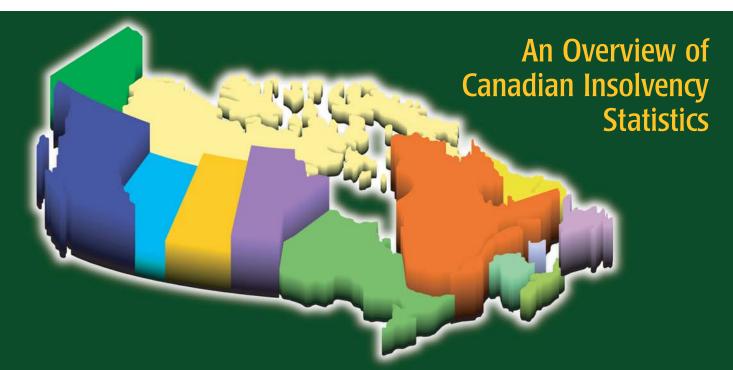


Office of the Superintendent of Bankruptcy Canada

An Agency of Industry Canada

Bureau du surintendant des faillites Canada

Un organisme d'Industrie Canada







An Overview of Canadian Insolvency Statistics

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Table of Contents

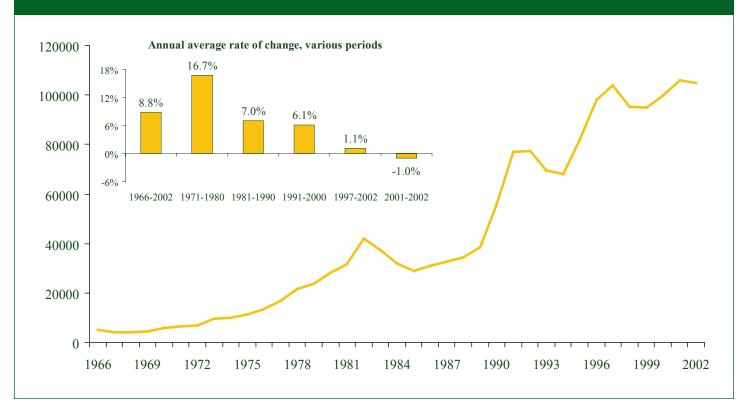
Glossary of terms and abbreviations used in this document	
Total insolvencies, Canada, 1966–2002	
Consumer insolvencies, Canada, 1966-2002	
Business insolvencies, Canada, 1966-2002	6
Relative percentages of consumer and business insolvencies, Canada, 1966-2002	
Percentages of consumer and business liabilities with respect to total liabilities, Canada, 1987-2002	10
Liabilities to GDP ratio, Canada, 1987-2002	12
Liabilities to assets ratio in consumer insolvencies, Canada, 1993-2002	14
Liabilities to assets ratio in business insolvencies, Canada, 1993-2002	16
Summary and Ordinary Administration Bankruptcies, Canada 1987-2002	18
Consumer bankruptcies, Canada, 1993-2002	

Consumer proposals, Canada, 1993-2002	22
Business bankruptcies, Canada, 1993-2002	24
Business proposals, Canada, 1993-2002	26
Total insolvencies by major Canadian region, 1987-2002	28
Consumer insolvencies by major Canadian region, 1987-2002	30
Number of consumer insolvencies per thousand residents, 18 years of age and over, for Canada's major regions and the country as a whole, 1987-2002	32
Business insolvencies by major Canadian region, 1987-2002	34
Number of business insolvencies per thousand businesses by major Canadian region, 1998 and 2002	36
Business insolvencies by major economic sector, Canada, 1987-2002	38
Number of business insolvencies per thousand businesses by major economic sector, Canada, 1998 and 2002	40

Glossary of terms and abbreviations used in this document

- **Bankruptcy**: Legal situation whereby a debtor makes an assignment to his or her creditors or has been put into official receivership
- **BIA**: Bankruptcy and Insolvency Act
- **Business**: Unless otherwise specified, this term covers both individual and incorporated businesses (incorporated businesses are also called "corporations")
- **Consumer**: debtor with less than 50 % of liabilities related to operating a business
- **Debtor**: Person, business or company that owes a debt to other parties
- **GDP**: Gross domestic product
- **Insolvency**: For simplification purposes, this term is used to cover both bankruptcies and proposals
- **OSB**: Office of the Superintendent of Bankruptcy
- **Proposal**: Proposal from a debtor to his or her creditors
- **Summary administration**: A simplified procedure where the realizable assets of the bankrupt will not exceed ten thousand dollars. By way of contrast, the ordinary administration procedure is use when the realizable assets of the bankrupt will exceed ten thousand dollars.

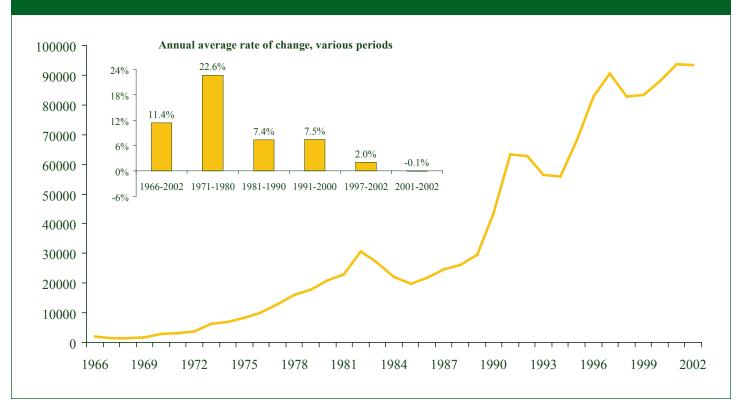
Total insolvencies, Canada, 1966–2002



From 1966 to 2002, the number of insolvency cases filed with the OSB increased an average of 8.8% per year. The highest rates of increase occurred during the 1970s. During the decades that followed, this rate of increase slowed down considerably. Since 1997, the average annual rate of increase has been 1.1%. In 2002, the number of insolvency cases filed with the OSB dropped by 1.0%.

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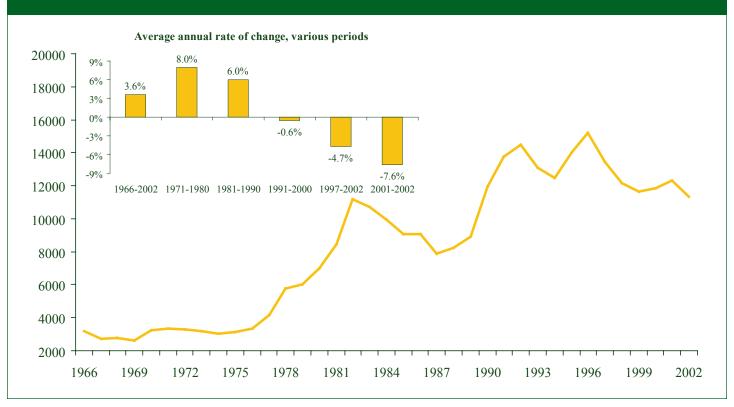
Consumer insolvencies, Canada, 1966-2002



The average rate of increase in consumer insolvency was the highest during the 1970s. During the 1980s and 1990s, this annual rate of increase averaged around 7.5%. Since 1997, there has been a marked drop in the average rate of increase in consumer insolvency in Canada.

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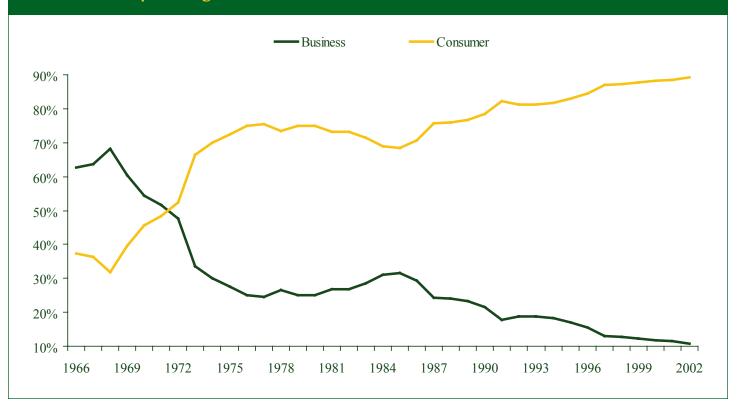
Business insolvencies, Canada, 1966-2002



Business insolvencies followed an upward trend until the late 1980s. Since the early 1990s, this trend has reversed itself. From 1997 to 2002, the annual average rate of change was –4.7%. Last year, the number of business insolvencies dropped by 7.6%.

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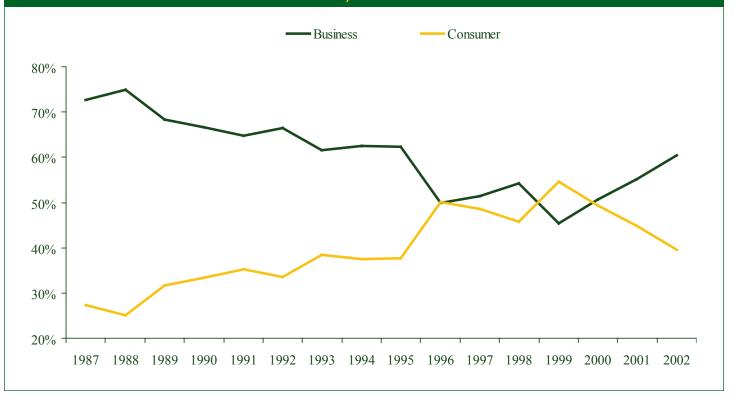
Relative percentages of consumer and business insolvencies, Canada, 1966-2002



Since the mid-1970s, most of the insolvency cases processed by the OSB have been consumer cases. In 2002, business insolvencies only represented just over 10% of all files the OSB dealt with.

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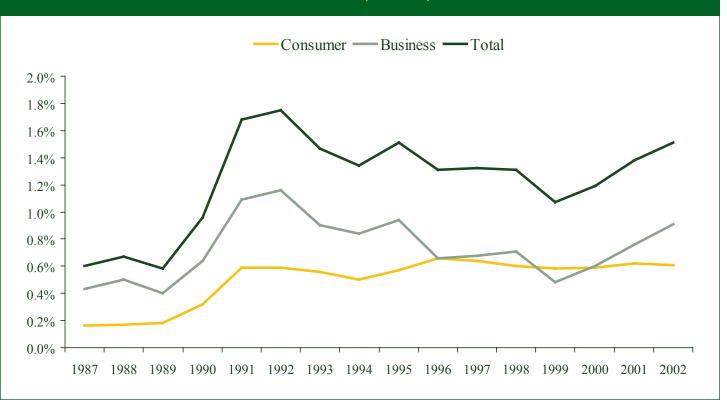
Percentages of consumer and business liabilities with respect to total liabilities, Canada, 1987-2002



Although business insolvencies between 1987 and 2002 represented an average of 17% of all files processed by the OSB, the liabilities involved represented an average of 60% of all declared liabilities.

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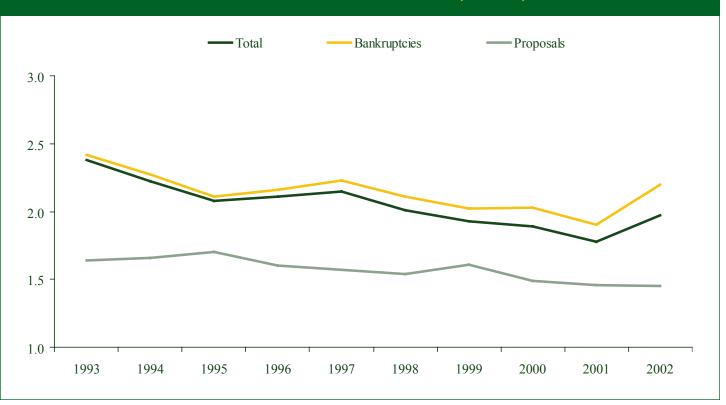
Liabilities to GDP ratio, Canada, 1987-2002



The percentage of declared liabilities in insolvencies with respect to gross domestic product (GDP) peaked at 1.75% in 1992. Since then, this ratio gradually declined to bottom out in 1999 before climbing again to 1.5% in 2002. The rise over the last four years is almost entirely the result of business liabilities

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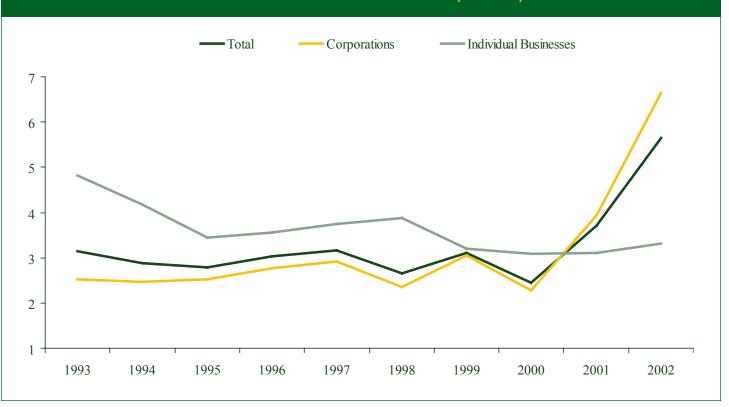




The liabilities associated with individual consumer bankruptcies were on average 2.3 times greater than the declared assets. In the case of consumer proposals, this ratio was slightly over 1.5. One reason for this is that many more debtors choose proposals as a means of protecting certain assets, like their houses

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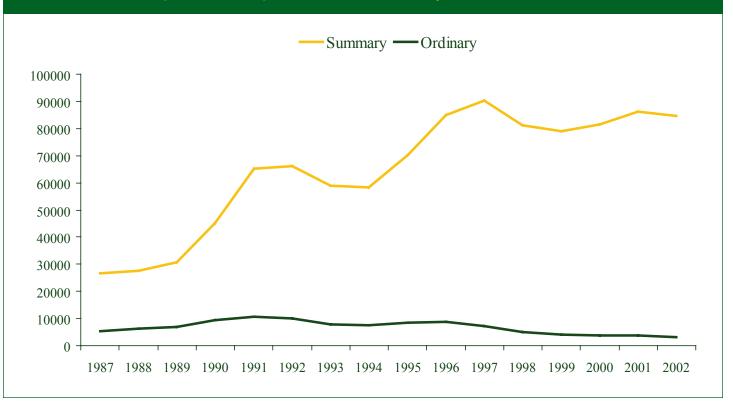
Liabilities to assets ratio in business insolvencies, Canada, 1993-2002



From 1993 to 2000, the liabilities to assets ratio of individual businesses has been slightly higher than that for corporations (incorporated businesses). In 2001 and 2002, the liabilities to assets ratio of corporations increased very quickly. This sharp increase indicates that some corporations placed under BIA protection had a highly disproportionate imbalance between their liabilities and assets.

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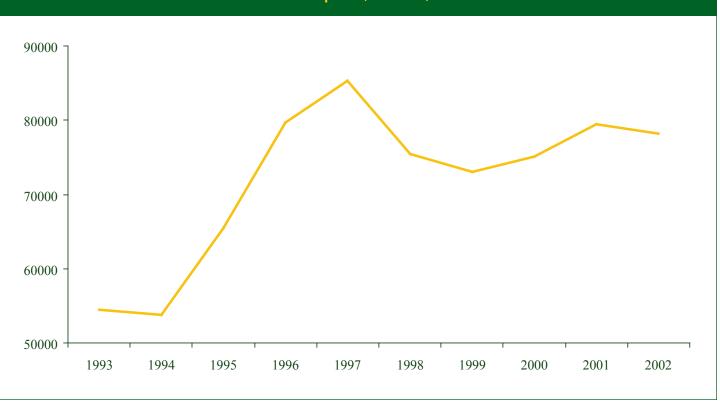
Summary and Ordinary Administration Bankruptcies, Canada 1987-2002



The number of summary administration bankruptcies has been rising since 1987. During the same period, the number of files administered by ordinary procedure has dropped considerably. In 1987, 83.2% of all bankruptcies administered by the OSB were summary administration bankruptcies. In 2002, substantially all (96.4%) of the bankruptcies administered by the OSB were summary administration bankruptcies.

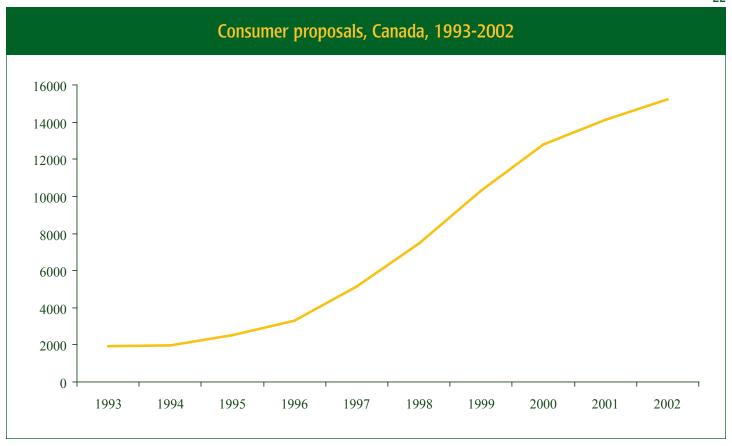
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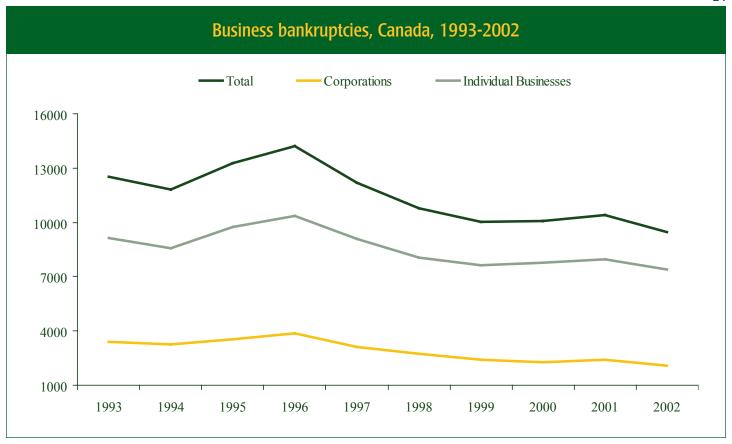
The record for consumer bankruptcies was reached in 1997 with 85,300 cases filed with the OSB. This number decreased over the next two years but then slowly climbed again. This pattern is largely explained by the increase in the number of consumer proposals, which debtors find an attractive alternative to bankruptcy.

NOTES



Since the introduction of Division II consumer proposals in 1993, their number has increased every year. Since 1993, the average annual increase in the number of consumer proposals filed with the OSB has been 25.9%. In 2002, slightly more than 15,200 proposals were filed, compared with just over 1,900 in 1993.

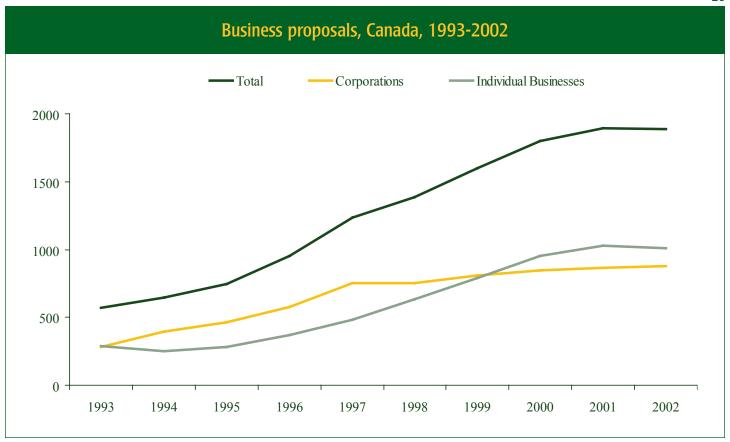
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Since 1993, the number of business bankruptcies has declined both for corporations and individual businesses.

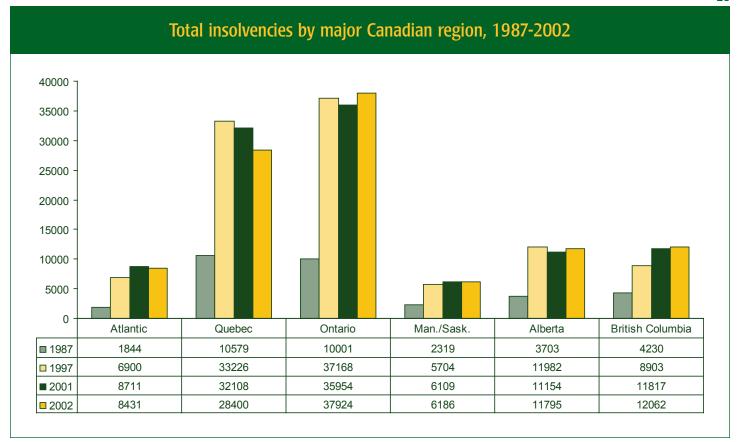
Almost one in four of business bankruptcies in Canada involves a corporation.

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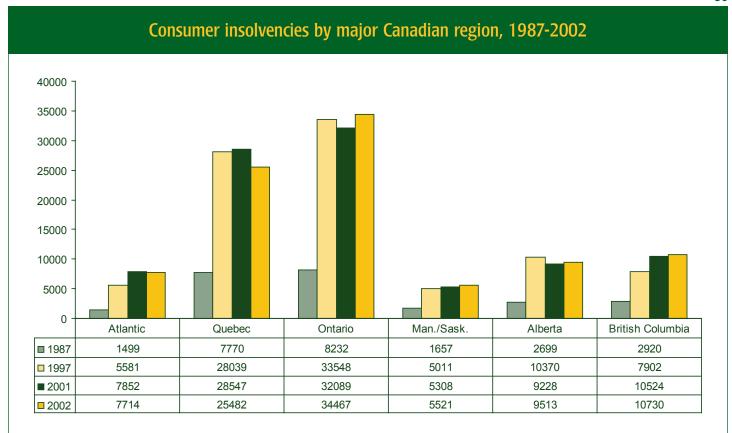
The number of business proposals has increased an average of 14% each year since 1993, almost equally divided between corporations and individual businesses.

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Ontario and Quebec have the highest number of insolvency cases filed with the OSB each year. This is naturally because of the size of each of these provinces and the number of businesses that operate in them. In 2002, there was a drop in the number of insolvency cases filed with the OSB from Quebec and the Atlantic region, whereas there was an increase in the other four regions. Quebec posted the largest drop and Ontario the largest increase.

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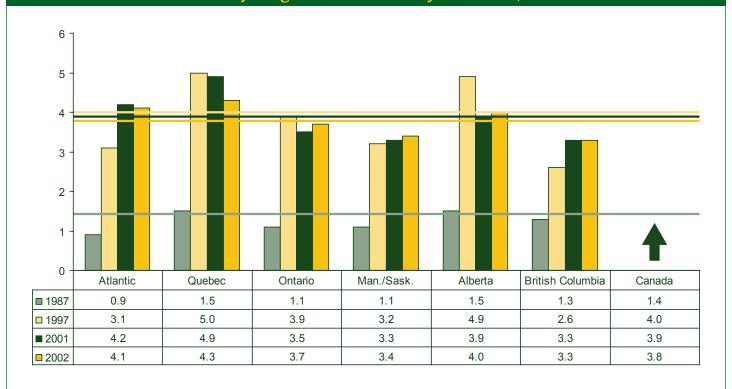


In 2002, the number of consumer insolvency cases filed with the OSB showed a year-over-year decrease from Quebec (-10.7%) and the Atlantic region (-1.8%), but increases from the four other regions.

The highest increases were recorded in Ontario (7.4%), followed by Manitoba/Saskatchewan (4.0%), Alberta (3.1%) and British Columbia (2.0%).

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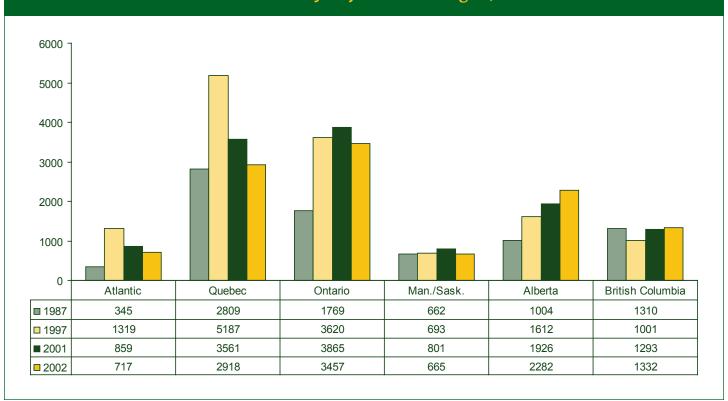
Number of consumer insolvencies per thousand residents, 18 years of age and over, for Canada's major regions and the country as a whole, 1987-2002



The number of consumer insolvencies per thousand residents, 18 years of age and over, increased considerably between 1987 and 1997. Since 1997, this ratio has dropped for Canada as a whole. The ratio for both Quebec and Alberta is higher than the national average, while the opposite is true for Ontario, Manitoba/Saskatchewan and British Columbia.

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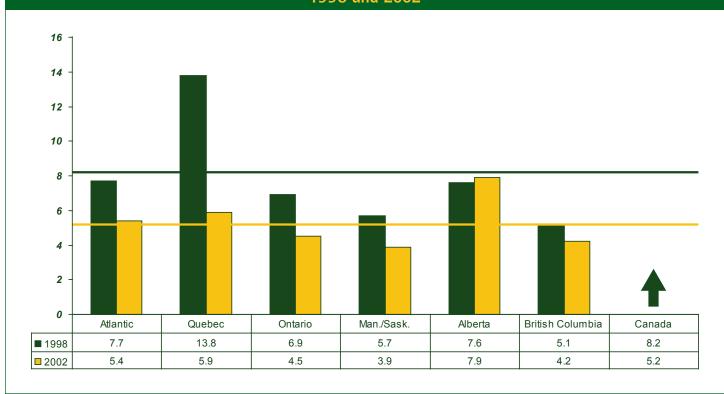
Business insolvencies by major Canadian region, 1987-2002



In 2002, there was a drop in the number of business insolvency cases filed with the OSB from the Atlantic region (-16.5%), Quebec (-18.1%), Ontario (10.6%) and Manitoba/Saskatchewan (-17.0%). The number increased for Alberta (+18.5%) and British Columbia (3.0%). Since 1997, the number of business cases filed has declined an average of 11.0% per year in Quebec, but increased an average of 7.2% per year in Alberta.

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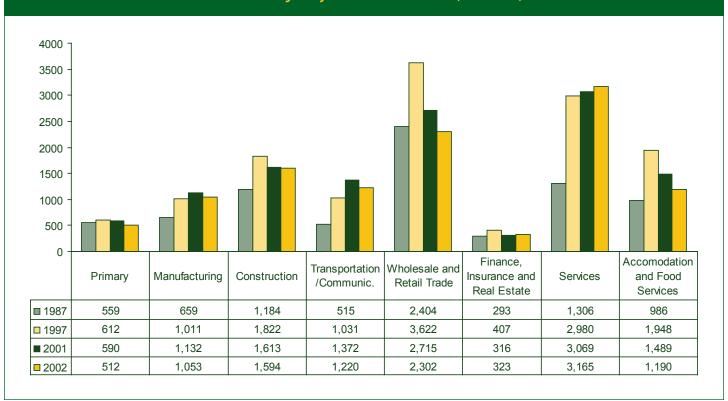
Number of business insolvencies per thousand businesses by major Canadian region, 1998 and 2002



The number of business insolvencies per thousand businesses in Canada has dropped from 8.2 in 1998 to 5.2 in 2002. This ratio dropped in every province except Alberta, where it rose from 7.6 in 1998 to 7.9 in 2002. In Quebec, there was an amazing drop between 1998 and 2002 – from 13.8 to 5.9.

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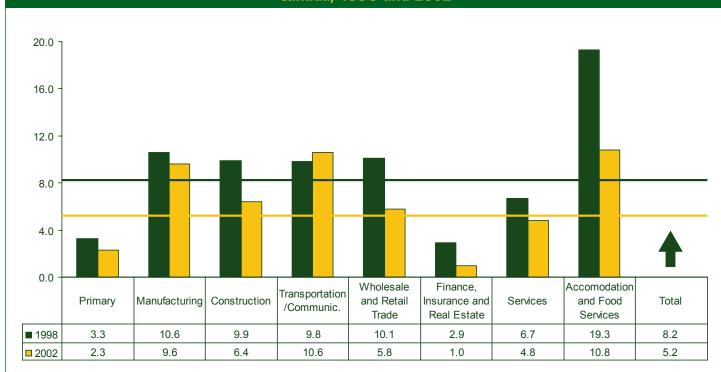
Business insolvencies by major economic sector, Canada, 1987-2002



The bulk of business insolvency cases filed with the OSB come from the wholesale/retail trade and services sectors. In 2002, the number of business insolvencies in Canada dropped in six of its eight major economic sectors with only the finance and services sectors showing increases. Since 1997, business insolvency has dropped an average of 9.8% per year in the accommodation and food services sector and by 9.5% in the wholesale/retail trade sector.

NOTES

Number of business insolvencies per thousand businesses by major economic sector, Canada, 1998 and 2002



For the economic sectors as a whole, the number of business insolvencies per thousand businesses dropped from 8.2 in 1998 to 5.2 in 2002. The greatest improvement has been in three sectors: finance; accommodation and food services; and wholesale/retail trade. The sectors that have a lower than average business insolvency rate are primary, finance and services.

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