

**DISSOLUTION REPORT**  
**OF**  
**MELLON LIFE INSURANCE COMPANY**

**AS OF**

**DECEMBER 31, 2017**

**NAIC CODE 92452**

Trinidad Navarro  
Commissioner



Delaware Department of Insurance

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON DISSOLUTION EXAMINATION, made as of December 31, 2017 of

**MELLON LIFE INSURANCE COMPANY**

is a true and correct copy of the document filed with this Department.

Attest By: Reynolds Brown

Date: April 9, 2018



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 9<sup>th</sup> day of April, 2018.

Trinidad Navarro  
Trinidad Navarro  
Insurance Commissioner

Trinidad Navarro  
Commissioner



Delaware Department of Insurance

REPORT ON DISSOLUTION EXAMINATION  
OF  
MELLON LIFE INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2017

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in blue ink, appearing to read "Trinidad Navarro", written over a horizontal line.

Trinidad Navarro  
Insurance Commissioner

Dated this 9<sup>th</sup> day of April, 2018

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## **SALUTATION**

March 29, 2018

Honorable Trinidad Navarro  
Delaware Insurance Commissioner  
Delaware Department of Insurance  
Rodney Building  
841 Silver Lake Blvd.  
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority 18.901, dated February 28, 2018, a Dissolution Examination has been made of the affairs, financial condition and management of the

### **MELLON LIFE INSURANCE COMPANY**

hereinafter referred to as “Mellon Life” or “Company”, incorporated under the laws of the State of Delaware. The examination was conducted at the Company’s administrative and home office located at One Mellon Center, Suite 2835, Pittsburgh, PA 15258.

The report of such review is respectfully submitted herewith.

## **SCOPE OF EXAMINATION**

This Dissolution Report is a limited-scope examination and is not intended to communicate all matters of importance for an understanding of the Company’s financial condition.

The last examination was as of December 31, 2012. This dissolution examination is as of December 31, 2017.

As a result of a management decision, the Company is to be dissolved. Therefore, this examination was to ascertain the following:

- Verify the remaining investment/cash assets of the Company and determine any operating receivables that may exist.
- Ascertain and verify that there are no material liabilities other than residual general operating expenses.
- Review any other documents as needed.

## **HISTORY**

The Company was incorporated April 25, 1980, under the laws of the State of Delaware as a stock life insurance company having perpetual existence. The Company's original Delaware Certificate of Authority was issued on November 25, 1980, which authorized the Company to transact the business of life (including annuities), credit life, health and credit health insurance.

The Company was acquired by Mellon National Corporation (Mellon National) on October 8, 1980, per approval of the Federal Reserve Bank of Cleveland in accordance with the Bank Holding Company Act of 1956. On December 31, 1984, the Company was merged with and into Giraco Life Insurance Company of Phoenix, Arizona, with Mellon Life as the surviving entity.

On March 20, 2000, the Delaware Department of Insurance approved an exemption from filing Form A, in connection with the corporate reorganization and restructuring that effected a change of direct ownership of the Company from MBC Investments Corporation to Mellon Leasing Corporation (Mellon Leasing). At that time, the Company's ultimate parent, Mellon Financial Corporation (Mellon Financial, formerly named Mellon National), did not change.

On July 1, 2007, The Bank of New York Mellon Corporation (BNY-MC) acquired ultimate indirect control of the Company by virtue of the merger of Mellon Financial and The Bank of New York Company, Inc. (BNY) with and into BNY-MC. On July 1, 2008, BNY-MC effectuated an internal reorganization, which involved, in relevant part, changing the indirect parent company of Mellon Life from Mellon Bank, N.A. (Mellon Bank) to The Bank of New York Mellon (BNY-Mellon). BNY-MC maintained ultimate indirect control of Mellon Life through the reorganization and continues to maintain ultimate indirect control of Mellon Life.

The Company is a member of an insurance holding company system as defined under 18 Del. C. §5001 of the Delaware Insurance Code. Mellon Life is a direct subsidiary of Mellon Leasing, which is a 100% subsidiary of BNY-Mellon, which is a 100% subsidiary of BNY-MC, which is considered the ultimate controlling entity of the Company. No other entity or person owns or controls greater than 10% of the outstanding BNY-MC voting shares.

On December 1, 2001, Mellon Financial sold its Mid-Atlantic region consumer, small business and certain middle market banking operations. For this reason, the Company's book of business has been in run-off. The Company had no policies in effect after December 1, 2017. Consequently, the Company's Board of Directors approved the dissolution plan on January 12, 2018, and the Company's sole shareholder approved the dissolution plan on January 15, 2018.

## **PROCEDURES PERFORMED**

Procedures performed for the period January 1, 2013, through December 31, 2017, and subsequently include:

- Review of the 2017 Annual Statement.
- A review of the general ledger for the period January 1, 2013 through December 31, 2017.
- A review of bank and custodian account statements as of December 31, 2017 and as of February 28, 2018.
- A review of the Board of Director and Stockholder meeting minutes of the Company from January 1, 2013 through December 31, 2017.
- A review of the related party agreements in effect at December 31, 2017.
- A review of reinsurance agreement in effect for the year 2017.
- A review of the audited statutory financial statement for the year ended December 31, 2016 (the Company received an exemption on March 20, 2018 from the Delaware Department of Insurance for the requirement of filing an audited statutory financial statement as of December 31, 2017).
- A review of the Actuarial Opinion for the year ended December 31, 2017.

## **SUMMARY CONCLUSIONS**

### **Corporate Records**

The examiner reviewed the Board of Director and Stockholder meeting minutes of the Company, which contained the approval of the dissolution, which is contingent upon the approval by the Delaware Department of Insurance.

### **Related Parties**

Upon approval of the dissolution by the Delaware Department of Insurance, the Company intends to cancel the following related party agreements, which were still in effect as of the dissolution examination date:

#### *Tax Allocation Policy and Tax Sharing Agreement*

Originally effective for all tax periods beginning after December 31, 1992 and updated and amended on June 1, 2004, for all tax periods beginning after December 31,



2003, Mellon Life is a party to the Tax Allocation Policy and Tax Sharing Agreement with Mellon Financial (which later became BNY-MC) and its affiliates, whereby each entity's federal income tax provision is computed on a separate return basis. All taxes and related fees and expenses incurred by BNY-MC in the course of preparing, filing and paying taxes, federal or otherwise, shall be shared among affiliates of BNY-MC.

*Investment Management Agreement*

Effective February 28, 2003, the Company entered into an Investment Management Agreement with Standish Mellon Asset Management Company LLC (Standish), whereby Standish shall supervise and direct, in its sole discretion, based on written investment guidelines provided by the Company, certain Company investments without further consultation. This agreement includes the appointment of Standish as agent and attorney-in-fact with full and exclusive power and authority for and on behalf of the Company's account to (a) buy, sell exchange, convert and otherwise trade in any and all municipal, corporate, mortgage-backed, and U.S.-government debt securities, as well as certificates of deposit, commercial paper, equities, and mutual funds including no-load money market funds, and (b) to establish, maintain and deal through accounts with one or more securities brokerage firms as Standish may select.

*Service Agreement*

Effective January 1, 2009, the Company entered into a Service Agreement with MBSC Securities Corporation (MBSC), whereby MBSC will provide the Company with qualified personnel who have appropriate managerial and administrative background as well as providing the Company with facilities, equipment and supplies, in order for the Company to conduct its business.

### **Reinsurance Agreement**

The Company is currently a single-state licensed life insurer, which has been in run-off since December 1, 2001. The Company operates as a reinsurance company for credit life and credit disability insurance written in connection with extensions of credit granted by Mellon banks in Delaware, Maryland, Pennsylvania and New Jersey. The Company reinsures only credit life and credit disability and writes no direct business. The underlying policies for the business were issued by American Bankers Life Assurance Company (Assurant), formerly Union Security Life Insurance Company, a Florida-domiciled life insurance company. During 2017, Assurant decided to exit the credit insurance business and has terminated the 1997 100% quota share reinsurance agreement (effectively by commutation of the reinsurance treaty) between the Company and Assurant. The termination of the reinsurance treaty was effected by the Company and Assurant by entering into a Reinsurance Termination and Retrocession Agreement effective December 1, 2017. The Company had no policies in effect after this date.

### **Custodial Agreement**

The Company's investments are held by affiliate BNY-Mellon, under a written investment management and custodial agreement, whereby BNY-Mellon manages certain assets in accordance with written instructions of the Company and continuously reviews the suitability of assets and makes recommendations regarding any changes in investments. BNY-Mellon is allowed to charge reasonable fees for these investment management and custodial services.

### **Claims**

The Company had zero (0) outstanding and open claims as of December 31, 2017.

**Balance Sheet**

The examiner reviewed the 2017 Annual Statement. A review was performed of the general ledger for the period January 1, 2013 through December 31, 2017. Additionally, a review of the bank and custodian statements was made as of December 31, 2017 and as of February 28, 2018.

The balance sheet below, which was compiled from the Company's December 31, 2017 general ledger, reflects that the major assets are invested assets. The Company reported \$0 carried reserves for life/A&H contracts and \$0 contract claims for life/A&H policies as of December 31, 2017. The Company's 2017 independent actuarial opinion rendered by GPW Actuarial Services, Inc. stated the same.

**ASSETS, LIABILITIES, AND POLICYHOLDER SURPLUS**  
**As of December 31, 2017**

**Assets**

Bonds	\$ 625,796
Cash, cash equivalents and short-term investments	23,439,587
Investment income due and accrued	143,521
Uncollected premiums in course of collection	<u>3,716</u>
Total	<u>\$ 24,212,620</u>

**Liabilities**

Commissions and expense allowances payable on reinsurance assumed	\$ 4,584
General expenses due or accrued	140,611
Current federal income taxes payable	10,487
Asset valuation reserve	1,046
Payable to parent, subsidiaries and affiliates	<u>100,000</u>
Total	<u>\$ 256,728</u>

**Policyholder Surplus**

Common capital stock	\$ 350,000
Gross paid in and contributed surplus	13,676,065
Unassigned funds (surplus)	<u>9,929,827</u>
Total	<u>\$ 23,955,892</u>
Total Liabilities and Policyholder Surplus	<u>\$ 24,212,620</u>

The Company has complied with the dissolution requirements for the State of Delaware. The examination was conducted by the undersigned.

Respectfully Submitted,



Andrew E. Chiodini, CFE  
 Examiner-In-Charge  
 Department of Insurance  
 State of Delaware