

REPORT ON EXAMINATION

OF THE

MELLON LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2008

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

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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 black ink, appearing to read "Karen Weldin Stewart", is written over a horizontal line.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 23rd day of June, 2010

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

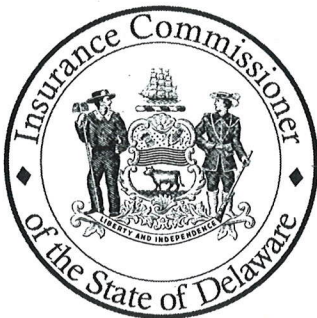
I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2008 of the

MELLON LIFE INSURANCE COMPANY

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

Attest By: Sonia C. Harris

Date: 23 June 2010



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 23rd day of June 2010.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

TABLE OF CONTENTS

Salutation 1
Scope of Examination 1
History 2
CAPITALIZATION 3
Management and Control 4
CORPORATE RECORDS 5
Holding Company System 6
Management and Service Agreements 6
Territory and Plan of Operation 9
Growth Of Company 9
Reinsurance 10
Fidelity Bonds and Other Insurance 11
Accounting, Organization, Systems and Controls 11
Financial Statements 12
Notes to the Financial Statements - General Account 15
Compliance With Prior Examination Recommendations 16

April 28, 2010

Honorable Karen Weldin Stewart
Insurance Commissioner
State of Delaware
841 Silver Lake Boulevard
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 09-038, dated September 11, 2009, an examination has been made of the affairs, financial condition and management of the

MELLON LIFE INSURANCE COMPANY

hereinafter referred to as "Company," or "MLIC" incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at P. O. Box 1347, Wilmington, DE 19899. The examination was conducted at the main administrative offices located at One BNY Mellon Center, Pittsburgh, PA 15258.

The report of this examination is respectfully submitted.

SCOPE OF EXAMINATION

The last examination of the Company was conducted as of December 31, 2005. This examination covered the three (3) year period from January 1, 2006 through December 31, 2008, and consisted of a general survey of the Company's business policies and practices, management, any corporate matters incident thereto, a verification and evaluation of assets and a determination of liabilities. Transactions subsequent to the latter date were reviewed where deemed necessary.

This report is presented on the exception basis. It is designed to set forth the facts with regard to any material adverse findings disclosed during the examination. The text will explain changes wherever made. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were thoroughly discussed with responsible Company officials during the course of the examination.

The general procedures of the examination followed the rules established by the Committee on Financial Condition Examiners Handbook of the National Association of Insurance Commissioners (NAIC) and generally accepted statutory insurance examination standards consistent with the Insurance Laws and Regulations of the State of Delaware.

In addition to items hereinafter incorporated as part of the written report, the following were examined without exception and made part of the workpapers of this examination:

- Legal Actions
- Regulatory Agency Correspondence
- Compliance with Prior Examination Recommendations
- Summary of Recommendations
- NAIC Ratios
- All Asset and Liability Items Not Mentioned

HISTORY

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

On December 31, 1984, the Company purchased and merged with Giraco Life Insurance Company of Phoenix, Arizona. The Company was the surviving corporation.

Until March 1997, credit life and disability business was primarily assumed from Prudential Insurance Company of America (Prudential). Since 1995, the Company has also reinsured a small block of credit life and disability business from American General Assurance Company, formerly known as US Life Credit Life Insurance Company. Effective March 1997, the Company entered into an agreement with Union Security Life Insurance Company (Union), under which Union replaced Prudential as direct writer.

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. The ultimate parent remained the same, Mellon Financial Corporation.

On December 1, 2001, the Company sold its Mid-Atlantic Region consumer, small business and certain middle market, banking operation. For this reason the Company is effectively in run-off.

On July 1, 2007, The Bank of New York Mellon Corporation acquired ultimate indirect control of the Company by virtue of the mergers of Mellon Financial Corporation and The Bank of New York Company, Inc., with and into The Bank of New York Mellon Corporation. On July 1, 2008, The Bank of New York Mellon Corporation effectuated an internal reorganization. The reorganization involved changing the indirect parent companies of the Company from Mellon Bank, N.A. to The Bank of New York Mellon. (See section “**Holding Company System**” for organizational chart)

CAPITALIZATION

The Company's Certificate of Incorporation authorized the issuance of 3,500 shares of common stock with a par value of \$100 per share. As of December 31, 2008, the Company had

Mellon Life Insurance Company

issued 3,500 shares of common stock, all of which are owned by Mellon Leasing Corporation, a wholly owned subsidiary of The Bank of New York Mellon, which is a wholly owned subsidiary of The Bank of New York Mellon Corporation.

DIVIDENDS TO STOCKHOLDER

On December 21, 2006, the Company declared an ordinary dividend totaling \$650,000, paid on December 29, 2006.

MANAGEMENT AND CONTROL

The Company's bylaws, adopted September 2, 1986, as amended, state that its business and affairs shall be managed by a Board of Directors, five in number; thereafter, the number shall be fixed by the Board, but shall not be less than three. Directors are elected at the annual meeting of the stockholder and hold office until a successor is elected and qualified. It is not necessary for the Directors to be a stockholder.

The following constitutes the Board of Directors as of December 31, 2008:

Philip K. Kocher, Chairman
Jean C. Fletcher
James L. Jourdain

The bylaws, as amended, state that the officers of the Company shall include a Chairman of the Board, a President, a Secretary and a Treasurer. The Board of Directors may also appoint one or more Vice Chairmen of the Board, one or more Vice Presidents, and such other officers as are from time to time desired. The following were elected by unanimous vote of the Board of Directors at the meeting of April 16, 2008, as officers of the Company:

Philip K. Kocher	Chairman, President and Chief Executive Officer
Jean C. Fletcher	Vice President and Assistant Secretary
Michael F. Marks	Vice President
Alex G. Sciulli	Vice President – Real Estate and Leasing
Jeffery D. Lawrence	Treasurer
Gary E. Abbs	Assistant Treasurer – Tax***
Joanne S. Huber	Assistant Treasurer – Tax***
Barbara J. Parrish	Secretary
Mary Lou Olinski	Assistant Secretary
Cristina M. Rice	Assistant Secretary
Tamara A. Long	Assistant Secretary

*** For the sole purpose of signing any and all tax returns on behalf of the Company.

The Company has Conflict of Interest Policies and Procedures that are handled through The Bank of New York Mellon Corporation (the Company's ultimate parent). Conflict of Interest Statements are completed on an annual basis by Directors, Officers and responsible employees.

CORPORATE RECORDS

The bylaws and a review of Company corporate records showed that regular business of the Shareholder and Board of Directors was conducted via Written Consents in lieu of regular meetings. The above Company's business practice complied with the bylaws and charter.

HOLDING COMPANY SYSTEM

The Company is a member of an Insurance Holding Company System. The ultimate parent of the system is The Bank of New York Mellon Corporation, a bank holding company. The following is an organizational chart which reflects the identities and interrelationships between the Company, Parent, all affiliated insurers, and other members of the system as of December 31, 2008:

THE BANK of NEW YORK MELLON CORPORATION
THE BANK of NEW YORK MELLON
MELLON LEASING CORPORATION
MELLON LIFE INSURANCE COMPANY

Copies of the "Form B Holding Company Registration Statements" filed with the Delaware Insurance Department, during the period under examination, were reviewed, and found to comply with the provisions of Regulation 13 of the Delaware Insurance Code.

MANAGEMENT AND SERVICE AGREEMENTS

Services Agreement

Effective January 1, 1996, the Company entered into a "Service Agreement" with GPW & Associates (formerly known as Watson Wyatt & Company). Under the provisions of the agreement, GPW & Associates is to perform regular services that include maintenance of books and ledgers of the Company; preparation of the annual statutory statement that is filed with the Delaware Department of Insurance and the NAIC; preparation of the federal income tax return of the Company that is used in the consolidated return of the parent; preparation of the first, second, and third quarter statutory financial statement, that are filed with the Delaware Department of Insurance and the NAIC; and preparation of monthly GAAP and statutory financial statements. Additional services may be provided upon request of the Company. The Company paid GPW &

Associates, \$52,845 and \$54,250 during the years ended December 31, 2008 and 2007 respectively.

Services Agreement

Effective March 15, 1997, the Company entered into a "Service Agreement" with Union Security Life Insurance Company ("Union"). Under the provisions of the agreement, Union shall establish the Company's policy reserves for credit life insurance and unearned premium reserves for credit accident and health insurance; provide information and render assistance in connection with periodic examinations of the Company by independent auditors; and make available upon request, its expertise in underwriting, training, marketing, policy forms design, actuarial matters and data processing.

Tax Allocation and Tax Sharing Agreement

The Company files a consolidated federal income tax return with its parent under a written Tax Allocation Policy and Tax Sharing Agreement, effective for all tax periods beginning after December 31, 1992, whereby the federal income tax provision is computed on a separate return basis. This agreement was updated on June 1, 2004.

Services Agreement

The Company's investments are held by an affiliated company, The Bank of New York Mellon under a written investment management and custodial agreement. Under this agreement, Mellon Bank manages all assets in accordance with written instructions of the Company and continuously reviews the suitability of assets and makes recommendations regarding any changes in investments. Under this agreement, The Bank of New York Mellon is allowed to charge reasonable fees for these services. The Company paid investment service fees to The Bank of New York Mellon of \$17,824 and \$17,938 during the years ended December 31, 2008

and 2007, respectively.

Investment Management Agreement

The Company entered into an Investment Management Agreement with Standish Mellon Asset Management, LLC (“Standish”). Standish shall supervise and direct, in its sole discretion, based on written investment guidelines provided by the Company, investments without further consultation. This appointment 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 (a) to buy, sell, exchange, convert and otherwise trade in any and all municipal, corporate, mortgaged-backed, U.S. Government debt securities as well as CDs and commercial paper, equities, 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 Mellon may select. The Company paid Standish \$35,717 and \$35,911 during the years ended December 31, 2008 and 2007 respectively.

Services Agreement

Effective January 1, 2009, the Company entered into a "Service Agreement" whereby MBSC Securities Corporation (“MBSC”), an affiliate of the Company, will provide qualified personnel with appropriate managerial and administrative background as well as providing facilities, equipment and supplies, in order that the Company can conduct its business. The Company paid MBSC \$23,415 and \$15,637 during the years ended December 31, 2008 and 2007 respectively.

TERRITORY AND PLAN OF OPERATION

Territory:

The Company is licensed to do business in the State of Delaware only.

Plan of Operation:

During the examination period, the Company did not write direct business. The Company limits its business to the assumption of credit life and accident and health insurance from non-affiliated insurers who provide coverage for Mellon Bank loan and credit card customers. The Company currently only assumes renewal business and is in run-off since December 1, 2001. (See section “**History**” for additional information)

GROWTH OF COMPANY

The following information was obtained from the Company’s filed Annual Statements:

<u>Year</u>	<u>Admitted Assets</u>	<u>Capital and Surplus</u>	<u>Premiums</u>	<u>Net Income</u>
2008	\$26,126,775	\$23,953,728	\$306,219	\$914,562
2007	\$26,444,903	\$23,042,316	\$349,993	\$926,775
2006	\$26,765,086	\$22,028,871	\$344,530	\$1,422,126
2005	\$26,636,520	\$19,298,337	\$325,858	\$1,911,251

All of the Company’s listed growth factors have declined, except one during the period covered by this examination as indicated below:

- A 1.9% decrease in admitted assets
- A 24.1% increase in surplus
- A 6.0% decrease in premiums
- A 52.1% decrease in net income

The following factors contributed to the Company’s decline in the listed growth factors:

- The Company's decline in premiums was a direct result of the Company not writing or assuming any new business during the period covered by this examination.
- The Company's decline in net income was a result of the general market conditions and decline of interest rates, from 2006 through 2008.

REINSURANCE

Following is a summary of the various reinsurance contracts in place as of December 31, 2008:

Assumed

Type of Contract	Effective Date	Line of Business	Limits Maximum
100% Quota Share Reinsurance Agreement	3/15/97	Credit life (MOB) Single Premium Life and credit accident and health (disability)	\$50,500 \$60,000 \$800 monthly

The Company assumes 100% of the credit life and accident and health insurance written or assumed by Union Security Life Insurance Company in connection with consumer loans made through Mellon Bank N.A.

As of December 31, 2008, the Company had assets held in trust under reinsurance treaty trust agreements of \$3,175,947 to ensure its performance under this reinsurance agreement as properly disclosed in the General Interrogatories of the 2008 Annual Statement.

FIDELITY BONDS AND OTHER INSURANCE

The Company was insured as a subsidiary under a Crime & Liability Policy for Financial Institutions issued in the name of its Parent. The limits of liability, as of the examination date, were within NAIC established guidelines. Insuring agreements included: fidelity, on premises, in transit, forgery or alteration, securities, counterfeit currency, fraudulent mortgages and computer systems.

ACCOUNTS AND RECORDS

The accounts and records reviewed included an evaluation of the Company's operational and organizational controls. The areas evaluated included computer systems, accounting systems, organizational structure, and the processing structure.

The Company contracts with an outside accounting and actuarial consulting company to maintain its accounting records. See detailed discussion of this agreement under the section entitled "Management and Service Agreements."

During the examination, the Company's books and records were reviewed and compared to reported items and values in the Annual Statements. The Trial balance for the current year under review was traced to the Company's Annual Statement.

FINANCIAL STATEMENTS

The following statements show the assets, liabilities, surplus and other funds of the Company, as determined by this examination, as of December 31, 2008.

Analysis Assets
Liabilities, Surplus and Other Funds
Summary of Operations
Capital and Surplus Account
Summary of Examination Changes

It should be noted that the various schedules and exhibits may not add to the totals shown due to rounding. Write-ups on the individual accounts in the Notes to the Financial Statements section of this report are presented on the “exception basis.” Only comments relative to adverse findings, material financial changes, or other significant regulatory concerns are noted.

ANALYSIS OF ASSETS

Description	<u>Non admitted</u>		<u>Net Admitted</u>
	<u>Assets</u>	<u>Assets</u>	<u>Assets</u>
Bonds	\$21,762,161	\$0	\$21,762,161
Cash \$231,798 and short-term investments \$3,342,873	3,574,671	-	\$3,574,671
Subtotals; cash and invested assets	\$25,336,832	\$0	\$25,336,832
Investment income due and accrued	\$146,101	-	\$146,101
Uncollected premiums and agents' balances in the course of collection (premiums and considerations)	23,981	-	\$23,981
Current federal and foreign income tax recoverable	601,094	-	\$601,094
Net deferred tax asset	45,963	27,196	\$18,767
Totals	<u>\$26,153,971</u>	<u>\$27,196</u>	<u>\$26,126,775</u>

LIABILITIES, SURPLUS, AND OTHER FUNDS

Aggregate reserve for life contracts	\$ 1,343,943
Aggregate reserve for accident and health contracts	24,645
Life (contract claims)	168,193
Accident and health (contract claims)	19,174
Interest maintenance reserve (contract liabilities not included elsewhere)	77,902
Commissions and expense allowances payable on reinsurance assumed	10,417
General expenses due or accrued	142,575
Asset valuation reserve	36,198
Total liabilities	<u>\$ 1,823,047</u>
Common capital stock	350,000
Gross paid in and contributed surplus	13,676,065
Unassigned funds (surplus)	10,277,663
Surplus	<u>\$ 24,303,728</u>
Total Capital and Surplus	<u>\$ 26,126,775</u>

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health contracts	\$306,219
Net investment income	897,063
Amortization of Interest Maintenance Reserve (IMR)	37,912
Totals	<u>\$1,241,194</u>
Death benefits	514,987
Disability benefits and benefits under accident and health contracts	37,668
Increase in aggregate reserves for life and accident and health contracts	(1,020,653)
Totals	<u>(\$467,998)</u>
Commissions and expense allowances on reinsurance assumed	129,476
General insurance expenses	188,017
Insurance taxes; licenses and fees; excluding federal income taxes	13,614
Totals	<u>(\$136,891)</u>
Net gain from operations before dividends to policyholders and federal income taxes	1,378,085
Dividends to policyholders	0
Net gain from operations after dividends to policyholders and before federal income taxes	1,378,085
Federal and foreign income taxes incurred (excluding tax on capital gains)	463,523
Net income (net gain from operations after dividends to policyholders plus net realized capital gains or losses)	<u>\$914,562</u>

CAPITAL AND SURPLUS

Capital and surplus; December 31, 2007	<u>\$23,392,316</u>
Net income	\$914,562
Change in net deferred income tax	(39,208)
Change in non-admitted assets and related items	28,582
Change in asset valuation reserve	7,476
Net change in capital and surplus for the year	<u>\$911,412</u>
Capital and surplus; December 31, 2008	<u>\$24,303,728</u>

SUMMARY OF EXAMINATION CHANGES

No examination adjustments or recommendations were made as a result of this examination.

NOTES TO THE FINANCIAL STATEMENTS**Note 1– Bonds****\$21,762,161**

The Company's bond holdings totaled \$21.77 million and were approximately 83.5% of total admitted assets and 86.2% of the Company's total invested assets. Security composition for the year ending 2008 was comprised of the following:

U.S. Governments	\$ 9.70 million
Special Review and Assessment Obligations	\$ 6.45 million
State Territories and Possessions	\$.25 million
Political Subdivision of State Territories and Possessions	\$.09 million
Industrial & Miscellaneous	<u>5.28 million</u>
	<u>\$ 21.77 million</u>

All of the Company's bond holdings were categorized as Class 1, with respect to NAIC credit quality standards.

Note 2 - Aggregate Reserves for Life Contracts**\$1,343,943****- Aggregate Reserve for Accident and Health Contracts:****\$ 24,645****Total****\$1,368,588**

The Aggregate Reserve Life Contracts and the Aggregate Reserve Accident and Health Contracts represent 75% of the Company's liabilities at year-end 2008 and just 5.6% of surplus. The Company's has no direct written premiums. The total assumed premiums for year-end 2008 were \$306,219. This assumed business was in run-off.

The aggregated actuarial data provided by the Company was verified and reconciled to the Company's filed annual statement. As a result of this study, the reserves were accepted as reported by the Company at December 31, 2008.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There was 1 recommendation contained in the prior examination report. This recommendation was reviewed with applicable follow up actions performed by the Company and the Company was determined to be in compliance with the prior report recommendation.

CONCLUSION

As a result of this examination, the financial condition of the Mellon Life Insurance Company, as of December 31, 2008, was determined as follows:

Description	12-31-08 Current Examination	12-31-05 Prior Examination	Changes Increase (Decrease)
Assets	<u>\$26,126,775</u>	<u>\$26,636,520</u>	<u>(\$509,745)</u>
Liabilities	<u>\$1,823,047</u>	<u>\$6,988,183</u>	<u>(\$5,165,136)</u>
Common capital stock	\$350,000	\$350,000	
Gross paid in and contributed surplus	13,676,065	12,238,822	\$1,437,243
Unassigned funds (surplus)	<u>10,277,663</u>	<u>7,059,515</u>	<u>3,218,148</u>
Total surplus as regards policyholders	<u>\$24,303,728</u>	<u>\$19,648,337</u>	<u>\$4,655,391</u>
Totals	<u>\$26,126,775</u>	<u>\$26,636,520</u>	<u>(\$509,745)</u>

Since the last examination, the Company's assets decreased \$509,745, liabilities decreased \$5,165,136 and capital and surplus increased \$4,655,391.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "S. R. Kohlmeyer". The signature is fluid and cursive, with a prominent initial "S" and a long, sweeping tail.

Samuel R. Kohlmeyer, CFE

Examiner-in-Charge

State of Delaware