

Section 4.—Insurance as it Affects the Balance of International Payments.*

Because insurance business is frequently international in its scope, the activities of this type of financial concern demand a place in studies of the balance of payments and international indebtedness. British and foreign insurance companies have important branch operations in Canada and Canadian insurance companies have external operations that extend into most parts of the world. There were, in 1938, 4 British and 9 United States companies registered to transact life insurance in Canada. In addition to these, there were 8 British and 5 United States registered companies that had practically ceased to do new business in Canada. In the same year, British companies registered to transact fire or casualty insurance in Canada numbered 74 and United States and other foreign companies of this type 197. Besides these companies, there were some registered under provincial insurance Acts and some transacting marine and inland marine insurance for which no certificates of registry are required. At the same time, there were 17 Canadian life insurance companies and 30 Canadian fire and casualty insurance companies carrying on business outside of Canada.

Most of the business carried on by British and foreign companies is transacted by branches in Canada which, in many respects, are similar to internal companies and whose operations are, therefore, to a large extent, domestic and do not give rise to international remittances. Their income in Canada is generally available for Canadian disbursements, and any surplus income there may be is frequently invested in Canadian securities. There is a tendency for these companies to build up Canadian assets against liabilities in Canada because Canada is a favourable field for investment. In the estimate of British and foreign capital invested in Canada, p. 881, the insurance item includes net assets held at the branches of British and foreign insurance companies in Canada along with the value of equity of non-resident shareholders in Canadian insurance companies.

The activities of Canadian insurance companies in other countries also do not give rise to transactions affecting the balance of international payments to the extent that might be expected from the size of the operations abroad. In many respects the transactions are entirely outside of Canada and do not directly touch the Canadian economy. A comparison of the assets and liabilities of Canadian companies outside of Canada shows that the liabilities exceed the assets, and for this reason the assets of such companies do not appear in the statement of Canadian investments abroad at p. 881. Such assets, however, have significance in relation to the Canadian economy, since a large part of them is represented by foreign marketable securities that may be transferred to or from Canada. The difference between the total assets held outside of Canada and the foreign securities held outside of Canada is due to other assets such as real estate, mortgages, loans and cash, etc., as well as substantial amounts of Canadian securities held outside of

* A much more detailed treatment of this subject will be found in Chapter XX of the publication "The Canadian Balance of International Payments—A Study of Methods and Results", by Herbert Marshall, B.A., F.S.S., Chief of the Internal Trade Branch, Dominion Bureau of Statistics. Price, \$1. The subject of international balance of payments as a whole is dealt with in the External Trade chapter, at pp. 584-589.