

TRIPLE-S MANAGEMENT CORP
Form 10-Q
August 02, 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 June 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 June 30, 2018</u>
Common Stock Class A, \$1.00 par value	950,968
Common Stock Class B, \$1.00 par value	22,242,836

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For the Quarter Ended June 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)

	June 30, 2018	December 31, 2017
Assets		
Investments and cash:		
Fixed maturities available for sale, at fair value	\$1,232,689	\$ 1,216,788
Fixed maturities held to maturity, at amortized cost	2,484	2,319
Equity investments, at fair value	313,042	342,309
Other invested assets, at net asset value	52,633	34,984
Policy loans	9,449	9,077
Cash and cash equivalents	255,979	198,941
Total investments and cash	1,866,276	1,804,418
Premiums and other receivables, net	742,056	899,327
Deferred policy acquisition costs and value of business acquired	205,268	200,788
Property and equipment, net	78,153	74,716
Deferred tax asset	79,404	65,123
Goodwill	25,397	25,397
Other assets	77,700	46,996
Total assets	\$3,074,254	\$ 3,116,765
Liabilities and Stockholders' Equity		
Claim liabilities	\$1,111,444	\$ 1,106,876
Liability for future policy benefits	349,176	339,507
Unearned premiums	169,538	86,349
Policyholder deposits	175,592	176,534
Liability to Federal Employees' Health Benefits and Federal Employees' Programs	61,128	52,287
Accounts payable and accrued liabilities	291,294	354,894
Deferred tax liability	3,971	21,891
Long-term borrowings	30,478	32,073
Liability for pension benefits	33,093	33,672
Total liabilities	2,225,714	2,204,083
Stockholders' equity:		
Triple-S Management Corporation stockholders' equity	951	951
Common stock Class A, \$1 par value. Authorized 100,000,000 shares; issued and outstanding 950,968 at June 30, 2018 and December 31, 2017, respectively		
Common stock Class B, \$1 par value. Authorized 100,000,000 shares; issued and outstanding 22,242,836 and 22,627,077 shares at June 30, 2018 and December 31, 2017, respectively	22,243	22,627
Additional paid-in capital	39,050	53,142
Retained earnings	790,439	785,390
Accumulated other comprehensive (loss) income	(3,462)	51,254
Total Triple-S Management Corporation stockholders' equity	849,221	913,364
Non-controlling interest in consolidated subsidiary	(681)	(682)

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Total stockholders' equity	848,540	912,682
Total liabilities and stockholders' equity	\$3,074,254	\$ 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		Six months ended	
	June 30, 2018	2017	June 30, 2018	2017
Revenues:				
Premiums earned, net	\$741,770	\$722,891	\$1,493,804	\$1,425,164
Administrative service fees	4,066	4,548	7,414	8,927
Net investment income	15,707	12,698	29,462	24,714
Other operating revenues	1,588	1,121	2,659	2,086
Total operating revenues	763,131	741,258	1,533,339	1,460,891
Net realized investment (losses) gains	(921)	4,054	2,021	4,390
Net unrealized investment losses on equity investments	(776)	-	(16,975)	-
Other income, net	494	587	1,657	3,112
Total revenues	761,928	745,899	1,520,042	1,468,393
Benefits and expenses:				
Claims incurred	692,138	611,297	1,311,127	1,232,160
Operating expenses	134,612	118,720	267,746	229,666
Total operating costs	826,750	730,017	1,578,873	1,461,826
Interest expense	1,825	1,721	3,515	3,407
Total benefits and expenses	828,575	731,738	1,582,388	1,465,233
(Loss) income before taxes	(66,647)	14,161	(62,346)	3,160
Income tax (benefit) expense	(27,901)	1,456	(27,514)	(5,202)
Net (loss) income	(38,746)	12,705	(34,832)	8,362
Net income (loss) attributable to non-controlling interest	1	-	1	(1)
Net (loss) income attributable to Triple-S Management Corporation	\$(38,747)	\$12,705	\$(34,833)	\$8,363
Earnings per share attributable to Triple-S Management Corporation				
Basic net (loss) income per share	\$(1.68)	\$0.52	\$(1.50)	\$0.35
Diluted net (loss) income per share	\$(1.68)	\$0.52	\$(1.50)	\$0.34

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		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Net (loss) income	\$(38,746)	\$12,705	\$(34,832)	\$8,362
Other comprehensive (loss) income, net of tax:				
Net unrealized change in fair value of available for sale securities, net of taxes	(8,202)	4,396	(15,096)	12,868
Defined benefit pension plan:				
Actuarial loss, net	131	53	262	106
Total other comprehensive (loss) income, net of tax	(8,071)	4,449	(14,834)	12,974
Comprehensive (loss) income	(46,817)	17,154	(49,666)	21,336
Comprehensive income (loss) attributable to non-controlling interest	1	-	1	(1)
Comprehensive (loss) income attributable to Triple-S Management Corporation	\$(46,818)	\$17,154	\$(49,667)	\$21,337

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	2,543	170
Repurchase and retirement of common stock	(17,019)	-
Comprehensive (loss) income	(49,667)	21,337
Total Triple-S Management Corporation stockholders' equity	849,221	884,670
Non-controlling interest in consolidated subsidiary	(681)	(678)
Balance at June 30	\$848,540	\$883,992

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)

	Six months ended	
	June 30,	
	2018	2017
Cash flows from operating activities:		
Net (loss) income	\$(34,832)	\$8,362
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	6,986	6,454
Net amortization of investments	3,116	4,787
Additions (reductions) to the allowance for doubtful receivables	1,729	(2,390)
Deferred tax benefit	(29,292)	(11,734)
Net realized investment gain on sale of securities	(2,021)	(4,390)
Net unrealized loss on equity investments	16,975	-
Interest credited to policyholder deposits	2,157	2,144
Share-based compensation	2,543	170
Decrease (increase) in assets:		
Premium and other receivables, net	155,542	(25,078)
Deferred policy acquisition costs and value of business acquired	(2,355)	(5,621)
Deferred taxes	522	(280)
Other assets	(32,997)	(1,229)
(Decrease) increase in liabilities:		
Claim liabilities	4,568	16,297
Liability for future policy benefits	9,669	10,195
Unearned premiums	83,189	96,251
Liability to Federal Employees' Health Benefits and Federal Employees' Programs	8,841	5,993
Accounts payable and accrued liabilities	(63,617)	33,774
Net cash provided by operating activities	130,723	133,705

(Continued)

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Triple-S Management Corporation

Condensed Consolidated Statements of Cash Flows (Unaudited)

(Dollar amounts in thousands)

	Six months ended	
	June 30,	
	2018	2017
Cash flows from investing activities:		
Proceeds from investments sold or matured:		
Securities available for sale:		
Fixed maturities sold	\$768,789	\$88,141
Fixed maturities matured/called	10,656	8,938
Securities held to maturity:		
Fixed maturities matured/called	728	703
Equity investments sold	123,197	21,499
Other invested assets sold	1,788	-
Acquisition of investments:		
Securities available for sale:		
Fixed maturities	(829,010)	(141,116)
Securities held to maturity:		