

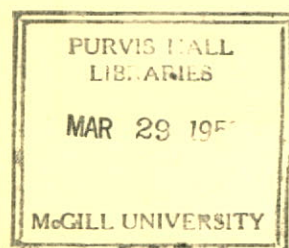
~~Comp file
(history)~~
c.



EXPORT CREDITS
INSURANCE CORPORATION

ANNUAL REPORT
AND
FINANCIAL STATEMENTS

DECEMBER 31, 1950



EXPORT CREDITS INSURANCE CORPORATION

INCORPORATED UNDER THE EXPORT CREDITS INSURANCE ACT

**SEVENTH
ANNUAL REPORT**

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1950



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, 1951

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 accounts of the Export Credits Insurance Corporation for the year ended December 31, 1950.

The pattern of Canada's external trade during the year under review showed marked changes from previous years which was not without effect on the Corporation's activities. While the volume of Canada's overall exports was maintained, and indeed slightly increased in 1950, exports to the U.S.A. which are seldom insured through the Corporation rose substantially to offset a decline of 26% in exports to other destinations. However, the volume of exports insured by the Corporation during 1950 was only 8% less than during 1949.

Actual shipments during 1950 reported under current Policies amounted to \$33,025,438, compared with \$35,841,184 during 1949. Premiums paid in respect of these Declarations totalled \$217,225 in 1950 and \$220,721 in 1949.

The practice of the Corporation is to issue Policies to exporters in respect of their anticipated business for the ensuing twelve months. It is from this estimate that the total liability of the Corporation under the Policies is determined, being agreed at a percentage of each insured's own estimate. The initial deposit made by the insured is calculated in a similar manner. Thereafter premiums are paid, and actual risks undertaken, on the basis of monthly reports of shipments made and contracts entered into.

As at December 31, 1950 there were 167 Policies current, covering exports of a wide variety of products. Of these Policies 159 were issued to exporters of general commodities to cover all their sales during a twelve-month period, and 8 were specific Policies covering individual contracts of sale of capital goods. 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	39	\$ 520,000
\$ 25,001 to \$ 100,000	59	\$ 3,612,000
\$ 100,001 to \$ 250,000	33	\$ 5,698,000
\$ 250,001 to \$1,000,000	20	\$10,060,000
\$1,000,001 and over	8	\$27,548,000
	159	\$47,438,000

CAPITAL GOODS POLICIES

	<i>Policies</i>	<i>Contract Amount</i>
\$ 25,000 and under	2	\$ 16,335
\$ 25,001 to \$ 100,000	1	\$ 30,330
\$ 100,001 to \$ 250,000	2	\$ 270,050
\$ 250,001 to \$1,000,000	2	\$ 594,630
\$1,000,001 and over	1	\$1,908,191
	8	\$2,819,536

The aggregate liability assumed by the Corporation under these Policies was \$26,042,454 to which has to be added liabilities totalling \$6,352,000, resulting from Policies issued in previous years which have now expired. The total of these two, i.e., \$32,394,454, compares with \$43,118,505 as at December 31, 1949. The maximum liability of the Corporation under Section 14 of the Act is limited to \$100 million.

Section 20A of the Act provides that in certain circumstances contracts of insurance may be issued under which the risk is carried by the Consolidated Revenue Fund rather than by the Corporation. By authority of Order in Council P.C. 708 of February 14, 1950 a Policy was issued to Canadian-Brazilian Services Limited in accordance with the provisions of Section 20A. Under the Policy the exporter was authorized to ship up to a maximum of \$5 million of capital goods to Brazil over the period of a year. No shipments were made under the Policy during the year it was in force and the right to ship thereunder expired January 31, 1951.

41 claims were paid during 1950 amounting to \$66,203, as compared with 137 claims amounting to \$515,201 in 1949. Recoveries of \$327,004 were obtained during the year. Of these recoveries, \$29,330 was applicable to claims paid in 1950, while the balance of \$297,674 was applicable to claims paid in previous years. The claims experience of the Corporation to December 31, 1950, analyzed by type of risk insured, is as follows:

<i>Nature of Claim</i>	<i>Claims</i>		<i>Irre-</i>	<i>Net</i>
	<i>Paid</i>	<i>Recoveries</i>	<i>coverable</i> <i>Losses</i>	<i>Outstanding</i>
Insolvency	\$ 21,925	\$ 11,606	\$ 3,433	\$ 6,886
Overdue Accounts. . .	184,223	11,388	4,925	167,910
Exchange Transfer				
Difficulties	470,777	440,507	378	29,892
Other.	27,267	5,574	2,922	18,771
	<u>\$704,192</u>	<u>\$469,075</u>	<u>\$11,658</u>	<u>\$223,459</u>

It is not practicable to estimate any valuation of the net outstanding claims, but it is anticipated that further recoveries will be made.

Total income for the year amounted to \$486,266 including \$266,200 interest earned on Government of Canada bonds. Operating expenses, details of which are set out in the attached Statement, totalled \$95,271. The result of the operations of the Corporation for the year, after paying for Policyholders' claims and making recoveries, was a net addition to the Underwriting Reserve of \$651,796.

The fifth meeting of the Advisory Council, which was 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 8, 1950 and was attended by 9 members of the Council.

The Corporation had a staff of 24 officers and employees at the end of the year. The Corporation has branches in Montreal and Toronto, and senior officers of the Corporation made periodic trips throughout Canada calling on associations, banks and exporters, and explaining the functions of the Corporation to interested groups.

The figures for the 5½ years since the Corporation commenced operations are of interest, and show the following results:

Premiums		\$ 889,565
Deduct:		
Operating Expenses	\$387,585	
Claims paid	\$704,192	
*Less: Recoveries	469,076	
	<u>235,116</u>	
		<u>622,701</u>
Surplus on operations before interest on investments		266,864
Interest on investments		<u>1,136,142</u>
Balance at credit of Underwriting Reserve as at December 31, 1950		<u><u>\$1,403,006</u></u>

* Includes \$1.00 set up as nominal value of anticipated recoveries.

From the above statement it will be seen that, disregarding the interest earned on the capital provided by the Government, the excess of premium income over all expenses and losses amounts to \$266,864. This net credit to the Underwriting Reserve has been earned on export sales totalling \$127,840,793.

While credit conditions during the first few years of the Corporation's existence have been relatively favourable, difficulties in the transfer of funds were evident during 1948 and 1949, and resulted in substantial, though fortunately temporary, losses. The exchange transfer risk appears to have lessened considerably during the last few months of 1950, due to an improvement in the gold and dollar holdings of many of Canada's customers.

Yours faithfully,

M. W. MACKENZIE,

Chairman.

EXPORT CREDITS INSURANCE CORPORATION

(INCORPORATED UNDER "THE EXPORT CREDITS INSURANCE ACT")

Statement of Assets and Liabilities as at December 31, 1950

ASSETS	
Cash on Hand and in Banks	\$ 281,426
Accounts Receivable—Premiums due from Policyholders	15,743
Accrued Interest on Investments	87,370
Investments—Government of Canada Bonds at amortized cost (Market value \$10,857,709)	11,061,224
Nominal value of possible recoveries against amounts paid on Claims of \$223,459	1
Deferred Charges	393
Office Furnishings and Equipment at cost	\$17,104
Less: Reserve for Depreciation	5,842
	11,262
	\$11,457,419

Note: Under the contracts of insurance issued and outstanding at December 31, 1950, the maximum liability of the Corporation was \$36,644,454, of which the Government of Canada assumes the liability of \$4,250,000, payable out of the Consolidated Revenue Fund, in respect of contracts issued under Section 20A of the Act.

Approved on behalf of the Board

M. W. MACKENZIE,
Director

H. T. AITKEN,
Director

EXPORT CREDITS INSURANCE CORPORATION

(INCORPORATED UNDER THE "EXPORT CREDITS INSURANCE ACT")

Statement of Assets and Liabilities

December 31, 1950

LIABILITIES AND CAPITAL

Accounts Payable	\$	550	
Policyholders' Deposits		36,355	
Receiver General of Canada: Receipts, less overhead, arising out of contracts entered into under Section 20A of the Act			17,508
Underwriting Reserve: Balance at December 31, 1949	\$	751,210	
Net result of operations for the year ended December 31, 1950 (Schedule I)		651,796	
		<hr/>	1,403,006
Capital: Capital Stock Authorized: 50,000 shares par value \$100 each Issued and fully paid: 50,000 shares held in trust for His Majesty by the Minister of Trade & Commerce.		5,000,000	
Capital Surplus: Paid in by the Minister of Finance at the rate of \$100 per share of capital stock issued		5,000,000	
		<hr/>	10,000,000
			<hr/>
			<u>\$11,457,419</u>

I have examined the accounts of the Export Credits Insurance Corporation for the year ended December 31, 1950, and have obtained all the information and explanations I have required. In my opinion, the above Statement of Assets and Liabilities is properly drawn up so as to exhibit a true and correct view of the state of the Corporation's affairs as at December 31, 1950, according to the best of my information and the explanations given to me and as shown by the books of the Corporation.

WATSON SELLAR,
Auditor General of Canada.

EXPORT CREDITS INSURANCE CORPORATION

Statement of Operations for the year ended
December 31, 1950

INCOME:		
Premiums on risks underwritten	\$217,226	
Interest on investments	266,200	
Profit on sale of investments	2,840	
	<u> </u>	\$486,266
EXPENSES:		
Salaries	72,548	
Travelling expenses	6,283	
Telephone, telegrams, cables and credit reports	4,508	
Stationery, printing, postage and office supplies	2,848	
Rents	3,195	
Expenses of Advisory Council meeting in Ottawa	829	
Depreciation of office furnishings and equipment	1,710	
Other expenses	3,350	
	<u> </u>	95,271
		<u>390,995</u>
POLICYHOLDERS' CLAIMS:		
Payments	66,203	
Recoveries:		
Applicable to payments in 1950	\$ 29,330	
Applicable to payments prior to 1950	297,674	
	<u> </u>	327,004
		<u> </u>
Excess of recoveries over claims paid		260,801
Net result of operations for the year added to Underwriting Reserve		<u>\$651,796</u>

Analysis, by countries, of actual

COUNTRY	AMOUNT
COMMONWEALTH COUNTRIES	
Anglo-Egyptian Sudan	\$ 46,886
Australia	694,098
Bermuda	23,615
British East Africa	12,170
British Guiana	7,928
British Honduras	6,026
British West Africa	868
British West Indies	284,619
Ceylon	33,989
Cyprus	1,984
Eire	86,373
Fiji	3,443
Hong Kong	166,836
India	418,519
Malaya	33,894
Mauritius	166
New Zealand	383,951
Pakistan	3,704
Rhodesia	1,832
South Africa	1,654,405
United Kingdom	3,185,665
Total Commonwealth Countries	7,050,971
FOREIGN COUNTRIES	
Argentina	1,449,684
Austria	37,406
Bahrein Island	1,649
Belgian Congo	221,823
Belgium	1,011,870
Bolivia	57,101
Brazil	1,823,105
Chile	566,058
China	¥ 100
Colombia	938,326
Costa Rica	115,050
Cuba	1,440,952
Czechoslovakia	2,000,000
Denmark	95,615
Dominican Republic	459,840
Ecuador	115,165
Egypt	64,832
Finland	11,181
France	2,188,793
French Africa	657,195

risks underwritten during 1950

COUNTRY	AMOUNT
German Federal Republic	\$ 866
Greece	288,663
Guatemala	178,559
Haiti	151,884
Honduras	18,636
Hungary	274
Iceland	8,110
Iran	185,519
Iraq	13,958
Israel	380,912
Italy	249,478
Kuwait	364
Lebanon	138,327
Madagascar	91,446
Mexico	1,491,341
Netherlands	265,953
Netherlands Antilles	36,272
Netherlands Guiana	14,805
Nicaragua	50,716
Norway	85,617
Panama	74,073
Paraguay	6,257
Peru	452,809
Philippines	108,071
Portugal	756,389
Portuguese Africa	64,039
Puerto Rico	93,974
St. Pierre and Miquelon	1,442
Salvador	72,888
Samoa	6,307
Spain	2,052
Sweden	424,082
Switzerland	195,896
Syria	56,461
Thailand	67,002
Turkey	2,742,647
United States of America	1,210,976
Uruguay	525,620
Venezuela	2,206,037
Total Foreign Countries	25,974,467
Total All Countries	<u><u>\$33,025,438</u></u>

BOARD OF DIRECTORS

M. W. MACKENZIE, C.M.G., CHAIRMAN

*Deputy Minister
of Trade and Commerce*

W. C. CLARK, C.M.G.
Deputy Minister of Finance

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

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

J. J. DEUTSCH
Department of Finance

W. F. BULL
*Assistant Deputy Minister
of Trade and Commerce*

H. T. AITKEN
General Manager

ADVISORY COUNCIL

HON. HECTOR AUTHIER
Amos

H. R. MACMILLAN, C.B.E.
Vancouver

R. B. BUCKERFIELD
Vancouver

GEORGE W. ROBERTSON
Regina

R. H. DAVIS
Welland

C. H. G. SHORT
Montreal

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

FLETCHER S. SMITH
Halifax

RAYMOND GARNEAU
Quebec

JAMES STEWART, C.B.E.
Toronto

H. G. HESLER
Montreal

C. D. JACOX
Edmonton

HOMER ZWICKER
Lunenburg

OFFICERS

H. T. AITKEN
General Manager

A. W. THOMAS
Chief Credit Officer

T. CHASE-CASGRAIN
Secretary

