



EXPORT CREDITS
INSURANCE CORPORATION

ANNUAL REPORT
AND
FINANCIAL STATEMENTS

DECEMBER 31, 1948

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EXPORT CREDITS INSURANCE CORPORATION

INCORPORATED UNDER THE EXPORT CREDITS INSURANCE ACT

FIFTH
ANNUAL REPORT
AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1948



HEAD OFFICE
OTTAWA

BRANCHES

MONTREAL

TORONTO

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 of the Bank of Canada

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

J. E. COYNE
*Executive Assistant to the Governors
Bank of Canada*

J. J. DEUTSCH
Department of Finance

H. T. AITKEN
General Manager

ADVISORY COUNCIL

J. A. AMYOT, K.C.
Quebec

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

HON. HECTOR AUTHIER
Amos

GEORGE W. ROBERTSON
Regina

R. B. BUCKERFIELD
Vancouver

C. H. G. SHORT
Montreal

R. H. DAVIS
Welland

FLETCHER S. SMITH
Halifax

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

JAMES STEWART, C.B.E.
Toronto

H. G. HESLER
Montreal

HOMER ZWICKER
Lunenburg

C. D. JACOX
Edmonton

OFFICERS

H. T. AITKEN
General Manager

A. W. THOMAS
Chief Credit Officer

T. CHASE-CASGRAIN
Secretary

EXPORT CREDITS INSURANCE CORPORATION

March 31, 1949

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, 1948.

The Act which was passed in 1944 provides that "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". Accordingly, Policies issued by the Corporation protect exporters, for a premium, against certain risks of loss involved in export trade. Some of these risks are the insolvency of a foreign buyer, cancellation of an import license, and changes in foreign exchange regulations in the buyer's country which result in a loss for the exporter. It should be noted that an exporter cannot obtain protection against these risks from commercial insurers.

As at December 31, 1948 there were 158 standard Policies in force covering exports of a wide variety of products. Of these Policies, 149 were issued to exporters of general commodities to cover all their sales during a twelve-month period and 9 were specific Policies covering individual sales of capital goods. The classification of these Policies by export volume is as follows:

GENERAL COMMODITIES POLICIES

	<i>Number of Policies</i>	<i>Estimated Annual Export Volume</i>
\$ 25,000 and under	34	\$ 480,000
\$ 25,001 to \$ 100,000	53	\$ 3,180,000
\$ 100,001 to \$ 250,000	35	\$ 6,246,000
\$ 250,001 to \$1,000,000	22	\$11,312,000
\$1,000,001 and over	5	\$15,670,000
	<u>149</u>	<u>\$36,888,000</u>

CAPITAL GOODS POLICIES

	<i>Number of Policies</i>	<i>Total Amount of Contracts</i>
\$ 25,000 and under	5	\$ 49,460
\$ 25,001 to \$ 100,000	1	\$ 41,250
\$ 250,001 to \$1,000,000	2	\$ 759,089
\$1,000,001 and over	1	\$ 3,300,000
	<u>9</u>	<u>\$ 4,149,799</u>

Declarations of export sales made by Policyholders during 1948 amounted to \$19,694,674. and premiums paid in respect of these declarations totalled \$103,505.22. In addition, Policies in force at December 31, 1948, which were issued in previous years, covered export sales amounting to \$3,993,595. Premiums paid under these Policies were received prior to 1948, and accordingly were included in previous statements of income and expenditure. Actual risks underwritten and covered by standard Policies in force during 1948 therefore totalled \$23,688,269. in respect of exports to buyers in 68 different countries.

During the year the Act was amended by 11-12 George VI, Chapter 17, which added Section 20A in order to take care of cases where 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, having regard to the limitation imposed by Section 14 of the Act. That Section provides that the maximum liability the Corporation may assume shall not exceed a total of 10 times its paid-up capital and surplus. The amendment provides that where in the opinion of the Minister it is in the national interest that a proposed contract of insurance be entered into, the Corporation may, upon approval of the Governor in Council, issue such a contract, but all moneys required by the Corporation to discharge its liabilities arising out of such contracts would be paid out of unappropriated moneys in the Consolidated Revenue Fund. Under the authority of this Section 20A, Order in Council P.C. 5214 was passed on November 10, 1948 authorizing the Corporation to issue a Policy to Canadian Brazilian Services Limited covering exports of capital goods from Canada to Brazil valued at \$5,700,000. to be made over a period of years. To December 31, 1948 premiums of \$14,171.95 had been received under this Policy, of which 20% has been applied against the Corporation's overhead and the remaining 80% carried to a Special Reserve for the account of the Receiver General of Canada.

Total income for the year amounted to \$357,846.70, including \$254,341.48 interest earned on Government of Canada bonds. Operating expenses, details of which are set out in the attached statements, totalled \$83,470.75. Claims paid to exporters covering losses sustained by them

under the terms and conditions of their Policies amounted to \$110,725.29. The great majority of these claims resulted from exchange transfer difficulties with relatively few arising from the insolvency of the buyer. Subsequent to payment of some claims the necessary foreign exchange was made available by the importing country, and accordingly recoveries of \$37,738.65 were obtained. It is anticipated that substantial additional recoveries will be made. The year's operations, as shown by the attached Statement of Income and Expenditure, disclose an excess of income over expenditure of \$201,389.31 which has, in accordance with the practice followed by the Corporation since its inception, been added to Underwriting Reserve.

The third 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 October 27, 1948 and was attended by eight members of the Council. It is with regret that I have to record the death in October last of one of the members of the Advisory Council, Col. K. A. McLennan of Vancouver.

The Corporation had a staff of twenty-five officers and employees at the end of the year. No new offices were opened during 1948. 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 nature of the Corporation's activities is such that it is difficult to measure the results achieved by an examination of its accounts on a year to year basis, or even during a period of three or four years. Of necessity the volume of claims which it has to pay will fluctuate more or less directly with economic conditions prevailing from time to time throughout the world. However, the figures for the 3½ years since the Corporation commenced operations are of some interest and show the following results:

Premiums	\$ 451,617.09	
Interest	611,917.56	\$1,063,534.65
Operating Expenses		202,174.21
		<u>861,360.44</u>
Claims Paid	122,786.08	
Less: Recoveries	47,151.02	75,635.06
Balance at credit of Underwriting Reserve as at December 31, 1948		<u>\$ 785,725.38</u>

During 1946 and 1947 there was a steadily increasing number of Policyholders, but in 1948, due mainly to import and exchange restrictions in foreign countries, some Policyholders discontinued their export

business and their Policies accordingly lapsed. This was to be expected since the nature of the trade restrictions being adopted by other countries falls with the greatest weight on manufactured goods which is the principal type of commodity insured by the Corporation. However, the number of new Policies issued during the year about equalled those which expired. While credit conditions during the first three years of the Corporation's existence were relatively favourable, difficulties in the transfer of funds and deterioration in credit conditions generally have been evident during the past year.

Yours faithfully,

M. W. MACKENZIE,

Chairman.

EXPORT CREDITS
(INCORPORATED UNDER
Statement of Assets
as at December

ASSETS		
Cash on Hand and in Banks		\$ 254,967.93
Accounts Receivable — Premiums due from Policyholders		18,029.87
Accrued Interest on Investments		87,190.64
Investments — Government of Canada Bonds at amortized cost (Market value \$10,373,560)		10,455,118.34
Nominal value of possible recoveries against amounts paid on Claims		1.00
Deferred Charges		397.25
Office Furnishings and Equipment at cost	\$13,821.89	
Less: Reserve for Depreciation	2,582.21	11,239.68
		\$10,826,944.71

Note: Under the contracts of insurance issued and outstanding at December 31, 1948, the maximum liability of the Corporation was \$31,379,344., of which the Crown assumes the liability of \$4,846,855., 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

INSURANCE CORPORATION

("THE EXPORT CREDITS INSURANCE ACT")

and Liabilities

31, 1948

LIABILITIES AND CAPITAL

Accounts Payable	\$	516.77	
Policyholders' Deposits		29,365.00	
Special Reserve:			
Receiver General of Canada			
Receipts, less overhead, arising out of contracts entered into under Section 20A of the Act			11,337.56
Underwriting Reserve:			
Balance at December 31, 1947	\$	584,336.07	
Excess of income over expenditure for the year ended December 31, 1948 (Schedule I)		<u>201,389.31</u>	785,725.38
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 and Commerce		5,000,000.00	
Capital Surplus: Paid in by the Minister of Finance at the rate of \$100 per share of capital stock issued		<u>5,000,000.00</u>	<u>10,000,000.00</u>
			<u>\$10,826,944.71</u>

I have examined the accounts of the Export Credits Insurance Corporation for the year ended December 31, 1948, 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, 1948, 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.

EXPORT CREDITS INSURANCE CORPORATION
Statement of Income and Expenditure for the year
ended December 31, 1948

INCOME:

Premiums on risks underwritten	\$103,505.22	
Interest on investments	<u>254,341.48</u>	\$357,846.70

EXPENSES:

Salaries	65,756.73	
Travelling expenses	7,038.25	
Telephone, telegrams, cables and credit reports	3,693.75	
Stationery, printing, postage and office supplies	3,002.87	
Rents	2,000.00	
Expenses of Advisory Council meeting in Ottawa	1,035.55	
Depreciation of office furnishings and equipment	1,383.33	
Other expenses	<u>2,394.66</u>	
	86,305.14	
Less: Overhead applicable to contracts issued under Section 20A of the Act	<u>2,834.39</u>	<u>83,470.75</u>
		<u>274,375.95</u>

POLICYHOLDERS' CLAIMS:

Payments	110,725.29	
Recoveries	<u>37,738.65</u>	<u>72,986.64</u>
Excess of income over expenditure, transferred to Underwriting Reserve		<u><u>\$201,389.31</u></u>

**Analysis, by countries, of actual risks underwritten
during 1948**

COUNTRY	AMOUNT	COUNTRY	AMOUNT
BRITISH EMPIRE		Germany (Western)	\$1,244,441
Australia \$	301,135	Greece	5,780
Bermuda	2,899	Guatemala	66,462
British Guiana	74,600	Haiti	54,356
British Honduras	9,156	Honduras	7,872
British West Africa	2,352	Iceland	20,815
British West Indies	705,789	Iran	787
Ceylon	43,601	Italy	160,368
Eire	115,671	Luxembourg	106
Fiji	2,955	Mexico	277,827
Hong Kong	6,982	Netherlands	992,404
India	40,633	Netherlands Guiana	14,657
Malaya	14,717	Netherlands West Indies	95,013
Mauritius	49	Nicaragua	47,693
Newfoundland	114,914	Norway	39,279
New Zealand	57,493	Panama	39,579
Pakistan	13,769	Paraguay	4,912
Rhodesia	25,129	Peru	53,402
South Africa	1,356,774	Poland	188,450
United Kingdom	<u>5,456,269</u>	Portugal	181,538
Total British Empire.	<u><u>8,344,887</u></u>	Portuguese Africa	8,331
FOREIGN COUNTRIES		Portuguese Asia	149
Argentina	547,478	Puerto Rico	943
Bahrein Island	437	St. Pierre and Miquelon	2,194
Belgian Congo	42,167	Salvador	43,878
Belgium	915,236	Siam	3,440
Bolivia	45,194	Spain	76,275
Brazil	5,468,556	Sweden	62,204
Chile	268,957	Switzerland	480,640
China	49,162	Turkey	2,480
Colombia	396,560	United States of America	2,013,367
Costa Rica	1,190	Uruguay	26,728
Cuba	151,248	Venezuela	<u>934,647</u>
Dominican Republic	43,263	Total Foreign Countries	<u>15,669,216</u>
Ecuador	34,648	Total All Countries	<u><u>\$24,014,103</u></u>
Egypt	4,889		
Finland	544,714		
France	4,500		

