

## COLLECTION BY DRAFT

### Most Common and Advantageous for Home Use as Well as Foreign

In the November issue of the Foreign Trade Bulletin, issued by the Foreign Trade Information Bureau of the American Express Company, 65 Broadway, New York, the subject of collecting foreign drafts is covered as follows:—

"Undoubtedly the most commonly used process for making collections against shipments of United States products going abroad is an arrangement whereby the exporter draws a draft upon the purchaser. By this means neither the exporter nor the purchaser need tie up their capital, but, by combining their signatures, can jointly obtain the credit facilities which are advantageous to both parties.

"In a great many cases, however, shippers prefer not to offer these drafts for sale to the banks which handle them, but, after having made them out for an amount sufficient to cover exchange, interest and all other charges, turn them over to their banker for collection. Under these circumstances, payment is not made by the United States banker until the proceeds have been received from his foreign correspondent.

"This does not necessarily mean that the standing of the shipper makes it inadvisable for the bank to purchase his bills of exchange. On the contrary, it may be that the discount rates are unfavorable, and the exporter, having ample funds, prefers to wait for the returns after collection abroad. Or, again, it frequently happens that the consignee is unknown and the shipper does not wish to discount his draft with his bank, when he feels uncertain that it will be taken care of at the other end, thereby possibly incurring expensive protest fees and other charges.

"In other instances, shippers arrange with consignees to allow them to take delivery of the underlying merchandise in part lots, making pro-rata payments, and, therefore, it is preferable not to sell the draft, but to have returns made for each part lot as delivered.

#### Adoption of Method.

"Once having decided to adopt this 'collection' method, it is important that instructions given with the drafts sent for collection should be full and complete. For example, in India and other eastern countries, and occasionally in Europe, documents accompanying the draft are always delivered 'against payment,' if definite instructions are lacking. On the other hand, in some countries of South America shipping documents are not held by the bank, once a time draft has been accepted. Therefore, it is advisable for the exporter to include in his letter to the banker a statement as to whether documents are to be given up 'against acceptance' or 'against payment.'

"Furthermore, the instructions should outline whether the draft is to be protested in case of non-acceptance or non-payment, and whether advices of non-payment are to be made by mail or cable.

"If such advices are received, the exporter will find that his banker usually is in a position to look after his interests in numerous ways. For example, new instructions often are given to clear and store the goods, pending their re-sale to someone else in the same foreign city. This is of great importance in many South American countries, where clearance must be effected within a limited time after the arrival of the shipment, or else heavy penalties are incurred. Or, if non-payment is due to temporary financial difficulties of the purchaser, the collecting bank, upon receipt of new authority, is in position to obtain full satisfaction by using the installment plan. Allowing payment of one-third of the draft in thirty, sixty or ninety days has been successfully applied in cases which have appeared to be hopeless at first. Or again, if the shipment is valuable, instructions may be given to reforward it to another nearby market, or even to return it to the United States.

#### Return of Funds by Cable.

"In many cases, shippers request that return of their funds should be made by cable. It should be noted that when this procedure is adopted for obtaining funds from drafts drawn in United States dollars, interest has to be deducted from the face amount of the draft for the approximate time for mail advices to reach this country. This is due to the fact that

payment at the cable transfer rate cannot be enforced abroad, and the drawee, if he insists, may legally pay at the cheque rate on New York.

"Next comes the question as to who is to pay the collection charges, these being nominal sums levied upon a graduated scale and based upon the face amount of the draft. The answer depends entirely upon the conditions previously agreed upon between the seller and the buyer. If such charges are to be assumed by the purchaser of the goods, the clause 'payable with all collection charges' should be added to the draft.

"In the absence of any previous agreement as to the payment of such charges, exporters should remember that the laws of many foreign countries, particularly in South America, make it impossible for the banker to collect more than the amount for which the bill is drawn.

"Quite frequently, the above clause is used without the consent of the purchaser, and the collecting bank has the alternative of declining to receive payment altogether or of waiving all claim to the charges. If they are waived, the banker does so because he believes it to be against the exporter's interest to refuse the face amount of the draft, and naturally will look to the exporter to refund him for his services to the extent that he was entitled to collect from the drawee."

## IMPERIAL LIFE ASSURANCE COMPANY

The annual meeting of the Imperial Life Assurance Company has become one of the notable financial gatherings of the year. The meeting was held at Toronto this week, and in addition to the company's directors, head office executives, branch managers and field men, the presidents and general managers of several other Canadian life insurance companies were present. The addresses at the meeting gave an excellent idea of the strength of the company and of the esprit de corps permeating the institution, and which in no small measure is responsible for the rapid progress made by the Imperial Life during the past few years especially. Mr. G. A. Morrow, the president, presented a splendid review of business conditions, a document which should be widely circulated.

The directors' report showed the new assurances issued and assurances revived in the year amounted to \$13,087,584, establishing a new high record and exceeding the best previous record—that of the preceding year—by \$2,580,204. The gain made is assurance in force was also the greatest in the history of the company, being \$8,278,209, and bringing the total assurances up to \$63,362,339. The cash income from premiums was \$2,272,278.87, from interest \$862,674.97, and from other sources \$92.37, making the total cash income \$3,135,046.21—an increase of \$462,866.95 over the corresponding income of 1916. The benefits paid to policyholders, comprising death losses, matured endowments, profits, etc., amounted to \$1,030,392.09, exceeding by \$380,282.46 the payments made to policyholders in the previous year. The ordinary death losses of the year were 47 per cent. of the normal table mortality. Claims due to the war brought the death losses up to 78 per cent. of the normal table mortality. The total death rate, therefore, notwithstanding losses due to the war, was still well within the ordinary provision contained in the premiums and reserves.

The total assets of the company were increased during the year by \$1,309,428.87 and at the end of the year amounted to \$14,283,845.89. The sum of \$1,330,739.83, constituting nearly the whole of the funds available for new investments in the year, was placed in Dominion government loans. Our bonds and debentures are carried out in the statement at an amount well within the valuation as at the 31st December, 1917, authorized by the government for life companies' investments. The average rate of interest earned on all invested funds was 6.72 per cent., showing, therefore, that a substantial margin for security and surplus exists above the policy valuation rate of 3 per cent.

After providing for all policy liabilities on the strong basis just stated, and for payments of surplus due in the year to policyholders amounting to \$197,601.09, the policyholders' net surplus fund was increased by \$143,366.25 and now amounts to \$2,091,820.23. The company's directors, shareholders, staff and policyholders have every reason to be satisfied with the year's results, the company's standing, and the outlook for business.