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

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**FACING PAGE  
Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/16 AND ENDING 12/31/16  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Clarendon Insurance Agency, Inc.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
1601 Trapelo Road – Suite 30

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)  
Waltham MA 02451  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Michael K. Moran (781) 790-8730  
(Area Code – Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
PricewaterhouseCoopers LLP  
(Name – if individual, state last, first, middle name)  
101 Seaport Boulevard, Suite 500 Boston MA 02210  
(Address) (City) (State) (Zip Code)

- CHECK ONE:**
- Certified Public Accountant
  - Public Accountant
  - Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\*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 the basis for the exemption. See Section 240.17a-5(e)(2)

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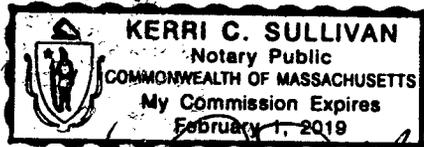
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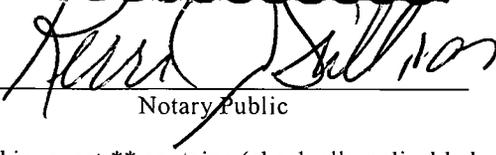
## OATH OR AFFIRMATION

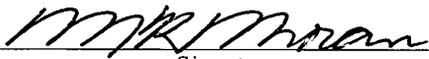
I, Michael K. Moran, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Clarendon Insurance Agency, Inc., as of December 31, 2016, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

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Notary Public

  
Signature  
Financial/Operations Principal and Treasurer  
Title

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 Proprietors' 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 Supplemental 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).**

**Clarendon Insurance Agency, Inc.**  
(A Wholly-owned Subsidiary of Delaware Life Insurance Company)  
**Index**  
**December 31, 2016**

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## Report of Independent Registered Public Accounting Firm

To the Board of Directors of  
Clarendon Insurance Agency, Inc.:

In our opinion, the accompanying statement of financial condition and the related statements of operations, changes in stockholder's equity and cash flows present fairly, in all material respects, the financial position of Clarendon Insurance Agency, Inc. (the "Company") at December 31, 2016, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 disclosed in Note 3 to the financial statements, the Company has extensive transactions and relationships with its parent company, Delaware Life Insurance Company.

The accompanying Schedule I - Computation of Net Capital Pursuant to SEC Rule 15c3-1, and Schedule II - Computation for Determination of Reserve Requirements Pursuant to SEC Rule 15c3-3 is supplemental information required by Rule 17a-5 under the Securities Exchange Act of 1934. The supplemental information is the responsibility of the Company's management. The supplemental information has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with Rule 17a-5 under the Securities Exchange Act of 1934. In our opinion, Schedule I - Computation of Net Capital Pursuant to SEC Rule 15c3-1, and Schedule II - Computation for Determination of Reserve Requirements Pursuant to SEC Rule 15c3-3 are fairly stated, in all material respects, in relation to the financial statements as a whole.

*PricewaterhouseCoopers LLP*

Boston, Massachusetts  
February 24, 2017

**Clarendon Insurance Agency, Inc.**  
(A Wholly-owned Subsidiary of Delaware Life Insurance Company)  
**Statement of Financial Condition**  
**December 31, 2016**

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**Assets**

Cash	\$ 1,453,507
Total assets	<u>\$ 1,453,507</u>

**Stockholder's Equity**

Common stock, \$1 par value - 150,000 shares authorized, 600 shares issued and outstanding	\$ 600
Additional paid-in capital	1,744,400
Accumulated deficit	<u>(291,493)</u>
Total stockholder's equity	<u>\$ 1,453,507</u>

The accompanying notes are an integral part of these financial statements.

**Clarendon Insurance Agency, Inc.**  
(A Wholly-owned Subsidiary of Delaware Life Insurance Company)  
**Statement of Operations**  
**Year Ended December 31, 2016**

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**Revenue**

Distribution fee income	\$	-
Total revenue		-

**Expenses**

Distribution expense		-
Overhead expenses		46,564
Compliance expense		178,674
Licensing and exam fees		24,278
Audit fees		53,560
Other expenses		15,434
State tax		3,879
Less: Expense reimbursement from Parent		(322,389)
Total expenses		-
Net income	\$	-

The accompanying notes are an integral part of these financial statements.

**Clarendon Insurance Agency, Inc.**  
 (A Wholly-owned Subsidiary of Delaware Life Insurance Company)  
**Statement of Changes in Stockholder's Equity**  
**Year Ended December 31, 2016**

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	<u>Shares</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Stockholder's Equity</u>
Balance at January 1, 2016	600	\$ 600	\$ 1,744,400	\$ (291,493)	\$ 1,453,507
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2016	<u>600</u>	<u>\$ 600</u>	<u>\$ 1,744,400</u>	<u>\$ (291,493)</u>	<u>\$ 1,453,507</u>

The accompanying notes are an integral part of these financial statements.

**Clarendon Insurance Agency, Inc.**  
(A Wholly-owned Subsidiary of Delaware Life Insurance Company)  
**Statement of Cash Flows**  
**Year Ended December 31, 2016**

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**Cash Flows from Operating Activities:**

Net income	\$	-
Changes in assets and liabilities:		
Receivable from affiliates		-
Payable to affiliates		-
Net cash provided by operating activities		<u>-</u>
Net change in cash		-

**Cash**

Beginning of year		<u>1,453,507</u>
End of year	\$	<u><u>1,453,507</u></u>

**Non-cash activities**

Expense reimbursement from Parent	\$	322,389
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The accompanying notes are an integral part of these financial statements.

**Clarendon Insurance Agency, Inc.**  
(A Wholly-owned Subsidiary of Delaware Life Insurance Company)  
**Notes to Financial Statements**  
**December 31, 2016**

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**1. Business and Organization**

Clarendon Insurance Agency, Inc. (the "Company") is a Financial Industry Regulatory Authority ("FINRA") registered broker-dealer and acts as a principal underwriter and general distributor for variable annuities and variable life insurance policies issued by its affiliates, Delaware Life Insurance Company (the "Parent"), and Delaware Life Insurance Company of New York ("DLNY"). The Parent is a direct, wholly-owned subsidiary of Delaware Life Holdings, LLC ("DLH").

On December 30, 2011, the Parent and DLNY closed their variable annuity and individual life products to new sales, with certain limited exceptions. The Company continues to act as principal underwriter and general distributor with respect to the in-force variable annuity and variable life business of the Parent and DLNY.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

**Income and Expenses**

Distribution fee income is recognized as revenue when the services are provided. Distribution fee expense is accrued daily based on a rate determined by reference to intercompany servicing agreements. The Company had no distribution fee income and expense for the year ended December 31, 2016.

Expenses charged by the Parent to the Company include direct charges and allocated expenses which are recognized when incurred.

**3. Related-Party Transactions**

The Parent keeps records on behalf of the Company to record income and expenses. The Company serves as the designated principal underwriter for the variable insurance products issued by the Parent and DLNY. As such, the Company performs certain distribution and underwriting services for the Parent's and DLNY's separate accounts. The Company is not the primary obligor in the distribution arrangements with the Parent and DLNY; accordingly, revenue related to distribution services provided to the Parent and DLNY are recorded net of related expenses.

The Company has an administrative services agreement with the Parent under which the Company has agreed to pay the Parent for the cost of services and facilities provided. The Company also has a principal underwriter's agreement with the Parent and DLNY under which the Parent and DLNY agreed to reimburse the Company for the cost of all distribution and underwriting services provided by the Company. For the year ended December 31, 2016, the expense reimbursement received by the Company from the Parent and DLNY was \$322,389, which is shown in the Company's Statement of Operations as an offset to expenses incurred.

**Clarendon Insurance Agency, Inc.**  
**(A Wholly-owned Subsidiary of Delaware Life Insurance Company)**  
**Notes to Financial Statements**  
**December 31, 2016**

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The Company's operations consist solely of activities performed for affiliated companies and may not be indicative of the conditions that would have existed or the results of operations if the Company had not been operated as an affiliated company.

**4. Income Taxes**

The Company accounts for income taxes in accordance with Financial Accounting Standards Board ("FASB"), Accounting Standards Codification ("ASC") Topic 740, "Income Taxes." Deferred income taxes are recognized when assets and liabilities have different values for financial statement and tax reporting purposes, and for other temporary taxable and deductible differences as defined by FASB ASC Topic 740. The effect on deferred taxes of a change in the tax rates is recognized in income in the period that includes the enactment date.

The Company will file separate stand-alone federal and state income tax returns for the year ended December 31, 2016. The Company had no tax liability at December 31, 2016.

Certain provisions of FASB ASC Topic 740 prescribe a recognition threshold and measurement attribute for tax positions taken or expected to be taken in a tax return; it also includes standards for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company recognizes interest and penalties accrued related to unrecognized tax benefits ("UTBs") in other expense. Tax years prior to 2003 are closed to examination and audit adjustments under the applicable statute of limitations. The Company is subject to ongoing examinations and appeals for subsequent tax years as a member of its former indirect parent's consolidated federal and combined state income tax returns. Although the Company remains jointly and severally liable for consolidated tax liabilities, the Company will be held harmless by its former indirect parent for any such liability. The Company believes that the possibility of a tax liability for the tax years prior to August 1, 2013 is remote. Additionally, the Company does not believe it has any uncertain tax positions for its stand-alone federal and state income tax returns that would be material to its financial statements. Therefore, the Company did not record a liability for UTBs at December 31, 2016.

**5. Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission's ("SEC") Uniform Net Capital Rule ("SEC Rule 15c3-1") which requires the Company to maintain a specified amount of net capital, as defined, and a ratio of aggregate indebtedness, as defined, to net capital not exceeding 15 to 1. The Company's net capital, as computed pursuant to SEC Rule 15c3-1, at December 31, 2016 was \$1,453,507 which was greater than the required net capital of \$5,000 by \$1,448,507. The ratio of aggregate indebtedness to net capital was 0 to 1.

**6. Exemption from Reserve and Security Custody Requirements Pursuant to SEC Rule 15c3-3**

The Company claims exemption from the reserve requirements of SEC Rule 15c3-3 of the Securities Exchange Act of 1934 ("SEC Rule 15c3-3"), under the provisions of subparagraph (k)(1) thereof, since its transactions are limited to the purchase, sale and redemption of redeemable securities of registered investment companies. The Company does not receive customer funds or securities in connection with its activities as a broker-dealer. The Company does not hold funds or securities for, or owe money or securities to, customers.

**Clarendon Insurance Agency, Inc.**  
(A Wholly-owned Subsidiary of Delaware Life Insurance Company)  
**Notes to Financial Statements**  
**December 31, 2016**

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**7. Commitments and Contingencies**

The Company is not aware of any contingent liabilities arising from litigation or other matters that could have a material impact on its financial condition, results of operations or cash flows.

**8. Subsequent Events**

Management has evaluated subsequent events through February 24, 2017, the date on which these financial statements were available to be issued. Based on this evaluation, no events have occurred from December 31, 2016 through February 24, 2017, that require disclosure or adjustment to the financial statements.

## **Supplemental Schedules**

**Clarendon Insurance Agency, Inc.**  
(A Wholly-owned Subsidiary of Delaware Life Insurance Company)  
**Computation of Net Capital Pursuant to SEC Rule 15c3-1**  
**December 31, 2016**

**Schedule I**

**Computation of Net Capital Pursuant to Rule 15c3-1**

**Net Capital**

Total ownership equity from Statement of Financial Condition	\$ 1,453,507
Total ownership equity qualified for net capital	<u>\$ 1,453,507</u>
Total capital and allowable subordinated liabilities	\$ 1,453,507
Deduction of total non-allowable assets	<u>-</u>
Net capital before haircuts on securities positions	1,453,507
Haircuts on securities	<u>-</u>
Net capital	<u>\$ 1,453,507</u>

**Computation of Basic Net Capital Requirement**

Minimum net capital required (greater of 6 2/3% of total aggregate indebtedness or \$5,000)	<u>\$ 5,000</u>
Excess net capital	<u>\$ 1,448,507</u>
Net capital, less greater of 10% of total aggregate indebtedness or 120% of \$5,000	<u>\$ 1,447,507</u>

**Computation of Aggregate Indebtedness**

Total liabilities from Statement of Financial Condition	<u>\$ -</u>
Total aggregate indebtedness	<u>\$ -</u>

**Reconciliation Pursuant to SEC Rule 17a-5(d)(2)(iii)**

No reconciliation is necessary under the provisions of Rule 17a-5(d)(2)(iii) under the Securities and Exchange Act of 1934 ("SEC Rule 17a-5") as no material differences exist between the net capital included in the audited financial statements and the computation of net capital filed with the unaudited FOCUS Report IIA – Form X-17a-5 as of December 31, 2016.

**Computation for Determination of Reserve Requirements Pursuant to SEC Rule 15c3-3**

The Company claims exemption from SEC Rule 15c3-3 under the provisions of subparagraph (k)(1) thereof, which exempts broker-dealers whose transactions are limited to the sale and redemption of redeemable securities of registered investment companies.

**Reconciliation Pursuant to SEC Rule 17a-5(d)(2)(iii)**

No reconciliation is necessary under the provisions of Rule 17a-5(d)(2)(iii) under SEC Rule 17a-5" as no differences exist in the computation for determination of reserve requirements between the audited financial statements and the unaudited FOCUS Report IIA – Form X-17a-5 filed as of December 31, 2016.

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## **Clarendon Insurance Agency, Inc.**

(SEC I.D. No. 21590)

(A Wholly-owned Subsidiary of Delaware Life Insurance Company)

**Financial Statements and Supplemental Schedules  
December 31, 2016**



Bruce Mollar  
Associate Director  
Compliance Department

Delaware Life Insurance Company  
1601 Trapelo Road  
Waltham, MA 02451  
Tel: (781) 790-8781  
Fax: (781) 890-1048  
bruce.mollar@delawarelife.com

VIA OVERNIGHT MAIL

February 28, 2017

U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549

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Section  
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Washington DC  
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**Re: Clarendon Insurance Agency, Inc.  
Annual Audited Report and Financial Statements (CRD # 7395)**

Commission Staff:

Enclosed for filing are two original Annual Audited Report Forms and Certified Financial Statements for the above-referenced broker-dealer for the year ended December 31, 2016. These audited financial statements are presented for filing in accordance with Rule 17a-5 under the Securities Exchange Act of 1934.

I've also enclosed two copies of the 2016 Certification of Exclusion from Membership of the SIPC, from the above-referenced broker-dealer.

Please feel free to contact me at (781) 790-8600 x 8781 if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads 'Bruce Mollar'.

Bruce Mollar  
Compliance

Enclosures