

TRIPLE-S MANAGEMENT CORP  
Form 10-Q  
May 06, 2014

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q  
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2014  
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER: 001-33865

TRIPLE-S MANAGEMENT CORPORATION

Puerto Rico 66-0555678  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1441 F.D. Roosevelt Avenue  
San Juan, Puerto Rico 00920  
(Address of principal executive offices) (Zip code)

(787) 749-4949  
(Registrant's telephone number, including area code)

Not applicable  
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer



Edgar Filing: TRIPLE-S MANAGEMENT CORP - Form 10-Q

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>Title of each class</u>	<u>Outstanding at March 31, 2014</u>
Common Stock Class A, \$1.00 par value	2,377,689
Common Stock Class B, \$1.00 par value	24,907,272

2

---

TRIPLE-S MANAGEMENT CORPORATION

FORM 10-Q

For the Quarter Ended March 31, 2014

Table of Contents

<u>Part I – Financial Information</u>	4
<u>Item 1. Financial Statements</u>	4
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	35
<u>Cautionary Statement Regarding Forward-Looking Information</u>	35
<u>Overview</u>	35
<u>Recent Developments</u>	37
<u>Recent Accounting Standards</u>	39
<u>Managed Care Membership</u>	39
<u>Consolidated Operating Results</u>	40
<u>Managed Care Operating Results</u>	41
<u>Life Insurance Operating Results</u>	43
<u>Property and Casualty Insurance Operating Results</u>	44
<u>Liquidity and Capital Resources</u>	45
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	46
<u>Item 4. Controls and Procedures</u>	47
<u>Part II – Other Information</u>	47
<u>Item 1. Legal Proceedings</u>	47
<u>Item 1A. Risk Factors</u>	47
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	48
<u>Item 3. Defaults Upon Senior Securities</u>	48
<u>Item 4. Mine Safety Disclosures</u>	48
<u>Item 5. Other Information</u>	48
<u>Item 6. Exhibits</u>	48
<u>SIGNATURES</u>	49

Table of Contents

## Part I – Financial Information

## Item 1. Financial Statements

## Triple-S Management Corporation

## Consolidated Balance Sheets (Unaudited)

(Dollar amounts in thousands, except per share data)

	March 31, 2014	December 31, 2013
Assets		
Investments and cash:		
Securities available for sale, at fair value:		
Fixed maturities	\$1,089,479	\$1,055,874
Equity securities	232,728	239,933
Securities held to maturity, at amortized cost:		
Fixed maturities	6,261	6,139
Policy loans	6,734	6,705
Cash and cash equivalents	84,728	74,356
Total investments and cash	1,419,930	1,383,007
Premiums and other receivables, net	304,252	274,939
Deferred policy acquisition costs and value of business acquired	177,066	177,289
Property and equipment, net	87,340	89,086
Deferred tax asset	31,836	33,519
Goodwill	25,397	25,397
Other assets	78,552	64,387
Total assets	\$2,124,373	\$2,047,624
Liabilities and Stockholders' Equity		
Claim liabilities	\$446,710	\$420,421
Liability for future policy benefits	311,338	304,363
Unearned premiums	78,730	87,362
Policyholder deposits	115,561	115,923
Liability to Federal Employees' Health Benefits Program (FEHBP)	5,021	8,148
Accounts payable and accrued liabilities	186,426	161,422
Deferred tax liability	23,045	20,783
Long-term borrowings	88,804	89,302
Liability for pension benefits	56,046	54,697
Total liabilities	1,311,681	1,262,421
Stockholders' equity:		
Triple-S Management Corporation stockholders' equity		
Common stock Class A, \$1 par value. Authorized 100,000,000 shares; issued and outstanding 2,377,689 at March 31, 2014 and December 31, 2013, respectively	2,378	2,378
Common stock Class B, \$1 par value. Authorized 100,000,000 shares; issued and outstanding 24,907,272 and 25,091,277 shares at March 31, 2014 and December 31, 2013, respectively	24,907	25,091
Additional paid-in capital	127,909	130,098
Retained earnings	602,640	595,685
Accumulated other comprehensive income	55,062	32,129
Total Triple-S Management Corporation stockholders' equity	812,896	785,381

Edgar Filing: TRIPLE-S MANAGEMENT CORP - Form 10-Q

Non-controlling interest in consolidated subsidiary	(204	)	(178	)
Total stockholders' equity	812,692		785,203	
Total liabilities and stockholders' equity	\$2,124,373		\$2,047,624	

See accompanying notes to unaudited consolidated financial statements.

4

---

Table of Contents

Triple-S Management Corporation

Consolidated Statements of Earnings (Unaudited)

(Dollar amounts in thousands, except per share data)

	Three months ended	
	March 31,	
	2014	2013
Revenues:		
Premiums earned, net	\$541,852	\$549,961
Administrative service fees	29,750	27,110
Net investment income	11,351	11,367
Other operating revenues	1,494	1,187
Total operating revenues	584,447	589,625
Net realized investment gains	126	1,888
Other income, net	246	481
Total revenues	584,819	591,994
Benefits and expenses:		
Claims incurred	449,107	452,000
Operating expenses	125,367	114,865
Total operating costs	574,474	566,865
Interest expense	2,305	2,384
Total benefits and expenses	576,779	569,249
Income before taxes	8,040	22,745
Income tax expense (benefit):		
Current	1,527	5,463
Deferred	(416 )	