



EXPORT CREDITS  
INSURANCE CORPORATION

ANNUAL REPORT  
AND  
FINANCIAL STATEMENTS

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DECEMBER 31, 1955



**WITH THE COMPLIMENTS**

**OF**

**EXPORT CREDITS  
INSURANCE CORPORATION  
OTTAWA, CANADA**

*Kres. - Export Credits Insurance Corp. - March 20, 1956*

# EXPORT CREDITS INSURANCE CORPORATION

ESTABLISHED UNDER THE EXPORT CREDITS INSURANCE ACT

## TWELFTH ANNUAL REPORT

AND

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1955



HEAD OFFICE  
OTTAWA

MONTREAL

TORONTO

VANCOUVER





“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 16, 1956

The Right Honourable C. D. Howe, P.C.,  
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, 1955, 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 business of the Corporation is to provide insurance, at a suitable premium, for Canadian exporters who wish to cover themselves against certain risks of non-payment for goods sold to buyers in foreign countries. There is the risk of a foreign buyer becoming insolvent. Exporters are unable to protect themselves against this by means of ordinary commercial insurance, except in the case of sales to the United States of America. There is also the risk of cancellation of an import license and the risk of adverse changes in foreign exchange regulations in the buyer's country. These are risks over which the exporters themselves have no control, and against which ordinary commercial insurance is not available. Generally, the Policies protect against losses arising from circumstances outside the control of both the buyer and the seller.

The volume of business insured by the Corporation during 1955 was \$48,453,948, an increase of about 33% over 1954. The bulk of the increase was accounted for by the insurance of general commodities sold on short credit terms and the volume of that type of business increased 40% over 1954, while the insured total of capital goods sold on a medium term credit basis was up by 19% over the previous year. Competition abroad and the demands of foreign buyers continue to make the question of credit terms an important factor in negotiating sales of capital equipment. The protection of export credits insurance assists Canadian exporters of heavy equipment to compete in the world's markets.

Policies are issued to exporters of general commodities to cover their anticipated business during the succeeding twelve months. Where capital goods are concerned a Specific Policy is issued to cover the individual contract of sale. There were 191 Policies current at December 31, 1955 (excluding Policies issued under Section 21 of the Act) covering exports of a wide variety of products to some 80 different countries. 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 . . . . .	35	\$ 484,000
\$ 25,001 to \$ 100,000 . . . . .	75	4,636,000
\$ 100,001 to \$ 250,000 . . . . .	30	5,710,000
\$ 250,001 to \$1,000,000 . . . . .	21	11,450,000
\$1,000,001 and over . . . . .	8	35,300,000
	<u>169</u>	<u>\$57,580,000</u>

## CAPITAL GOODS POLICIES

	<i>Policies</i>	<i>Contract Amount</i>
\$ 25,001 to \$ 100,000 . . . . .	4	\$ 260,626
\$ 100,001 to \$ 250,000 . . . . .	4	596,997
\$ 250,001 to \$1,000,000 . . . . .	7	3,886,789
\$1,000,001 and over . . . . .	7	24,189,852
	<u>22</u>	<u>\$28,934,264</u>

Under each Policy the maximum liability of the Corporation is set at a percentage of the estimated export volume. The aggregate of the maximum liabilities under the above Policies was \$49,822,963 and in addition there were liabilities totalling \$1,197,000 under Policies issued in previous years which are no longer in force but under which claims might still be made. The maximum liability of the Corporation under Section 14 of the Act is limited to \$200 million.

In 1955 the Corporation paid \$1,843,990 in claims arising mainly from delays in payment due to exchange transfer difficulties in certain countries. Subsequent to payment of such claims the necessary foreign exchange was made available by the importing countries to cover some of them, and recoveries of \$101,863 were obtained against claims paid in 1955. In addition, recoveries amounting to \$1,352,256 were received in connection with claims paid in previous years. The claims experience of the Corporation from the commencement of operations in 1945 to December 31, 1955, analyzed by type of risk insured, is as follows:

<i>Nature of Claim</i>	<i>Claims Paid</i>	<i>Recoveries</i>	<i>Irre- coverable Losses</i>	<i>Net Outstanding</i>
Insolvency . . . . .	\$ 102,929	\$ 21,050	\$ 11,771	\$ 70,108
Overdue accounts . . . . .	258,662	85,940	125,676	47,046
Exchange transfer difficulties . . . . .	5,867,323	4,157,130	21,089	1,689,104
Other . . . . .	27,730	11,088	16,495	147
	<u>\$6,256,644</u>	<u>\$4,275,208</u>	<u>\$175,031</u>	<u>\$1,806,405</u>

It will be noted that only \$175,031 has been written off as irrecoverable. Of the net outstanding amount of \$1,806,405 the sum of \$1,689,104 has been paid to Policyholders in connection with exchange transfer difficulties and is fully covered by deposits of local currency with banks abroad. This amount of \$1,689,104 has been included in the Balance Sheet, 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 the recoveries which might be obtained. All other outstanding claim payments, which total \$117,301, are carried on the books at \$1. Since the end of 1955 substantial sums have already been paid to Policyholders in connection with foreign exchange transfer difficulties, and it is considered probable, based on present outstandings, that the Corporation will be required to pay in excess of \$2 million on such claims during 1956.

Total income for the year amounted to \$822,925, including \$367,557 interest earned on Government of Canada bonds. Although the volume of insured exports was up substantially, premiums in 1955 totalled \$455,368 as compared with \$642,448 in 1954. This substantial reduction in premiums was not due to an overall reduction in the premium rate structure, but was occasioned by the fact that a major portion of the export sales of capital goods insured under Policies issued in 1955 were made on shorter payment terms than those insured in 1954. Net operating expenses, details of which are set out in the attached statement, totalled \$142,906. The result of the operations of the Corporation for the year, after making full provision for all claims paid and obtaining the substantial recoveries outlined above, was a net addition to the Underwriting Reserve of \$290,148, which now stands at \$2,819,326.

Section 11A. (2) of the Act requires that the Corporation shall at the end of each fiscal year, if the amount standing to the credit of the Underwriting Reserve is less than \$5 million, credit to the Reserve the excess, if any, of its revenues over its disbursements in that fiscal year.

An analysis of the Underwriting Reserve, since the inception of the Corporation, discloses the following:

Premiums . . . . .				\$3,032,446
Deduct:				
Operating expenses . . . . .		\$ 932,127		
Claims paid . . . . .	\$6,256,644			
*Less: Recoveries . . . . .	4,275,209	1,981,435	2,913,562	
Net result of operations before interest on investments . . . . .				118,884
Interest on investments . . . . .				2,700,442
Balance at credit of underwriting reserve as at December 31, 1955				<u>\$2,819,326</u>

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

From the above statement it will be seen that from the commencement of operations in 1945 to December 31, 1955, before taking into account interest on investments, there was a net excess of premiums over operating expenses and claims of \$118,884. This relatively modest sum has been accumulated from the insurance of export sales totalling \$321,216,793. It is evident that the Corporation in its experience to date has provided insurance on a basis which has resulted in neither a profit to the Corporation nor an excess charge on exporters. The capital of the Corporation is in the nature of a guarantee fund subscribed by the Government and



interest earned thereon should not be taken into account in reviewing the operations of the Corporation.

The tenth 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 22, 1955 and was attended by seven members of the Council. I wish to express my appreciation of the services rendered by Mr. C. D. Jacox of Edmonton, who was a member of the Advisory Council from its inception, and who resigned during the year.

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 27. Senior officers of the Corporation made periodic visits throughout the year to various parts of Canada calling on associations, banks and exporters, and explaining the functions of the Corporation to interested groups. The Assistant General Manager attended the annual meeting in Switzerland of an international organization of export credits insurers, l'Union d'Assureurs pour le Controle des Credits Internationaux, of which the Corporation is a member.

#### SECTION 21 OF THE ACT

Section 21 of the 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 a 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 the event of a loss the necessary moneys would be paid to the Corporation out of the Consolidated Revenue Fund. An aggregate of approximately \$55 million has been insured under this Section, and there have not been any claims. Orders-in-Council were passed in 1955 under this Section, authorizing the Corporation to issue certain Policies. Export shipments of \$6,294,663 were insured in 1955 and premiums of \$55,324 were received, of which 25% has been retained to meet expenses and overhead, and the remaining 75% credited to the account of the Receiver General. The aggregate of the maximum liabilities under these Policies in force as at December 31, 1955 was \$22,025,640. The maximum liability of the Corporation under Section 21 of the Act is limited to \$100 million. A summary of the transactions respecting contracts of insurance entered into under Section 21 of the Act during the year ended December 31, 1955 is set forth in the attached Schedule "A".

Yours faithfully,

WM. FREDRICK BULL,  
*Chairman.*

# EXPORT CREDITS INS

ESTABLISHED UNDER THE EX

## Statement of Assets and Liab

### ASSETS

Cash . . . . .	\$	250,060
Premiums receivable . . . . .		39,447
Interest accrued on investments . . . . .		88,402
Prepaid expenses . . . . .		356
Investments—Government of Canada bonds, at amortized cost (par value, \$12,450,000; market value, \$12,110,865)		12,497,878
Deferred accounts receivable arising out of claims paid in connection with exchange transfer difficulties, secured by deposits of local currencies with banks abroad, per contra . . . . .		1,689,104
Possible recoveries in respect of other claims paid (\$117,301), at nominal value		1
Office furniture and equipment, at cost . . . . .	\$21,679	
Less: Accumulated depreciation . . . . .	13,403	8,276
		\$14,573,524

*Note:* The liability of the Corporation under the contracts of insurance issued and outstanding as at December 31, 1955 totalled \$73,045,603, of which \$22,025,640 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.

Certified correct:

B. R. KING, JR.,  
*Accountant*

Approved:

H. T. AITKEN,  
*President and General Manager*

# INSURANCE CORPORATION

PORT CREDITS INSURANCE ACT

Liabilities as at December 31, 1955

## LIABILITIES

Accounts payable . . . . .		\$	3,055
Policyholders' premium deposits . . . . .			50,355
Due to the Receiver General of Canada, in respect of contracts of insurance entered into under Section 21 of the Act (Schedule "A") . . . . .			11,684
Deferred credit—possible recoveries of claims paid, per contra . . . . .			1,689,104
Underwriting reserve:			
Balance at January 1, 1955 . . . . .	\$2,529,178		
Add: Net result of operations for the year ended December 31, 1955, per Statement of Operations . . . . .	290,148		2,819,326
			<u>4,573,524</u>
Capital:			
Capital stock:			
Authorized and subscribed— 150,000 shares of \$100 each . . .	15,000,000		
Issued and fully paid— 50,000 shares of \$100 each . . .	5,000,000		
Capital surplus paid in by the Min- ister of Finance . . . . .	5,000,000		10,000,000
			<u>\$14,573,524</u>

Certified in accordance with my report dated February 20, 1956 to the Minister of Trade and Commerce, under Section 87 of the Financial Administration Act.

WATSON SELLAR,  
*Auditor General of Canada*

EXPORT CREDITS INSURANCE CORPORATION

Statement of Operations for the year ended  
December 31, 1955

INCOME:

Premiums on risks underwritten, excluding business done under Section 21 of the Act . . . . .	\$ 455,368	
Interest on investments . . . . .	367,557	\$ 822,925

EXPENSE:

Salaries of executive officers . . . . .	28,000
Other salaries . . . . .	82,250
Contributions to Civil Service Superannuation Account . . . . .	7,166
Travel . . . . .	7,587
Rents . . . . .	10,515
Communications expense and credit reports . . . . .	7,851
Stationery, printing and office supplies . . . . .	2,085
Advisory Council meeting . . . . .	1,564
Depreciation of office furniture and equipment . . . . .	2,065
Other . . . . .	7,654
	<u>156,737</u>

Less: Portion of premiums retained with respect to contracts of insurance entered into under Section 21 of the Act, to meet expenses and overhead arising out of such contracts (Schedule "A") . . . . .	13,831	142,906
		<u>680,019</u>

POLICYHOLDERS' CLAIMS:

Payments . . . . .	1,843,990	
Recoveries:		
Applicable to payments in 1955 . . . . .	\$ 101,863	
Applicable to payments prior to 1955 . . . . .	1,352,256	389,871

Net result of operations credited to underwriting reserve as required by Section 11A.(2) of the Act . . . . .		<u>\$ 290,148</u>
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SCHEDULE "A"

EXPORT CREDITS INSURANCE CORPORATION

Summary of transactions respecting contracts of insurance entered into under Section 21 of the Act during the year ended December 31, 1955

Balance due the Receiver General of Canada at January 1, 1955 . . . . .		\$ 14,958
Premiums on contracts of insurance entered into under the authority of the Government of Canada . . . . .		<u>55,324</u>
		70,282
Deduct:		
Payments to the Receiver General . . . . .	\$ 44,767	
Amount retained by the Corporation to meet expenses and overhead . . . . .	<u>13,831</u>	<u>58,598</u>
Balance due the Receiver General of Canada at December 31, 1955 . . . . .		<u><u>\$ 11,684</u></u>

February 20, 1956

The Right Honourable C. D. Howe, P.C.,  
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, 1955, and a set of the financial statements is attached.

It having been a matter of doubt as to whether or not the Corporation is liable for income tax in respect of portions of the excess of revenues over disbursements in each year, which are transferred to the Underwriting Reserve in accordance with the requirement of Section 11 A.(2) of the Act, no provisions for income tax have been recorded by the Corporation in its accounts.

In compliance with the requirements of Section 87 of the Financial Administration Act I now report that, in my opinion, subject to the foregoing observation:

- (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,

WATSON SELLAR,  
*Auditor General.*



Analysis, by countries, of actual

COUNTRY	AMOUNT
COMMONWEALTH COUNTRIES	
Anglo-Egyptian Sudan . . . . .	\$ 1,261
Australia . . . . .	1,829,427
Bermuda . . . . .	47,232
British East Africa . . . . .	39,689
British Guiana . . . . .	105,336
British Honduras . . . . .	13,881
British West Africa . . . . .	890
British West Indies . . . . .	1,425,599
Ceylon . . . . .	794
Cyprus . . . . .	3,564
Fiji . . . . .	889
Hong Kong . . . . .	77,099
India . . . . .	232,275
Malaya . . . . .	158,483
New Zealand . . . . .	754,938
Pakistan . . . . .	10,771
Rhodesia & Nyasaland . . . . .	32,653
South Africa . . . . .	12,757,883
United Kingdom . . . . .	7,376,761
Total Commonwealth Countries . . . . .	\$ 24,869,425
FOREIGN COUNTRIES	
Argentina . . . . .	2,233,923
Austria . . . . .	40
Belgian Congo . . . . .	178,719
Belgium . . . . .	1,043,474
Bolivia . . . . .	145,500
Brazil . . . . .	944,468
Chile . . . . .	805,865
Colombia . . . . .	945,281
Costa Rica . . . . .	219,065
Cuba . . . . .	1,226,734
Czechoslovakia . . . . .	3,263
Denmark . . . . .	58,913
Dominican Republic . . . . .	318,850
Ecuador . . . . .	235,907
Egypt . . . . .	92,537
Finland . . . . .	42,306
France . . . . .	1,848,905
French Africa . . . . .	542,755
French Guiana . . . . .	44
French Oceania . . . . .	7,712
French West Indies . . . . .	802



risks underwritten during 1955

COUNTRY	AMOUNT
German Federal Republic . . . . .	\$ 1,057,281
Greece . . . . .	474,375
Guam . . . . .	4,535
Guatemala . . . . .	444,363
Haiti . . . . .	50,970
Hawaii . . . . .	609
Honduras . . . . .	28,642
Iceland . . . . .	4,060
Iran . . . . .	81,242
Iraq . . . . .	197,533
Ireland . . . . .	24,232
Israel . . . . .	43,774
Italy . . . . .	1,078,021
Japan . . . . .	36,995
Jordan . . . . .	436
Kuwait . . . . .	901
Lebanon . . . . .	85,309
Luxembourg . . . . .	8,144
Madagascar . . . . .	3,314
Mexico . . . . .	1,759,271
Netherlands . . . . .	337,995
Netherlands Antilles . . . . .	138,391
Netherlands Guiana . . . . .	50,853
Nicaragua . . . . .	242,107
Norway . . . . .	135,346
Panama . . . . .	106,506
Paraguay . . . . .	65,155
Peru . . . . .	246,549
Philippines . . . . .	1,315
Portugal . . . . .	119,931
Portuguese Africa . . . . .	11,656
Puerto Rico . . . . .	52,113
St. Pierre & Miquelon . . . . .	5,572
Salvador . . . . .	109,995
Saudi Arabia . . . . .	44,519
Sweden . . . . .	903,623
Switzerland . . . . .	347,292
Syria . . . . .	321,330
Taiwan . . . . .	9,074
Thailand . . . . .	90,725
United States of America . . . . .	567,616
Uruguay . . . . .	275,373
Venezuela . . . . .	3,122,417
Total Foreign Countries . . . . .	<u>\$ 23,584,523</u>
Total all Countries . . . . .	<u>\$ 48,453,948</u>

## BOARD OF DIRECTORS

WM. FREDERICK BULL, CHAIRMAN

*Deputy Minister  
of Trade and Commerce*

Alternate - J. H. ENGLISH

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

*Deputy Minister  
of Finance*

Alternate - J. J. DEUTSCH

L. C. AUDETTE

*Chairman, Canadian  
Maritime Commission*

A. F. W. PLUMPTRE

*Assistant Deputy Minister  
of Finance*

J. E. COYNE

*Governor  
Bank of Canada*

Alternate - J. R. BEATTIE

M. W. SHARP

*Associate Deputy Minister  
of Trade and Commerce*

H. T. AITKEN

*President and  
General Manager*

## ADVISORY COUNCIL

HON. HECTOR AUTHIER

Amos

R. B. BUCKERFIELD

Vancouver

R. H. DAVIS

Welland

JAMES S. DUNCAN, C.M.G.

Toronto

RAYMOND GARNEAU

Quebec

H. G. HESLER

Montreal

LEON J. KOERNER

Vancouver

GEORGE W. ROBERTSON

Regina

FLETCHER S. SMITH

Halifax

JAMES STEWART, C.B.E.

Toronto

K. F. WADSWORTH

Toronto

F. HOMER ZWICKER

Lunenburg

## OFFICERS

H. T. AITKEN

*President and  
General Manager*

A. W. THOMAS

*Assistant  
General Manager*

T. CHASE-CASGRAIN

*Secretary*



EXPORT CREDITS INSURANCE



*Exporters life guard for world trade*