

TRIPLE-S MANAGEMENT CORP
Form 10-Q
November 08, 2018

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 September 30, 2018

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
Non-accelerated filer	Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 September 30, 2018</u>
Common Stock Class A, \$1.00 par value	950,968
Common Stock Class B, \$1.00 par value	21,985,524

Triple-S Management Corporation

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For the Quarter Ended September 30, 2018

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Part I – Financial Information

Item 1. Financial Statements

Triple-S Management Corporation
Condensed Consolidated Balance Sheets (Unaudited)
(dollar amounts in thousands, except share data)

	September 30, 2018	December 31, 2017
Assets		
Investments and cash:		
Fixed maturities available for sale, at fair value	\$ 1,224,050	\$ 1,216,788
Fixed maturities held to maturity, at amortized cost	2,490	2,319
Equity investments, at fair value	306,360	342,309
Other invested assets, at net asset value	73,127	34,984
Policy loans	9,680	9,077
Cash and cash equivalents	107,091	198,941
Total investments and cash	1,722,798	1,804,418
Premiums and other receivables, net	632,897	899,327
Deferred policy acquisition costs and value of business acquired	209,205	200,788
Property and equipment, net	78,445	74,716
Deferred tax asset	83,593	65,123
Goodwill	25,397	25,397
Other assets	66,093	46,996
Total assets	\$ 2,818,428	\$ 3,116,765
Liabilities and Stockholders' Equity		
Claim liabilities	\$ 1,038,114	\$ 1,106,876
Liability for future policy benefits	355,366	339,507
Unearned premiums	78,544	86,349
Policyholder deposits	174,126	176,534
Liability to Federal Employees' Health Benefits and Federal Employees' Programs	41,880	52,287
Accounts payable and accrued liabilities	246,750	354,894
Deferred tax liability	3,210	21,891
Long-term borrowings	29,681	32,073
Liability for pension benefits	30,919	33,672
Total liabilities	1,998,590	2,204,083
Stockholders' equity:		
Triple-S Management Corporation stockholders' equity		
Common stock Class A, \$1 par value. Authorized 100,000,000 shares; issued and outstanding 950,968 at September 30, 2018 and December 31, 2017, respectively	951	951
Common stock Class B, \$1 par value. Authorized 100,000,000 shares; issued and outstanding 21,985,524 and 22,627,077 shares at September 30, 2018 and December 31, 2017, respectively	21,986	22,627
Additional paid-in capital	34,231	53,142
Retained earnings	772,872	785,390
Accumulated other comprehensive (loss) income	(9,531) 51,254

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Total Triple-S Management Corporation stockholders' equity	820,509		913,364	
Non-controlling interest in consolidated subsidiary	(671	)	(682)
Total stockholders' equity	819,838		912,682	
Total liabilities and stockholders' equity	\$ 2,818,428		\$ 3,116,765	

See accompanying notes to unaudited condensed consolidated financial statements.

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Triple-S Management Corporation

Condensed Consolidated Statements of Earnings (Unaudited)

(dollar amounts in thousands, except per share data)

	Three months ended		Nine months ended	
	September 30, 2018	2017	September 30, 2018	2017
Revenues:				
Premiums earned, net	\$ 742,445	\$ 714,325	\$ 2,236,249	\$ 2,139,489
Administrative service fees	3,802	3,391	11,216	12,318
Net investment income	16,168	12,395	45,630	37,109
Other operating revenues	1,575	941	4,234	3,027
Total operating revenues	763,990	731,052	2,297,329	2,191,943
Net realized investment (losses) gains	(956)	3,753	1,065	8,143
Net unrealized investment gains (losses) on equity investments	5,632	-	(11,343)	-
Other income, net	1,943	3,409	3,600	6,521
Total revenues	770,609	738,214	2,290,651	2,206,607
Benefits and expenses:				
Claims incurred	648,580	583,625	1,959,707	1,815,785
Operating expenses	141,026	119,145	408,772	348,811
Total operating costs	789,606	702,770	2,368,479	2,164,596
Interest expense	2,000	1,709	5,515	5,116
Total benefits and expenses	791,606	704,479	2,373,994	2,169,712
(Loss) income before taxes	(20,997)	33,735	(83,343)	36,895
Income tax (benefit) expense	(3,430)	11,824	(30,944)	6,622
Net (loss) income	(17,567)	21,911	(52,399)	30,273
Net (loss) income attributable to non-controlling interest	-	(1)	1	(2)
Net (loss) income attributable to Triple-S Management Corporation	\$ (17,567)	\$ 21,912	\$ (52,400)	\$ 30,275

See accompanying notes to unaudited condensed consolidated financial statements.

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Triple-S Management Corporation

Condensed Consolidated Statements of Comprehensive (Loss) Income (Unaudited)

(dollar amounts in thousands)

	Three months ended		Nine months ended		
	September 30,		September 30,		
	2018	2017	2018	2017	
Net (loss) income	\$ (17,567	) \$ 21,911	\$ (52,399	) \$ 30,273
Other comprehensive (loss) income, net of tax:					
Net unrealized change in fair value of available for sale securities, net of taxes	(6,216	) 1,851	(21,312	) 14,719
Defined benefit pension plan:					
Actuarial loss, net	147	48	409	154	
Total other comprehensive (loss) income, net of tax	(6,069	) 1,899	(20,903	) 14,873
Comprehensive (loss) income	(23,636	) 23,810	(73,303	) 45,146
Comprehensive (loss) income attributable to non-controlling interest	-	(1) 1	(2)
Comprehensive (loss) income attributable to Triple-S Management Corporation	\$ (23,636	) \$ 23,811	\$ (73,303	) \$ 45,148

See accompanying notes to unaudited condensed consolidated financial statements.

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Triple-S Management Corporation

Condensed Consolidated Statements of Stockholders' Equity (Unaudited)

(dollar amounts in thousands)

	2018	2017
Balance at January 1	\$913,364	\$863,163
Share-based compensation	3,462	1,651
Repurchase and retirement of common stock	(23,014)	(12,553)
Comprehensive (loss) income	(73,303)	45,148
Total Triple-S Management Corporation stockholders' equity	820,509	897,409
Non-controlling interest in consolidated subsidiary	(671)	(679)
Balance at September 30	\$819,838	\$896,730

See accompanying notes to unaudited condensed consolidated financial statements.

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Triple-S Management Corporation
 Condensed Consolidated Statements of Cash Flows (Unaudited)
 (Dollar amounts in thousands)

	Nine months ended September 30,	
	2018	2017
Cash flows from operating activities:		
Net (loss) income	\$(52,399)	\$30,273
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	9,933	9,835
Net amortization of investments	3,747	7,396
Additions to the allowance for doubtful receivables	7,085	2,043
Deferred tax benefit	(33,006)	(9,993)
Net realized investment gain on sale		