

TRIPLE-S MANAGEMENT CORP  
Form 10-Q  
May 10, 2012

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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, 2012

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  
(State or other jurisdiction of incorporation or organization)

66-0555678  
(I.R.S. Employer Identification No.)

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

00920  
(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

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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

Non-accelerated filer

Smaller reporting company

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.

Title of each class	Outstanding at March 31, 2012
Common Stock Class A, \$1.00 par value	9,042,809
Common Stock Class B, \$1.00 par value	19,389,661

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Triple-S Management Corporation

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For the Quarter Ended March 31, 2012

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## 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, 2012	December 31, 2011
Assets		
Investments and cash:		
Securities available for sale, at fair value:		
Fixed maturities	\$999,242	\$ 988,894
Equity securities	174,970	144,408
Securities held to maturity, at amortized cost:		
Fixed maturities	14,081	13,684
Policy loans	6,238	6,307
Cash and cash equivalents	135,561	71,834
Total investments and cash	1,330,092	1,225,127
Premiums and other receivables, net	307,463	287,184
Deferred policy acquisition costs and value of business acquired	158,166	155,788
Property and equipment, net	97,924	81,872
Deferred tax asset	29,446	28,707
Goodwill	25,397	25,397
Other assets	81,094	76,502
Total assets	\$2,029,582	\$ 1,880,577
Liabilities and Stockholders' Equity		
Claim liabilities		
Liability for future policy benefits	403,562	391,259
Unearned premiums	259,041	254,194
Policyholder deposits	167,083	94,772
Liability to Federal Employees' Health Benefits Program (FEHBP)	81,989	76,753
Accounts payable and accrued liabilities	17,066	19,051
Deferred tax liability	166,713	151,052
Long-term borrowings	26,298	24,603
Liability for pension benefits	127,736	114,387
Total liabilities	79,421	77,547
	1,328,909	1,203,618
Stockholders' equity:		
Triple-S Management Corporation stockholders' equity		
Common stock Class A, \$1 par value. Authorized 100,000,000 shares; issued and outstanding 9,042,809 at March 31, 2012 and December 31, 2011	9,043	9,043
Common stock Class B, \$1 par value. Authorized 100,000,000 shares; issued and outstanding 19,389,661 and 19,321,524 shares at March 31, 2012 and December 31, 2011, respectively	19,390	19,322

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Additional paid-in capital	145,452	144,302
Retained earnings	493,243	485,729
Accumulated other comprehensive income	33,187	18,563
Total Triple-S Management Corporation stockholders' equity	700,315	676,959
Noncontrolling interest in consolidated subsidiary	358	-
Total stockholders' equity	700,673	676,959
Total liabilities and stockholders' equity	\$2,029,582	\$ 1,880,577

See accompanying notes to unaudited consolidated financial statements.

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Triple-S Management Corporation  
Consolidated Statements of Earnings (Unaudited)  
(Dollar amounts in thousands, except per share data)

	Three months ended March 31,	
	2012	2011
Revenues		
Premiums earned, net	\$547,304	\$485,271
Administrative service fees	27,524	6,595
Net investment income	11,192	11,798
Other operating revenues	1,047	-
Total operating revenues	587,067	503,664
Net realized investment gains	1,678	5,893
Net unrealized investment loss on trading securities	-	(1,141 )
Other income, net	1,070	14
Total revenues	589,815	508,430
Benefits and expenses		
Claims incurred	475,644	402,573
Operating expenses	102,506	82,711
Total operating costs	578,150	485,284
Interest expense	2,558	3,127
Total benefits and expenses	580,708	488,411
Income before taxes	9,107	20,019
Income tax expense (benefit)		
Current	3,028	(153 )
Deferred	(1,421 )	9,802
Total income taxes	1,607	9,649
Net income	7,500	10,370
Less: Net loss attributable to the noncontrolling interest	14	-
Net income attributable to Triple-S Management Corporation	\$7,514	\$10,370
Earnings per share attributable to Triple-S Management Corporation		
Basic	\$0.27	\$0.36
Diluted	\$0.26	\$0.36

See accompanying notes to unaudited consolidated financial statements.

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Triple-S Management Corporation  
 Consolidated Statements of Comprehensive Income (Unaudited)  
 (Dollar amounts in thousands, except per share data)

	Three months ended March 31,	
	2012	2011
Net income	\$7,500	\$10,370
Other comprehensive income (loss), net of tax:		
Net unrealized change in fair value of available for sale securities, net of taxes	13,686	(1,641 )
Defined benefit pension plan:		
Actuarial loss, net	1,012	622
Prior service credit, net	(74 )	(89 )
Total other comprehensive income (loss), net of tax	14,624	(1,108 )
Comprehensive income	22,124	9,262
Comprehensive income attributable to noncontrolling interest	14	-
Comprehensive income attributable to Triple-S Management Corporation	\$22,138	\$9,262

See accompanying notes to unaudited consolidated financial statements.

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Triple-S Management Corporation  
Consolidated Statements of Stockholders' Equity (Unaudited)  
(Dollar amounts in thousands, except per share data)

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	2012	2011
Balance at January 1	\$676,959	\$617,272
Share-based compensation	905	793
Cash settlement of options granted under share-based compensation plan	-	(1,259 )
Stock issued upon the exercise of stock options	606	94
Repurchase and retirement of common stock	(293 )	(1,557 )
Net current period change in comprehensive income	22,138	9,262
Total Triple-S Management Corporation stockholders' equity	\$700,315	\$624,605
Noncontrolling interest in consolidated subsidiary	358	-
Balance at March 31	\$700,673	\$624,605

See accompanying notes to unaudited consolidated financial statements.



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Triple-S Management Corporation  
 Consolidated Statements of Cash Flows (Unaudited)  
 (Dollar amounts in thousands, except per share data)

	Three months ended March 31,	
	2012	2011
Cash flows from operating activities:		
Net income	\$7,500	\$10,370
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,893	5,188
Net amortization of investments	1,132	1,041
Provision for doubtful receivables	333	410
Deferred tax expense (benefit)	(1,421 )	9,802
Net realized investment gain on sale of securities	(1,678 )	(5,893 )
Net unrealized loss on trading securities	-	1,141
Share-based compensation	905	793
Proceeds from trading securities sold:		
Equity securities	-	20,804
Acquisition of securities in trading portfolio:		
Equity securities	-	(187 )
(Increase) decrease in assets:		
Premium and other receivables, net	(17,854 )	56,690
Deferred policy acquisition costs and value of business acquired	(2,378 )	701
Other deferred taxes	220	92
Other assets	(5,730 )	1,403
Increase (decrease) in liabilities:		
Claim liabilities	12,303	12,339
Liability for future policy benefits	4,847	3,296
Unearned premiums	72,311	(8,015 )
Policyholder deposits	471	270
Liability to FEHBP	(1,985 )	(2,399 )
Accounts payable and accrued liabilities	(708 )	(6,459 )
Net cash provided by operating activities	74,161	101,387

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Triple-S Management Corporation  
Consolidated Statements of Cash Flows (Unaudited)  
(Dollar amounts in thousands, except per share data)

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	Three months ended	
	March 31,	
	2012	2011
Cash flows from investing activities:		
Proceeds from investments sold or matured:		
Securities available for sale:		
Fixed maturities sold	\$29,843	\$14,986
Fixed maturities matured/called	35,482	33,964
Equity securities	22,649	