,792,884</u>	<u>\$6,994,857</u>	<u>\$312,573</u>	<u>\$2,485,454</u>

With respect to the outstanding exchange transfer claims amounting to \$2,177,605, 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 or time of recoveries which might be obtained. All other outstanding claim payments, which total \$307,849, 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 1959 goods to a value of \$90,713,366 were insured under this Section and the premiums on the 29 Policies issued amounted to \$2,291,096. The Corporation retains 25% of this premium to meet expenses and overhead, the balance being re-mitted to the Receiver General. The maximum liability under Section 21 Policies in force as at December 31, 1959 aggregated \$98,956,360.

Total income for the year amounted to \$1,239,955. Expenses were \$234,620. The result of operations of the Corporation for the year was a net addition of \$1,164,400 to the Underwriting Reserve, which now stands at \$4,905,479. Pursuant to Section 11A. of the Act the Corporation may deduct from income, for income tax purposes, any amount credited to the Underwriting Reserve provided that the Reserve does not exceed \$5 million. Accordingly, no income tax was payable in respect of operations for 1959.

An analysis of the Underwriting Reserve, from the inception of the Corporation and after insuring \$511 million of export sales

(not including \$307 million insured under Section 21) since the first Policy was issued in 1945, discloses the following:

Premiums (not including \$393,038 deferred)			\$4,944,043
Deduct:			
Operating expenses		\$1,412,287	
Claims paid	\$9,792,884		
*Less: Recoveries	6,994,858	2,798,026	4,210,313
Surplus on operations before interest on investments			733,730
Interest on investments	4,461,255		
Less: Income taxes		289,506	4,171,749
Balance at credit of underwriting reserve as at December 31, 1959			<u>\$4,905,479</u>

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

In 1959 there were two additions to 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. These appointments were Mr. R. A. Kipp of Winnipeg and Mr. E. V. Ripplingille, Jr. of London. The Board has expressed its appreciation of the services rendered by Mr. K. F. Wadsworth of Toronto, who resigned from the Advisory Council during the year.

Mr. H. T. Aitken, President and General Manager of the Corporation was elected President of the international organization of export credits insurers "Union d'Assureurs des Credits Internationaux" (Berne Union) at its 16th Annual Meeting held in Amsterdam in June 1959. This is an honour to Canada, as well as a compliment to Mr. Aitken. Organizations in eighteen countries are members of the Berne Union, representing the majority of the large trading nations of the world.

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.

EXPORT CREDITS INS

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Statement of Assets and Lia

(with comparative figures

ASSETS

	1959	1958
Cash	\$ 408,510	\$ 183,974
Treasury Bills of Canada	1,487,397	—
Premiums due from Policyholders \$ 681,060		29,830
Less: Receiver General's portion under Section 21 of the Act <u>484,539</u>		
	196,521	
Interest accrued on investments	124,591	119,843
Investments—Government of Canada bonds, at amortized cost (par value, \$13,850,000; market value, \$11,728,575)	13,717,366	14,216,542
Deferred accounts receivable arising out of claims paid in connection with exchange transfer difficulties, per contra	2,177,605	2,460,135
Possible recoveries in respect of other claims paid (\$307,849), at nominal value	1	1
Office furniture and equipment, at cost 38,726		36,399
Less: Accumulated provision for depreciation <u>25,393</u>		<u>22,187</u>
	13,333	<u>14,212</u>

Note: The liability of the Corporation under the contracts of insurance issued and outstanding as at December 31, 1959 totalled \$159,117,357, of which \$98,956,360 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>\$18,125,324</u>	<u>\$17,024,537</u>
Certified correct:		
B. R. KING, JR.,		
<i>Accountant</i>		

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

INSURANCE CORPORATION

PORT CREDITS INSURANCE ACT

Liabilities as at December 31, 1959

(as at December 31, 1958)

		LIABILITIES	
		1959	1958
Accounts payable	\$	872	\$ 1,497
Policyholders' premium deposits		64,065	63,055
Deferred premium income:			
Unearned portion of premiums in respect of capital goods policies	\$ 393,038		632,592
Unearned portion of the Corporation's share of premiums in respect of contracts of insurance entered into under Section 21 of the Act	<u>584,265</u>		<u>126,179</u>
		977,303	<u>758,771</u>
Deferred credit — possible recoveries of claims paid, per contra		2,177,605	2,460,135
Underwriting reserve:			
Balance at beginning of year	3,741,079		
Add: Net result of operations for the year, per Statement of Operations	<u>1,164,400</u>		
Balance at end of year		<u>4,905,479</u>	<u>3,741,079</u>
		8,125,324	<u>7,024,537</u>
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		
Capital surplus paid in by the Minister of Finance	<u>5,000,000</u>		
		<u>10,000,000</u>	<u>10,000,000</u>
		<u>\$18,125,324</u>	<u>\$17,024,537</u>

Certified in accordance with my report dated February 18, 1960 to the Minister of Trade and Commerce, under Section 87 of the Financial Administration Act.

IAN STEVENSON,
Acting Auditor General of Canada

EXPORT CREDITS INSURANCE CORPORATION

Statement of Operations for the year ended December 31, 1959

(with comparative figures for the year ended December 31, 1958)

	1959	1958
INCOME:		
Premiums on risks insured, excluding business done under Section 21 of the Act	\$ 558,440	\$ 623,379
Portion of premiums in respect of contracts of insurance entered into under Section 21 of the Act	114,688	88,589
Interest on investments	<u>566,827</u>	<u>485,161</u>
	\$ 1,239,955	<u>1,197,129</u>
EXPENSE:		
Salaries of executive officers	37,500	35,500
Other salaries	130,332	126,132
Contributions to Civil Service Superannuation Account	9,712	9,353
Travel	15,900	14,137
Rents	10,800	10,515
Communications expense and credit reports	11,616	10,466
Stationery, printing and office supplies	5,034	5,116
Depreciation of office furniture and equipment	3,333	3,553
Advisory Council meeting	2,296	2,251
Other	<u>8,097</u>	<u>9,044</u>
	234,620	226,067
	<u>1,005,335</u>	<u>971,062</u>
POLICYHOLDERS' CLAIMS:		
Payments	175,887	185,980
Recoveries:		
Applicable to payments in the current year	\$ 314	81,772
Applicable to payments in prior years	<u>334,638</u>	<u>436,724</u>
	<u>334,952</u>	<u>518,496</u>
	(159,065)	(332,516)
NET RESULT OF OPERATIONS	<u>\$ 1,164,400</u>	<u>\$ 1,303,578</u>

Ottawa, February 18, 1960.

The Honourable Gordon Churchill,
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, 1959. 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,

IAN STEVENSON,
Acting Auditor General

EXPORT CREDITS INSU

Analysis, by countries, of actual
(excluding contracts entered

COUNTRY	AMOUNT
COMMONWEALTH COUNTRIES	
Australia	\$ 4,576,350
Bermuda	112,505
British East Africa	4,907
British Guiana	191,923
British Honduras	17,817
British West Africa	122,171
Ceylon	93,916
Cyprus	247
Fiji	2,272
Ghana	2,277,201
Hong Kong	101,772
India	286,757
Malaya	139,963
New Zealand	1,317,667
Pakistan	47,454
Rhodesia & Nyasaland	58,343
South Africa	606,654
United Kingdom	6,693,857
West Indies Federation	2,478,891
Total Commonwealth Countries	\$ 19,130,667
FOREIGN COUNTRIES	
Arabia	8,013
Argentina	118,865
Austria	79,504
Belgian Congo	587,784
Belgium	1,106,598
Bolivia	54,857
Brazil	998,612
Burma	538
Chile	514,859
Colombia	1,346,782
Costa Rica	450,968
Cuba	1,511,560
Czechoslovakia	1,149
Denmark	248,805
Dominican Republic	384,958
Ecuador	294,238
Ethiopia	1,472
Finland	33,402
France	654,370
French Africa	49,706
French Guiana	190
French Oceania	253
French West Indies	106
German Federal Republic	3,123,736
Greece	1,084,349

RANCE CORPORATION

isks underwritten during 1959

nto under Section 21 of the Act)

COUNTRY	AMOUNT
Guam	1,392
Guatemala	441,418
Haiti	16,044
Honduras	103,021
Iceland	57,117
Indonesia	301,640
Iran	211,665
Iraq	27,496
Ireland	248,246
Israel	14,960
Italy	1,623,115
Japan	4,402
Jordan	9,780
Kuwait	23,796
Lebanon	60,442
Liberia	7,184
Libya	9,859
Madagascar	184
Mexico	1,460,773
Morocco	12,374
Netherlands	1,174,487
Netherlands Antilles	190,212
Nicaragua	135,671
Norway	180,732
Panama	431,445
Paraguay	18,022
Peru	962,114
Philippines	1,241
Portugal	75,617
Portuguese Africa	5,381
Puerto Rico	448,923
St. Pierre & Miquelon	113,030
Salvador	74,943
Samoa	100
Sudan	1,186
Surinam	29,008
Sweden	825,098
Switzerland	576,803
Syria	56,052
Thailand	84,286
United States of America	1,330,358
Uruguay	23,486
Venezuela	4,368,164
Total Foreign Countries	\$ 28,396,941
Total all Countries	\$ 47,527,608

EXPORT CREDITS INSURANCE CORPORATION

BOARD OF DIRECTORS

JOHN H. ENGLISH, CHAIRMAN

*Deputy Minister
of Trade and Commerce*

Alternate - H. LESLIE BROWN

K. W. TAYLOR, C.B.E.

*Deputy Minister
of Finance*

Alternate - J. F. PARKINSON

L. C. AUDETTE, Q.C.

*Chairman,
Tariff Board*

A. F. W. PLUMPTRE, C.B.E.

*Assistant Deputy Minister
of Finance*

A. E. RITCHIE

*Assistant Under-Secretary of State
for External Affairs*

J. A. ROBERTS

*Associate Deputy Minister
of Trade and Commerce*

H. T. AITKEN

*President and
General Manager*

ADVISORY COUNCIL

R. B. BUCKERFIELD

Vancouver

HON. J. V. CLYNE

Vancouver

H. G. DeYOUNG

Welland

JAMES S. DUNCAN, C.M.G.

Toronto

RAYMOND DUPUIS, Q.C.

Montreal

H. G. HESLER

Montreal

R. A. KIPP

Winnipeg

A. C. MCKIM, O.B.E.

Montreal

E. V. RIPPINGILLE, JR.

London

GEORGE W. ROBERTSON

Regina

F. G. RUTLEY

Montreal

FLETCHER S. SMITH

Halifax

JAMES STEWART, C.B.E.

Toronto

F. HOMER ZWICKER

Lunenburg

OFFICERS

H. T. AITKEN

*President and
General Manager*

A. W. THOMAS

*Assistant
General Manager*

T. CHASE-CASGRAIN

Secretary

