the principal forms of loss arising out of overseas trade he is able to expand his exporting business and so help in maintaining Canada's foreign trade.

The corporation does not compete with commercial enterprises in the insurance field. It is nevertheless administered on a sound and businesslike basis. In all its policies it adheres to the principle of co-insurance and will pay to a maximum of 85 per cent of the contract price, leaving 15 per cent to be borne by the policyholder.

Also in keeping with another basic principle of insurance—that there should be a broad spread of risk—the corporation requires its policyholders who export consumer goods to insure all their export sales for a twelve-month period, excluding sales made to the United States of America or sales made against irrevocable letters of credit, but all other sales to all other countries must be insured. In the case of capital goods an individual policy is issued to cover the specific contract of sale.

It is the aim of the corporation to operate on a self-supporting basis. In the setting of premium rates, the tariff charged is expected to be sufficient to cover operating expenses and probable losses. Hon. members will understand that in a business of this kind the extent of the risk is far more difficult to appraise than in the case of credit insurance in the domestic market. That is the principal reason why it is practically impossible for a private concern to give this form of world-wide coverage. The experience of the corporation to date is encouraging, in that the rates charged appear to have been fair both to the insurer and the insured. But no doubt we still have something to learn from experience over the years under varying conditions of world trade.

The corporation has covered $235 million of goods exported to more than 100 different countries. While it is not possible to ascertain precisely the volume of business that would have been done had export credits insurance protection not been available, nevertheless we know for a fact that in many cases the exporter would not have considered taking on the risk involved in the export sale without the insurance protection. With the very evident change from a seller's to a buyer's market, competition in the export field is ever-increasing and the provision of export credits insurance helps exporters and encourages them to sell aggressively. In covering $235 million of business, gross claims paid totalled $3·9 million, the bulk of which have arisen due to exchange transfer difficulties. Recoveries of $1·7 million have been obtained and only $138,000 has been written off as irrecoverable.

The net outstanding claims paid at December 31, 1953 totalled $2 million, of which it is confidently expected the major portion will be recovered. The average premium rate is $0.82 per $100 on all exports covered to date. This is less than 1 per cent of the selling price. The total premiums received plus the interest on the corporation's capital have covered the operating expenses and net claims paid and left the corporation with a balance at the credit of the underwriting reserve of about $1 million.

At present the corporation is working with $10 million made up of $5 million capital stock and $5 million capital surplus. It is authorized to take on risks to the extent of ten times the capital and surplus or $100 million, indicating that the capital was supposed to bear relationship to the insurance underwritten. There is no provision by which the government guarantees the policies. It is the corporation's capital and the capital alone which provides the guarantee. Therefore the board of directors must make sure that the capital is sufficient to meet any normal losses.

I should add that the premiums received have fallen short of covering operating expenses and net claims paid by some $955,000, but if our expectations in regard to recoveries are fulfilled, the corporation will have operated on a self-supporting basis, that is, will have had no need to make use of their earnings on capital contributed by the government.

In considering applications for insurance the board must exercise reasonable prudence, and it feels it cannot take on liabilities in any one foreign country which may be excessive in relation to its capital. Accordingly the present capital limits the corporation's effective scope particularly because today's pattern of sales of agricultural equipment and capital goods such as locomotives tends to concentrate large sums at risk in individual countries. While it is not practicable to determine the precise extent to which the corporation should commit itself in any one market, as an example the corporation was recently asked to consider a program involving several million dollars in one country on normal payment terms. But it was already committed in that country to the extent of about $5 million. This additional business would obviously involve too great a concentration of risk in relation to its $10 million