

Wisconsin OCI  
Exh #: 28  
Case #: 18-CV2803

*In the Matter of the Plan for Acquisition of  
Time Insurance Company by Haven  
Holdings Inc., and the merger of  
Haven Insurance Company II with and  
Into Time Insurance Company*

**TESTIMONY OF ACHIM MAXIMILIAN (MAX) HOLMES**  
**CHAIRMAN, CHIEF EXECUTIVE OFFICER & CHIEF INVESTMENT OFFICER**  
**HAVEN HOLDINGS INC.**  
**AND**  
**HAVEN INSURANCE COMPANY II**

**OCTOBER 15, 2018**  
**MADISON, WISCONSIN**

A. **Introductory Testimony**

1. **Q: What is your name?**

A: Achim Maximilian Holmes, but I use the name Max.

2. **Q: For the sake of brevity, let's refer to Haven Holdings Inc. as "Haven Holdings" and Haven Insurance Company II as "Haven Insurance" during your testimony. Can you tell me a little bit about your experience prior to Haven Holdings and Haven Insurance?**

A: I am a graduate of Harvard College, Columbia Law School and Columbia Business School. I started my career as an attorney and remain licensed in New York and Texas, although I no longer practice. After that, I worked for a decade at several investment banks: Drexel Burnham Lambert, Salomon Brothers, NatWest and finally Royal Bank of Canada. From 2002 to 2005, I was the Head of the Distressed Securities Group and a Managing Director of D. E. Shaw & Co., where I managed a portfolio that grew from \$100 million of assets under management to \$2.7 billion. After that, I was also the Founder and Chief Investment Officer of Plainfield Asset Management. Plainfield launched in 2005 and grew from a portfolio of \$150 million in assets under management to \$5.4 billion in 2008. Since 2015, I have been a Senior Advisor to a private equity firm in New York, and since 2017 I have been working on the creation of Haven Holdings and Haven Insurance with my partners.

The details of my background are in my Biographical Affidavit, but I would be remiss in not mentioning my other career. Since 1993, so for 25 years, I have taught "Bankruptcy and Reorganization" at NYU Stern Graduate School of Business, where I am still an Adjunct Professor of Finance.

3. **Q: What positions do you currently hold at Haven Holdings and Haven Insurance?**

A: I am the Chairman, Chief Executive Officer, Chief Investment Officer, and a Director of both Haven Holdings and Haven Insurance.

4. **Q: How long have you held those positions?**

A: Since December of 2017, when the two entities received their charters from the Commonwealth of Puerto Rico.

5. **Q: Have you been authorized by Haven Holdings and Haven Insurance to speak on their behalf at this hearing?**

A: Yes, I have been authorized by Haven Holdings and Haven Insurance to speak on their behalf in my capacity as Chairman, Chief Executive Officer, Chief Investment Officer and a Director for both companies.

6. **Q: Have you been involved in the consideration and negotiation of the proposed acquisition of Time Insurance Company (which we will refer to as "Time") by**

**Haven Holdings, and the subsequent merger of Haven Insurance with and into Time?**

A: Yes. I have been directly involved since the early discussions regarding the purchase of Time and its merger with Haven Insurance and redomestication to Puerto Rico. I participated in the negotiation of the Stock Purchase Agreement between Haven Holdings, Assurant, Inc. and its wholly owned subsidiary, Interfinancial Inc. (which I will refer to as the “Agreement”) and related documents. I have also been involved in extensive discussions with other members of Haven Holdings’ and Haven Insurance’s senior management, legal team, and others within the Company, as well as with Haven Holdings’ and Haven Insurance’s outside counsel and other outside advisors in regard to the Agreement.

7. **Q: Mr. Holmes, I’d like to discuss the proposed acquisition and merger with you from several perspectives, in the following order:**

**First, I will ask you to provide some background regarding Haven Holdings and Haven Insurance.**

**Second, I will ask you to describe Haven Holdings’ and Haven Insurance’s reasons for pursuing the acquisition and merger.**

**Third, I will ask you to describe the mechanics of the proposed acquisition and merger.**

**Fourth, I will ask you to describe the steps Haven Holdings and Haven Insurance have taken or will take to comply with legal requirements applicable to the proposed acquisition and merger.**

**Fifth, and finally, I will ask you to explain how the proposed acquisition and merger satisfies the statutory criteria for approval by the Wisconsin Commissioner of Insurance (who I will refer to as the “Wisconsin Commissioner”), this will include questions for the Office of the Wisconsin Commissioner of Insurance (which I will refer to as the “Wisconsin OCI”) to consider at this hearing.**

**Do you believe you have sufficient personal knowledge of the foregoing matters to testify to the same during this hearing?**

A: Yes, I do.

**B. Background of Haven Holdings and Haven Insurance**

8. **Q: Let’s begin with some background information about Haven Holdings and Haven Insurance. What is the current corporate structure of companies?**

A: Haven Holdings is a Puerto Rico corporation and an insurance holding company. Haven Holdings is the parent of Haven Insurance. Haven Insurance is a Puerto Rico corporation and a Puerto Rico-domiciled insurer, organized under the laws of the

Commonwealth of Puerto Rico. Haven Holdings was initially formed in December 2017 by Jonathan Feldman, our third shareholder, Director Ralph J. Rexach, and myself. Haven Insurance was chartered by the Puerto Rico Commissioner pursuant to a Certificate of Authority issued on December 29, 2017.

**9. Q: How many insurance companies are part of the Haven Holdings enterprise?**

A: At the moment, Haven Holdings has one insurance company subsidiary, Haven Insurance.

**10. Q: What types of insurance does Haven Insurance transact?**

A: Haven Insurance has not yet transacted business, other than to hold its regulatory capital in cash. Haven Insurance was formed to acquire closed blocks of insurance and reinsurance in runoff. Its first transaction will be to merge into Time.

**C. Reasons for Pursuing the Acquisition and Merger**

**11. Q: What are Haven Holdings' and Haven Insurance's reasons for pursuing the acquisition and merger?**

A: Haven Holdings' and Haven Insurance's Board of Directors are pursuing the acquisition and merger for the following reasons, among others:

- Haven Holdings' business plan and model is to acquire closed blocks of insurance policies in runoff, and create value for Haven Holdings' investors as well as policyholders and sellers of runoff blocks.
- Specifically, Haven Holdings and Haven Insurance seek to purchase closed blocks of insurance policies in run-off in the life insurance, annuities, disability, health, long-term care and pre-need lines of insurance.
- As a result of the acquisition and merger of Time, Haven Holdings and Haven Insurance would acquire a closed block of insurance business in the life insurance, annuities, health and long-term care lines of insurance.
- Haven Holdings and Haven Insurance intend to adopt a focused asset and liability management strategy, which will benefit policyholders, including through: a gradual increase in investment returns in compliance with NAIC Regulations; lowering costs of administration through outsourcing or pooled self-administration; and a lower tax rate through a tax treaty with Puerto Rico which allows reserves to compound at a higher level. We believe the proposed acquisition and merger of Time will benefit the policyholders of Time in this regard.
- The value proposition of Haven Holdings and Haven Insurance is to provide sellers of closed blocks with finality, to completely exit a particular line of business. Although reinsurance is the typical solution, the underlying insurer always remains liable and the liability remains on the underlying insurer's balance sheet. We believe that the

sale of an insurance company in runoff, such as Time, to another insurer in a NAIC-accredited jurisdiction will be an attractive alternative to reinsurance or policy-by-policy complete novation.

**D. Mechanics of the Proposed Acquisition and Merger**

- 12. Q: Are you familiar with how the proposed acquisition and merger will be implemented from a legal and corporate perspective?**

A: Yes, I am.

- 13. Q: Can you summarize the mechanics of the proposed acquisition and merger?**

A: Haven Holdings and Haven Insurance intend to acquire control of Time via a two-step transaction. First, Haven Holdings will purchase 100% of the outstanding voting stock of Time from Interfinancial Inc. Second, Haven Insurance will merge with and into Time, with Time surviving the merger; during this process, Time will convert to a Puerto Rico corporation and a Puerto Rico-domiciled insurer, thereby redomesticating Time to Puerto Rico. As a result of this two-step transaction, Haven Holdings will become the ultimate parent of Time.

- 14. Q: Will there be any other changes to the organizational charts of Haven Holdings, Haven Insurance, or Time as a result of the acquisition and merger?**

A: The Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer (which we can refer to as the "Form A") previously filed with the Wisconsin OCI includes detailed "before" and "after" organizational charts. Subsequent to the merger and redomestication, we intend to interpose an intermediate holding company between Haven Holdings and Time, to be called Haven Time IHC LLC, which will not affect the ultimate ownership of Haven Holdings or Haven Insurance, and no new officers or directors will be introduced by way of Haven Time IHC LLC; this change will be subject to the approval of the Puerto Rico Office of the Commissioner of Insurance (which we can refer to as the "Puerto Rico OCI"). The purpose of this change will be to provide for additional financial flexibility to raise capital for future growth.

**E. Compliance with State Insurance Regulatory Approval Requirements**

- 15. Q: When did Haven Holdings and Haven Insurance enter into the Agreement?**

A: Haven Holdings and Haven Insurance entered into the Agreement on September 4, 2018.

- 16. Q: When did Haven Holdings and Haven Insurance file their Form A?**

A: Haven Holdings and Haven Insurance filed the Form A with the Wisconsin OCI on September 7, 2018. The Form A included the Agreement as an Exhibit.

17. **Q: What is the target date for the closing of the acquisition and merger?**

A: The target closing date is November 1, 2018.

F. **Satisfaction of Statutory Criteria**

18. **Q: Are you aware of the statutory requirement that the proposed acquisition and merger be approved by the Wisconsin OCI before it can go into effect?**

A: Yes, I am.

19. **Q: And are you familiar with the findings that the Wisconsin Commissioner must make under Section 611.72 of the Wisconsin Statutes, and the various factors that the Wisconsin OCI has indicated it will consider, as a basis for approving the Form A?**

A: Yes, I am.

20. **Q: Section 611.72(3) of the Wisconsin Statutes provides that the Wisconsin Commissioner shall approve the Form A unless he finds that the Agreement would be contrary to the law or contrary to the interests of the insureds of any participating Wisconsin domestic corporation or of the Wisconsin insureds of any participating nondomestic corporation. Do you believe the Agreement violates the law?**

A: No, the Agreement has been prepared so as to meet all applicable legal requirements, and we believe it does so.

21. **Q: Do you believe the Agreement is contrary to the interests of the insureds of any participating Wisconsin domestic corporation or of the Wisconsin insureds of any participating nondomestic corporation?**

A: No, we believe the Agreement is consistent with the interests of Time's policyholders. The Domestic Insurer has been in runoff since April of 2015 and has reinsured all but approximately one hundred fifty remaining in-force policies. These remaining policies are comprised primarily of guaranteed renewable accident and health policies, including major medical and hospital indemnity policies, and were written by Time and its predecessor companies over the past five decades.

At the closing, Haven Insurance will enter into a Transition Services Agreement with Assurant which will allow policyholders to receive at least the same level of service as they did prior to the acquisition. In addition, we are already speaking with third party administrators to replace the existing third party administrator, CapGemini.

22. **Q: After the acquisition and merger, will Time be able to satisfy the requirements for the issuance of a license to write the lines of insurance for which it is presently licensed?**

A: We believe Time will be able to satisfy the applicable requirements for their current licenses after the acquisition and merger. Since our business plan is to manage runoff blocks, Haven Insurance does not currently intend to write new policies.

23. **Q: Would the proposed acquisition and merger create a monopoly or substantially lessen competition in insurance in Wisconsin?**

A: No, the proposed acquisition and merger will not create a monopoly or substantially lessen competition in any line of insurance in Wisconsin. Haven Insurance writes no insurance in Wisconsin; Time is currently in run-off and is not writing any new insurance policies in Wisconsin; as noted, since our business plan is to manage runoff blocks, Haven Insurance does not currently intend to write new policies in Wisconsin.

24. **Q: Are there any plans or proposals to liquidate Time, sell its assets, or consolidate or merge it with any person, or make any other material change in its business or corporate structure or management? If so, are any such plans fair and reasonable to policyholders of Time or in the public interest?**

A: The Applicants do not intend any changes other than as disclosed in the Form A statement or the Plan of Operations. We believe the proposed acquisition and merger is fair and reasonable to the policyholders of Time and is in the public interest.

25. **Q: Do you believe that Time will be financially stable post-closing?**

A: Yes, as demonstrated in Exhibit 12(a)(1) to the Form A statement, Time will be financially stable post-closing. As contemplated by that exhibit, and as allowed and already permitted by Puerto Rico, Haven Holdings and Haven Insurance propose to create segregated asset plans for each of Time's three primary reinsurance treaties with Prudential, John Hancock and Integon/National General. The policies subject to each of these reinsurance agreements are 100% reinsured, with well-known, accredited reinsurers, so it makes sense to segregate them from the remainder of Time's policies that will stay in the general account. By creating these segregated asset plans, Time's general account will consist of the approximately 150 directly insured run-off policies and four other much smaller reinsurance treaties. As you can see in the Exhibit 12(a)(1) pro-formas, Time's general account will be sufficiently capitalized to maintain a post-closing RBC level in excess of 300%.

26. **Q: Do you believe the competence and integrity of the persons who will control the operation of Time are such that it would be in the interest of the policyholders of Time and of the public to permit the acquisition of control?**

A: Yes, I do. The Board of Directors will be comprised of a majority of Haven Holdings' and Haven Insurance's incumbent directors, including myself and a former Insurance Commissioner.

**G. Puerto Rico Approvals**

**27. Q: Does the Puerto Rico OCI need to approve the transaction?**

A: Yes. On April 12, 2018, we received a Letter of Support from the Puerto Rico OCI for the acquisition of Time and the merger with Haven Holdings. That letter stated that Haven Holdings should submit a formal redomestication request for approval prior to the closing of the transaction. The Puerto Rico OCI approval would approve the merger and redomestication, along with all related transactions.

**28. Q: Does the Puerto Rico OCI need to approve the segregated asset accounts?**

A: Yes. The Puerto Rico OCI has previously approved the use by Haven Insurance of segregated asset accounts. The rules of the Puerto Rico OCI require that a completed Form CIS 003-001 be filed with the Puerto Rico OCI in order to create specific segregated asset plans, as is contemplated in this Application for the blocks reinsured by Prudential, John Hancock and Integon / National General. Haven Insurance will file these forms as required prior to closing the transaction.

**H. Closing Remarks**

**29. Q: Thank you, Mr. Holmes. Would you like to make any closing remarks?**

A: Yes, I would like to thank Commissioner Nickel and the Wisconsin staff for their hard work, diligence and very prompt turnaround times throughout this process. On behalf of Haven (and also on behalf of Assurant), we greatly appreciate the dedication, professionalism and courtesy exhibited by the Wisconsin OCI on this matter. Since I believe that the proposed acquisition and merger meet the statutory standards for approval, I hereby request and strongly urge Commissioner Nickel to approve Haven Holdings' and Haven Insurance's pending Form A Application and allow Time to join the Haven group of companies. Thank you.