I should go over it clause by clause, but on second thought I decided it would perhaps be better to give a rather short summary of the proposed legislation.

Hon. Mr. Haig: Hear, hear.

Hon. Mr. Euler: That is quite right.

Hon. Mr. MacKinnon: The purpose of this amendment to the Export Credits Insurance Act is outlined in the bill before us, and affects only Part I of the Act which has to do with insurance granted to Canadian exporters to foreign countries. Part II of the Act, under which the authority was given to make loans to foreign governments, is not affected by this amendment.

The Export Credits Insurance Act was passed as I said, in 1944 with a view to assisting exporters in trade with various countries during and following the close of hostilities in which we were engaged at that time. Its purpose was to establish a corporation which would issue such contracts of insurance to an exporter—and I now quote from the original legislation—

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.

In this way it was proposed to assist in developing and facilitating trade between Canada and other countries.

These purposes have been accomplished and much trade has been encouraged on the part of private exporters, which otherwise we would not have enjoyed.

It should be noted also that there are no private commercial concerns providing this type of insurance. In all other countries where there is similar insurance available, it is provided by the government or with government backing.

Let me review for you briefly just how the Export Credits Insurance Corporation protects exporters who would otherwise face unexpected and unpreventable losses. Risks covered by the corporation include insolvency of a foreign buyer, cancellation of an import licence in the country of destination, and the risk of adverse changes in foreign exchange regulations. It does not, however, cover trade disputes as to the quality or quantity of goods received. Although it will insure against delays in collection, if the delay is not attributable to the exporter, it does not cover repudiation on the part of the buyer if the buyer is able to pay for the goods. However, if the exporter secures a court judgment and the judgment cannot be satisfied, the corporation would have to pay the exporter and take over his claim. The insurance also may cover any blockage of funds or transfer difficulties which would prevent payment in the currency agreed upon at the time of sale. It also covers war or revolution in the country of the buyer.

Because this assistance is available to exporters, many have found it easier to obtain financial assistance from their banks. Although the exporter has to compete in world markets on the basis of quality and price, the encouragement offered by this legislation stimulates a flow of trade which would not otherwise take place.

In order that a broad spread of risk may be achieved, the corporation requires its policyholders, exporting consumer goods, to insure all their export sales for a twelve-month period, excluding sales made to the United States, or sales made against irrevocable letters of credit. Really this is a reporting policy to cover future sales in a twelve-month period. Its policies also provide for payment to a maximum of eighty-five per cent of the contract price, leaving fifteen per cent to be borne by the policy holder.

One of the purposes sought in establishing this corporation was that it would operate on a self-supporting basis. Up until now the corporation has insured $235 million of goods exported to more than a hundred different countries. On this bulk of business gross claims paid have totalled $3·9 million, the bulk of which has arisen due to exchange transfer difficulties. Recovery of $1·7 million has been obtained while only $138,000 has been written off as non-recoverable. It is the hope of the corporation that the amount outstanding will be collected.

The net outstanding claims at December 31, 1953, totalled $2 million, of which it is expected that the major portion will be recovered. The average premium rate is 82 cents on $100, or less than one per cent of the selling price. The total premiums, plus interest, on the corporation's capital have covered operating expenses and net claims paid, and resulted in a balance to the credit of the underwriting reserve of the corporation in the amount of $1 million. In other words, they have paid all expenses and all claims and are $1 million to the good.

At present the corporation's capital is $10 million. It is authorized to take on risks up to ten times that amount, or $100 million. The corporation's capital and the capital alone is what provides the guarantee. Therefore, the board of directors must make sure that the capital is sufficient to meet any normal losses. The board of directors must, of course,