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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20649

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE  
NUMBER  
8-49700

**FACING PAGE**

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 There under

REPORT FOR THE PERIOD BEGINNING **01/01/07** AND ENDING **12/31/07**

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER DEALER: Benfield Advisory Inc.

OFFICIAL USE ONLY  
42108  
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS:

140 Broadway, Suite 3200  
New York, New York 10006

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT:

Michael Leppones (952) 886-8378

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

PricewaterhouseCoopers LLP  
Suite 1400 225 South Sixth Street Minneapolis, Minnesota 55402

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions

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FINANCIAL

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\* Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as basis for the exemption. See section 240.17a-5(e)(2).

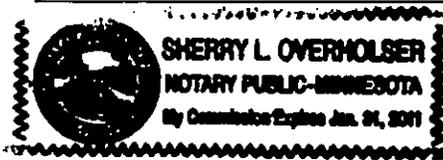
SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, William Henneman, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Benfield Advisory Inc. as of December 31, 2007, are correct and true. I further swear (or affirm) that neither the company nor any partner, principal officer or director has any proprietary interest in any account classified solely as that of the customer, except as follows.



Signature

State of Minnesota
ss. Bloomington
County of Hennepin

US Financial Controller
Title

On this 27th day of February 2008, before me, William Henneman, personally appeared is subscribed to this document and executed for the same purposes therein.

Notary Public

This report \*\*contains (check all applicable boxes):

- (a) Facing page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Changes in Financial Condition.
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors
(g) Computation of Net Capital.
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or control Requirements under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplement Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

# **Benfield Advisory Inc.**

**Statement of Financial Condition**

**December 31, 2007**

**Benfield Advisory Inc.**

**Index**

**December 31, 2007**

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**Report of Independent Auditors**

To the Board of Directors and Shareholder of  
Benfield Advisory Inc.

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of Benfield Advisory Inc. (the "Company") at December 31, 2007, in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 3, the Company has significant transactions with its parent, Benfield Inc. It is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

*PricewaterhouseCoopers LLP*

February 27, 2008

**Benfield Advisory Inc.**  
**Statement of Financial Condition**  
**December 31, 2007**

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**Assets**

Cash and cash equivalents	\$ 4,632,531
Current income tax receivable	195,881
Net deferred tax asset	329,891
Receivable from affiliated companies	393,508
Other assets	7,805
Total assets	<u>\$ 5,559,616</u>

**Liabilities**

Accrued compensation and benefits	\$ 110,578
Other liabilities	55,875
Total liabilities	<u>166,453</u>

**Stockholder's Equity**

Common stock, \$0.01 par value; 100,000 shares authorized; 100 shares issued and outstanding	1
Additional paid-in capital	568,261
Retained earnings	4,824,901
Total stockholder's equity	<u>5,393,163</u>
Total liabilities and stockholder's equity	<u>\$ 5,559,616</u>

The accompanying notes are an integral part of the financial statement.

**Benfield Advisory Inc.**  
**Notes to Financial Statement**  
**December 31, 2007**

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**1. Organization**

**Nature of Operations**

Benfield Advisory Inc. (the "Company") is incorporated in the state of Delaware and is a wholly owned subsidiary of EW Blanch Capital Risk Solutions Inc. ("Blanch") which is a wholly owned subsidiary of Benfield Holdings US Inc. ("BHUS"). The Company conducts business as a broker-dealer and focuses on (a) private placements; (b) investment banking services in the area of insurance company mergers and acquisitions, management buyouts, recapitalizations, and related transactions; and (c) structuring and privately placing diversified insurance-backed securities ("DIBS") and other insurance-related securities.

Securities, including DIBS and other insurance-related securities, are placed by the Company on an agency basis with "accredited investors," as such term is defined under Regulation D under the Securities Act of 1933, as amended, and all funds paid directly to the issuer. All securities are transmitted directly by the issuer to the purchasers. The Company does not hold customer funds or securities or engage in retail securities sales.

**2. Summary of Significant Accounting Policies**

The accompanying financial statement has been prepared in accordance with accounting principles generally accepted in the United States of America.

**Use of Estimates**

In preparing the Company's financial statement, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statement, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Cash Equivalents**

The Company considers all cash investments with original maturities of three months or less to be cash equivalents.

**Income Taxes**

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 109, *Accounting for Income Taxes*, as amended, which generally requires that deferred income taxes be recognized when assets and liabilities have different values for financial statement and tax reporting purposes. SFAS No. 109 allows recognition of deferred tax assets that are more likely than not to be realized in future years. If necessary, a valuation allowance is established to reduce the carrying amount of deferred income tax assets to amounts that are more likely than not to be realized.

The Company recognizes income tax expense on a separate-company basis in accordance with a management and expense sharing agreement ("Agreement") with Benfield Inc. ("Benfield"), another affiliate. The Company files, as a part of the BHUS consolidated federal income tax return, and is included in certain combined state income tax returns that are required to be filed by BHUS. In addition to the combined state income tax returns, the Company also files separate tax returns for certain other states where appropriate. The Company is a party to a tax sharing agreement with BHUS in which federal and state income taxes are allocated as if they had been calculated on a separate-company basis. Any tax benefit is recorded to the extent realized in the consolidated income tax provision.

**Benfield Advisory Inc.**  
**Notes to Financial Statement**  
**December 31, 2007**

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Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

In July 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement No. 109, to create a single model to address accounting for uncertainty in tax positions. FIN 48 clarified the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48 did not have a material impact.

**3. Related Party Transactions**

Under the terms of the management and expense sharing agreement, Benfield is responsible for paying all operating costs and expenses, including income taxes, incurred by the Company and the Company is not obligated to reimburse Benfield for such payments. However, it is the Company's intent to reimburse Benfield for all expenses paid on its behalf, which therefore have been recorded by the Company as a liability prior to their payment, and to the extent the Company has available funds. It is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

**4. Income Taxes**

The deferred tax effects of temporary differences at December 31, 2007, are as follows:

*(in thousands)*

Deferred tax assets	
Unpaid vacation accrual	\$ 14
Compensation	850
Property and equipment	44
Other	9
	<hr/>
Gross deferred tax assets	917
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Deferred tax liabilities	
State taxes	584
Other	3
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Gross deferred tax liabilities	587
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Deferred tax asset, net	\$ 330

Management has determined, based on earnings and future income, that it is more likely than not the remaining deferred income tax assets recorded as of December 31, 2007, will be realized. In determining the adequacy of future income, management has considered projected future income, reversal of existing temporary differences, and available tax planning strategies that could be implemented if necessary.

**Benfield Advisory Inc.**  
**Notes to Financial Statement**  
**December 31, 2007**

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**5. Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2007, the Company had net capital of \$4,461,078, which was \$4,449,981 in excess of its required net capital of \$11,097. The Company's net capital ratio for 2007 is 0.04 to 1.

**END**