



EXPORT CREDITS  
INSURANCE CORPORATION

ANNUAL REPORT  
AND  
FINANCIAL STATEMENTS

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DECEMBER 31, 1953

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**EXPORT CREDITS INSURANCE CORPORATION**

INCORPORATED UNDER THE EXPORT CREDITS INSURANCE ACT

**TENTH  
ANNUAL REPORT**

AND

**FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 1953



**HEAD OFFICE  
OTTAWA**

**BRANCHES**  
**MONTREAL**                      **TORONTO**





“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 15, 1954

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 the accounts of the Export Credits Insurance Corporation for the year ended December 31, 1953, 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.

Legislation to amend the Export Credits Insurance Act received Royal Assent on March 4, 1954, the main purpose of which was to increase the capital of the Corporation from \$5 million to \$15 million to enable it to consider insuring export sales to individual countries which sales, in the aggregate, were considered to be too substantial with respect to any one country in relation to the Corporation's initial capital. There has been a change from a seller's to a buyer's market with a consequent lengthening of credit terms brought about to an extent by competition from other countries. These conditions, coupled with today's pattern of sales of certain exports such as capital equipment, tend to concentrate large sums at risk in individual countries. Enquiries on hand for insurance covering sales of capital goods in the main, amount to considerable sums.

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 U.S.A. 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.

Again this year the main feature of the Corporation's business was its claims experience. In 1953 the Corporation paid 273 claims aggregating \$2,185,476 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 \$685,551 were obtained against claims paid in 1953. In addition, recoveries amounting to \$438,875 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, 1953, analyzed by type of risk insured, is as follows:

Nature of Claim	Claims		Irre-	Net
	Paid	Recoveries	coverable	Outstanding
			Losses	
Insolvency . . . . .	\$ 31,864	\$ 20,016	\$ 7,816	\$ 4,032
Overdue accounts . . . . .	212,326	77,064	124,991	10,271
Exchange transfer difficulties . . . . .	3,616,397	1,612,015	608	2,003,774
Other . . . . .	27,593	7,734	5,557	14,302
	<u>\$3,888,180</u>	<u>\$1,716,829</u>	<u>\$138,972</u>	<u>\$2,032,379</u>

It will be noted that only \$138,972 has been written off as irrecoverable. While it is anticipated that substantial recoveries will be obtained, in the Corporation's view it is not practicable to attempt any evaluation of the recoveries that may be made on these claim payments. Accordingly, all outstanding claim payments are carried on the books at \$1. However, provisional deposits in foreign currencies have been made against claims totalling \$2,003,335 arising from difficulties in the transfer of funds.

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 180 Policies current at December 31, 1953, the same number as at the end of the previous year, 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

	Policies	Estimated Export Volume
\$ 25,000 and under . . . . .	29	\$ 386,000
\$ 25,001 to \$ 100,000 . . . . .	76	\$ 4,598,000
\$ 100,001 to \$ 250,000 . . . . .	37	\$ 6,826,000
\$ 250,001 to \$1,000,000 . . . . .	22	\$11,510,000
\$1,000,001 and over . . . . .	6	\$30,300,000
	<u>170</u>	<u>\$53,620,000</u>

#### CAPITAL GOODS POLICIES

	Policies	Contract Amount
\$ 25,000 and under . . . . .	1	\$ 2,800
\$ 25,001 to \$ 100,000 . . . . .	3	\$ 240,447
\$ 100,001 to \$ 250,000 . . . . .	1	\$ 189,000
\$ 250,001 to \$1,000,000 . . . . .	4	\$ 1,559,821
\$1,000,001 and over . . . . .	1	\$ 2,146,618
	<u>10</u>	<u>\$ 4,138,686</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 Policies current at December 31, 1953 was \$29,979,298, and in addition there were liabilities totalling \$1,347,000 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 was limited to \$100 million at December 31, 1953 but under the new legislation is increased to \$200 million.

Export sales during 1953 reported under Export Credits Insurance Policies totalled \$25,579,197 as compared with \$35,836,484 in 1952. Premiums are paid on the basis of monthly reports of export sales and amounted to \$344,783 in 1953 and \$354,348 in 1952. The fact that total premiums were only slightly less than in the previous year, despite the considerable reduction in the total volume of export sales insured, was due mainly to the insurance of an increased quantity of capital goods sold on a medium term credit basis in 1953 as compared with 1952.

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 monies would be paid out of the Consolidated Revenue Fund. An aggregate of approximately \$20 million has been insured under this Section. Orders-in-Council were passed during 1953 under this Section authorizing the Corporation to issue certain Policies. Export sales of \$4,929,539 were insured under these Policies and premiums of \$73,943 were received, of which 25% has been applied against the Corporation's overhead and the remaining 75% has been credited to the account of the Receiver General which now stands at \$55,457.

Total income for the year amounted to \$610,215 including \$276,782 interest earned on Government of Canada bonds. Operating expenses, details of which are set out on the attached statement, totalled \$112,670. After making provision for all claims paid during the year the Corporation's operations, as shown on the attached statement, resulted in a charge of \$563,505 to the Underwriting Reserve, which now stands at \$1,068,112.

From the following statement it will be seen that from the commencement of operations in 1945 to December 31, 1953, before taking into account interest on investments, the Corporation was out of pocket \$941,879. However, as indicated on the Balance Sheet, claims paid totalling \$2,032,379 are carried at a nominal value of \$1, and it is expected that a large proportion will be recovered. This present out-of-pocket position has resulted from the insurance of export sales totalling \$236,584,648. An analysis of the Underwriting Reserve, since the inception of the Corporation, discloses the following:



Premiums . . . . .				\$1,934,630
Deduct:				
Operating expenses . . . . .	\$ 705,159			
Claims paid . . . . .	\$3,888,180			
*Less: Recoveries . . . . .	1,716,830	2,171,350	2,876,509	
Deficit on operations before interest on investments . . . . .			941,879	
Interest on investments . . . . .			2,009,991	
Balance at credit of underwriting reserve as at December 31, 1953 . . . . .				<u>\$1,068,112</u>

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

The eighth 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 in Ottawa on November 18, 1953 and was attended by eight members of the Council. I wish to express my appreciation of the services rendered by Mr. H. R. MacMillan of Vancouver, who was a member of the Advisory Council from its inception and who resigned during 1953. Mr. L. J. Koerner of Vancouver was appointed in his stead and Mr. K. F. Wadsworth of Toronto was also appointed to the Council.

The Corporation maintains branches in Montreal and Toronto and had a total staff of 24 officers and employees at the end of the year. 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 General Manager visited our Canadian Government Trade Commissioners in certain European countries and later in the year the Chief Credit Officer attended the annual meeting in Sweden of an international organization of government-owned export credits insurers, l'Union d'Assureurs pour le Controle des Credits Internationaux, of which the Corporation is a member.

Yours faithfully,  
 WM. FREDERICK BULL,  
*Chairman.*

# EXPORT CREDITS INSURANCE

(INCORPORATED UNDER "THE EXCHANGE ACT")

## Statement of Assets and Liabilities as at December 31, 1953

### ASSETS

Cash on hand and in banks . . . . .	\$	418,886
Accounts receivable:		
Premiums due from policyholders . . . . .		25,668
Accrued interest on investments . . . . .		80,182
Investments—Government of Canada		
bonds (par value . . . . . \$10,605,000)		
(market value . . . . . \$10,118,265)		
at amortized cost . . . . .		10,668,895
Possible recoveries against claims paid of		
\$2,032,379 at nominal value . . . . .		1
Deferred charges . . . . .		513
Office furnishings and equipment at cost	\$18,383	
Less: Accumulated allowance		
for depreciation . . . . .	10,753	7,630
		\$11,201,775
		\$11,201,775

*Note:* As at December 31, 1953, under contracts of insurance issued and outstanding:

- (i) The limit of the liability of the Corporation, which by Section 14 of the Act shall not exceed one hundred million dollars, was \$31,326,298;
- (ii) The limit of the liability of the Government of Canada, which by Section 21(3) of the Act shall not exceed one hundred million dollars, was \$6,062,500.

Approved on behalf of the Board

WM. FREDERICK BULL,  
*Director*

H. T. AITKEN,  
*Director*

# INSURANCE CORPORATION

(PORT CREDITS INSURANCE ACT)

## Assets and Liabilities

December 31, 1953

### LIABILITIES AND CAPITAL

Accounts payable . . . . .	\$	25,546	
Policyholders' deposits . . . . .		52,660	
Receiver General of Canada:			
Receipts, less overhead, arising out of contracts entered into under Section 21 of the Act . . . . .			55,457
Underwriting reserve:			
Balance at January 1, 1953 . . . . .	\$1,631,617		
Deduct: Net result of operations for the year ended December 31, 1953, per Schedule I . . . . .	563,505	1,068,112	
			<u>1,201,775</u>
Capital:			
Capital stock;			
Authorized, issued and fully paid— 50,000 shares par value \$100 each held in trust for Her Majesty by the Minister of Trade and Commerce . . . . .	5,000,000		
Capital surplus;			
Paid in by the Minister of Finance as directed under Section 10(3) of the Act at the rate of \$100 per share of capital stock issued . . . . .	5,000,000	10,000,000	
			<u>\$11,201,775</u>

Signed for purpose of identification only and subject to my Report (copy herewith) to the Minister of Trade and Commerce.

WATSON SELLAR,  
Auditor General of Canada

Ottawa, March 10, 1954

The Rt. Hon. C. D. Howe, M.P.,  
Minister of Trade and Commerce,  
OTTAWA.

Dear Mr. Howe:

*Re: Export Credits Insurance Corporation*

Having completed the audit of the accounts of the above-noted Corporation for the fiscal year ended December 31, 1953, I now report to you, in compliance with the requirements of Section 87 of The Financial Administration Act, the results of the examination both of the accounts, and of the Financial Statement forwarded herewith.

The asset 'Possible recoveries against claims paid', appearing on the Statement of Assets and Liabilities at the nominal sum of \$1, includes foreign currencies of approximately \$2,000,000 on deposit abroad but at present 'frozen' because of exchange restrictions. It is expected the major portion of the outstanding paid claims will be recovered.

The liabilities do not include provision for the amount payable for income tax, if any.

The 'Underwriting reserve' represents the cumulative excess of income over claims paid and expenses since the Corporation commenced operations; it is not a calculated reserve based on the risks underwritten because, owing to unpredictable factors in international credit insurance, it is not considered feasible to establish appropriate actuarial data such as is utilized for such calculations in other fields of insurance. The reserve is understated by whatever amount may be recovered in respect of foreign currencies and doubtful accounts.

Subject to the foregoing, I certify that, in my opinion,

1. proper books of account have been kept by the Corporation;
2. the Financial Statement has been prepared on a basis consistent with that of the preceding year and is in agreement with the books of account; also, the Statement of Assets and Liabilities and the accompanying Statement of Operations, respectively, give a true and fair view of the state of the Corporation's affairs as at December 31, 1953, and of the results of the Corporation's operations for the fiscal year;
3. the transactions of the Corporation, that have come under my notice, have been within its powers as set forth in the Export Credits Insurance Act and in the Financial Administration Act.

Yours faithfully,  
WATSON SELLAR,  
*Auditor General*

## EXPORT CREDITS INSURANCE CORPORATION

Statement of Operations for the year ended  
December 31, 1953

## INCOME:

Premiums on risks underwritten . . .	\$	344,783	
Interest on investments . . .	\$276,782		
Loss on investments sold . . .	11,350	265,432	\$ 610,215

## EXPENSES:

## Salaries:

Executive officers . . .	24,380	
Other . . . . .	69,660	94,040

Travel . . . . .		8,082
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Telephone, telegrams, cables and credit reports . . . . .		7,640
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Stationery, printing, postage and office supplies . . . . .		3,105
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Rents . . . . .		10,975
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Advisory Council meeting in Ottawa . . . . .		961
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Depreciation of office furnishings and equipment . . . . .		1,839
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Other . . . . .		4,514
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		<u>131,156</u>
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Less: Overhead applicable to contracts issued under Section 21 of the Act . . . . .	18,486	112,670
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		<u>497,545</u>
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## POLICYHOLDERS' CLAIMS:

Payments . . . . .	2,185,476	
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## Recoveries:

Applicable to payments in 1953 . . . . .	\$685,551	
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Applicable to payments prior to 1953 . . . . .	438,875	1,124,426	1,061,050
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Net result of operations deducted from underwriting reserve . . . . .			<u>\$ 563,505</u>
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Analysis, by countries, of actual

COUNTRY	AMOUNT
<b>COMMONWEALTH COUNTRIES</b>	
Anglo-Egyptian Sudan	\$ 8,591
Australia	412,439
Bermuda	62,843
British East Africa	17,769
British Guiana	98,983
British Honduras	9,103
British West Africa	261
British West Indies	874,403
Ceylon	2,510
Cyprus	1,710
Fiji	6,072
Hong Kong	12,373
India	127,769
Malaya	23,471
Mauritius	55
New Zealand	238,179
Pakistan	5,003
Rhodesia	53,493
South Africa	1,600,026
United Kingdom	624,747
<b>Total Commonwealth Countries</b>	<b>\$ 4,179,800</b>

**FOREIGN COUNTRIES**

Argentina	2,561,853
Bahrein Island	795
Belgian Congo	66,846
Belgium	919,037
Bolivia	81,245
Brazil	826,806
Chile	1,316,626
Colombia	879,378
Costa Rica	220,757
Cuba	1,365,565
Denmark	26,575
Dominican Republic	321,045
Ecuador	201,492
Egypt	10,488
Finland	31,319
France	950,255
French Africa	396,754
French Oceania	24,040
German Federal Republic	117,706
Greece	46,822

Risks underwritten during 1953

COUNTRY	AMOUNT
Guatemala	68,700
Haiti	22,388
Honduras	16,975
Iceland	11,104
Indonesia	29,125
Iran	12,731
Iraq	223,573
Ireland	75,368
Israel	27,050
Italy	915,771
Japan	92,634
Jordan	183
Lebanon	60,327
Liberia	7,500
Madagascar	313
Marianas Islands	1,571
Mexico	3,794,449
Netherlands	96,821
Netherlands Antilles	79,614
Netherlands Guiana	12,969
Nicaragua	210,350
Norway	50,446
Panama	124,435
Paraguay	71,143
Peru	299,329
Philippines	25,390
Portugal	111,042
Portuguese Africa	23,669
Puerto Rico	162,369
St. Pierre & Miquelon	939
Salvador	83,933
Saudi Arabia	15,431
Spain	61,500
Sweden	188,934
Switzerland	217,082
Syria	97,494
Thailand	150,992
Turkey	178,827
United States of America	1,862,127
Uruguay	309,362
Venezuela	1,135,509
Yugoslavia	104,524
Total Foreign Countries	\$ 21,399,397
Total All Countries	\$ 25,579,197

## BOARD OF DIRECTORS

WM. FREDERICK BULL, CHAIRMAN

*Deputy Minister  
of Trade and Commerce*

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

G. F. TOWERS, C.M.G.  
*Governor  
Bank of Canada*

L. C. AUDETTE  
*Chairman, Canadian  
Maritime Commission*

J. J. DEUTSCH  
*Assistant Deputy  
Minister of Finance*

H. T. AITKEN  
*President and  
General Manager*

## ADVISORY COUNCIL

HON. HECTOR AUTHIER  
Amos

C. D. JACOX  
Edmonton

R. B. BUCKERFIELD  
Vancouver

LEON J. KOERNER  
Vancouver

R. H. DAVIS  
Welland

GEORGE W. ROBERTSON  
Regina

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

FLETCHER S. SMITH  
Halifax

RAYMOND GARNEAU  
Quebec

JAMES STEWART, C.B.E.  
Toronto

H. G. HESLER  
Montreal

K. F. WADSWORTH  
Toronto

F. HOMER ZWICKER  
Lunenburg

## OFFICERS

H. T. AITKEN  
*President and  
General Manager*

A. W. THOMAS  
*Chief Credit Officer*

T. CHASE-CASGRAIN  
*Secretary*









