

GOVERNMENT OF PUERTO RICO
OFFICE OF THE COMMISSIONER OF INSURANCE



TRIPLE-S PROPIEDAD, INC.

AMENDED

REPORT ON EXAMINATION
AS OF DECEMBER 31, 2018
CASE No. EX-2019-09

NAIC CODE 40568
REPORT DATE: DECEMBER 21, 2020

Brian Maynard, CFE
Examiner-in-Charge
INSRIS-PR, LLC

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GOVERNMENT OF PUERTO RICO
Office of the Commissioner of Insurance

April 15, 2021

Honorable Mariano Mier Romeu
Commissioner of Insurance
Commonwealth of Puerto Rico
Office of the Commissioner of Insurance
San Juan, Puerto Rico 00918

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Order Number EX-2019-09(A)(2), dated August 11, 2020, a financial condition examination has been made of the affairs, financial condition and management of

TRIPLE-S PROPIEDAD, INC.
PLAZA TRIPLE S INC.
1510 ROOSEVELT AVENUE
GUAYNABO, PUERTO RICO 00968

hereinafter referred to as "Company" or "Insurer" or "TSP", incorporated under the laws of the Commonwealth of Puerto Rico. The examination was carried out remotely due to the COVID-19 pandemic. The report on this examination is respectfully submitted.

SCOPE OF EXAMINATION

An examination of TSP was performed by examiners representing the Office of the Commissioner of Insurance of Puerto Rico (OCI). This is the first risk-focused examination of the Company. The last examination covered the five-year period of January 1, 2010 through December 31, 2014. This examination covered the four-year period from January 1, 2015 through December 31, 2018, including any material relevant transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in the *Model Law on Examinations* (#390) and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.) are not included within the examination report but separately communicated to the Company and/or other regulators.

During the course of this examination, consideration was given to work performed by the Company's external auditor, Deloitte & Touche, LLP (D&T). Certain auditor work papers have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

The following is a summary of material adverse findings, significant non-compliance findings, or material changes in the financial statements noted during the examination.

Minimum Deposit Required - Article 3.151 (ISS.1)

Based on our review, the Company failed to comply with Article 3.151 of the PR Insurance Code (Code), which establishes:

(1) No domestic insurer shall be authorized to transact insurance in Puerto Rico unless it deposits and maintains on deposit assets of a value not less than fifty percent (50%) of the amount of the paid-in capital if a stock insurer or a cooperative insurer, or of the surplus funds if a mutual, reciprocal, or Lloyd's plan insurer, as required to be maintained for such kind or kinds of insurance to be transacted in Puerto Rico, notwithstanding the provisions contained in § 304(2) of this title.

As of December 31, 2016, the Insurer did not keep assets of a value in an amount of not less than fifty percent (50%) of the amount of the paid-in capital in deposit, at its amortized value.

Minimum Capital Required - Article 3.090(1)

Based on our review, the Company comply with Article 3.090(1) of the Code, which establishes:

To qualify to receive the authority to transact any kind of insurance, an insurer must have and hold paid-in capital or surplus stock in an amount which shall not be less than what appears in the applicable portion of the following schedule:

<i>All insurance except life and mortgage loans</i>	<i>\$3,000,000</i>
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As of December 31, 2018, the insurer maintained \$3,250,000 of capital. The Insurer submitted to the Commissioner a Risk Based Capital Plan to improve his ratio level and comply with Article 45.040(2) of the Code.

Investment in Puerto Rico securities – Article 3.160(1)

During 2018, the Insurer kept all its investments in first mortgages on real property located in Puerto Rico. Based on our review, the Company failed to comply with Article 3.160(1) of the Code, which only allows 50% in said values and another 50% in Bonds of Puerto Rico or its municipalities. The Insurer did not request to the Commissioner to waive the requirement of this section regarding being able to maintain invested 100% of the first mortgages on real property located in Puerto Rico.

Appointment of Vice President by the Board of Directors – Article 29.210 and Bylaws

Based on our review, the Company comply with Article 29.210 of the Code and Section 4.1 of its Bylaws, whereby Article 29.210 establishes: *The insurer's officers shall consist of a president, vice president, treasurer, secretary and such other officers that may be necessary and provided for in the bylaws. All officers shall be elected by the board of directors, and shall have qualifications, such powers and duties, and serve for such terms as may be prescribed in the bylaws.*

Investments' Formal Resolution – Article 6.040(2)

Based on our review, the Company failed to comply with Article 6.040(2) of the Code which establishes:

All investments acquired and held under this Chapter shall be acquired and owned under the supervision and direction of the Board of Directors of the insurer. The Board of Directors shall certify in writing, through a formal resolution to be adopted at least once a year, that all

investments have been made pursuant to the delegation, standards, limitations and investment goals established by the Board, or by a committee authorized by the Board with the responsibility to administer the investments of the insurer.

Based on our review of the minutes of the Board of Directors of the Insurer, we did not find for the years 2017 and 2018 the formal resolution by the Board of Directors certifying that all investments had been made pursuant to goals as established in the Triple S Propiedad Investment Policy and Chapter 6 of the PR Insurance Code. However, it should be noted that the Company subsequently (2020) corrected this issue for the year 2018.

Professional Qualifications – 6.040(1)

Based on our review, the Company failed to comply with Article 6.040(1) of the PR Insurance Code which states:

The (investment) plan must state the professional qualifications of the persons that shall be making routine investment decisions in order to ensure their competence and ethical behavior.

TSP's Investment Policy did not state the professional qualifications of the persons that shall be making routine investment decisions. However, it should be noted that the Company subsequently (2019) corrected this issue.

INSURER HISTORY

TSP, a wholly owned subsidiary of Triple-S Management Corporation (TSM), was incorporated in 1987 under the provisions of the Insurance Code of the Commonwealth of Puerto Rico and is authorized to underwrite property and casualty insurance policies. TSM is a publicly-traded holding company with its member companies mainly engaged in insurance products. As of December 31, 2018, TSP was licensed only in Puerto Rico.

The last financial condition examination was conducted as of December 31, 2014. Subsequent to the prior examination, the effects of the 2017 hurricanes (Irma and Maria) resulted in TSP reporting adverse development for losses that significantly impacted the Company's capital and surplus. In August 2018, TSP obtained approval from the OCI to release \$10,000,000 from its catastrophic loss reserve¹ presented in special surplus funds. The prescribed practice allowed a charge of \$10,000,000 against surplus instead of operations. There were no market conduct examinations performed during the examination period.

In November 2018, AM Best downgraded TSP's rating from A- (Excellent) to B+ (Good) with negative implications. As of December 31, 2018, risk-based capital (RBC) decreased to 150.7%, placing TSP in a company action level. In response, TSP submitted an RBC Plan to the OCI, which was approved by the OCI in April 2019.

CAPITAL STOCK

As of December 31, 2018, the Insurer had 1,000,000 shares of \$10 par value common stock authorized, with 325,000 shares issued and outstanding. The Insurer is a direct subsidiary of TSM, which owns 324,995 of the issued shares, and one share is held by each member of the board of directors of TSP.²

CORPORATE RECORDS

The Articles of Incorporation, bylaws and all amendments thereto, and the minutes of the meetings of the board of directors of TSM and TSP, board of director committees, and shareholders were reviewed for the period under examination. There were no amendments to the Insurer's Articles of Incorporation or bylaws during the examination period.

¹ Rule No. 72 of the Regulation of the Insurance Code of Puerto Rico, as established in Chapter 25 of the Insurance Code of Puerto Rico.

² In November 2018, 25,000 of the 325,000 shares were issued via unanimous written consent of the TSP board of directors as part of its RBC plan. The 25,000 shares were purchased by TSM at \$400 per share, thus raising \$10,000,000 in capital. Also included as part of the RBC Plan was the issuance of a \$12,000,000 surplus note in 2019.

MINUTES

The recorded minutes adequately documented its meetings and approval of Insurer transactions and events, in compliance with the Insurance Code of Puerto Rico.

MANAGEMENT AND CONTROL

BOARD OF DIRECTORS

As of the examination date, the board of TSP was comprised of the following members, who were elected at the annual meeting of stockholders, in compliance with Article 29.160:

Name and Location	Principal Occupation
Roberto García-Rodríguez Guaynabo, Puerto Rico	President & Chief Executive Officer, TSM
Juan J. Román-Jiménez Guaynabo, Puerto Rico	Treasurer of TSM
Carlos Rodríguez-Ramos Guaynabo, Puerto Rico	Chief Legal Counsel of TSM
José Del Amo-Mojica San Juan, Puerto Rico	President of TSP
Madeline Hernández Urquiza San Juan, Puerto Rico	Chief Operating Officer of TSM

OFFICERS

TSP's bylaws specify that officers are to be elected by the board and shall hold office until their successors are chosen and qualified. The officers were elected in compliance with Article 29.210, Puerto Rico Insurance Code. As of December 31, 2018, TSP's officers were as follows:

Name	Title
José M. del Amo Mojica	President
Enrique Polanco	Vice President
Edgardo J. Marchand, CPA	Senior Vice President and Assistant Treasurer
Dennis Hanftwurz	Senior Vice President, Underwriting
Juan J. Román Jiménez, CPA	Treasurer
Carlos L. Rodríguez Ramos	Secretary
René P. Van Noort	Assistant Treasurer

COMMITTEES

As of December 31, 2018, TSP was overseen by the following Committees of the Board of TSM:

Audit Committee

Roberto Santa María, Chairman
Antonio F. Faría-Soto
David H. Chafey, Jr.
Gail B. Marcus

Investment and Financing Committee

David H. Chafey Jr. Chairman
Luis A. Clavell-Rodríguez
Jorge L. Fuentes-Benejam
Roberto Santa María
Gail B. Marcus

Compensation and Talent Development Committee

Joseph A. Frick, Chairman
Manuel Figueroa-Collazo
Cari M. Dominguez
Antonio F. Faría-Soto

Corporate Governance and Nominating Committee

Cari M. Dominguez, Chairman
Manuel Figueroa-Collazo
Jorge L. Fuentes-Benejam
Joseph A. Frick

In October 2019, TSM established the Enterprise Risk Management (ERM) Committee of the board and approved its charter on March 3, 2020. The impetus behind the creation of the ERM Committee and adoption of the charter was primarily as a result of the impact of the hurricanes that hit Puerto Rico in 2017. The December 31, 2018 membership of the ERM Committee is as follows:

Enterprise Risk Management Committee

Gail B. Marcus, Chairman
Manuel Figueroa-Collazo
Jorge L. Fuentes-Benejam

CONFLICT OF INTEREST

The Insurer requires its directors, officers, and key employees to sign a conflict of interest questionnaire concerning items that could have an impact on the way they conduct the Insurer's business in order to comply with Article 29.230 of the Insurance Code of Puerto Rico. The review of the conflict of interest questionnaires revealed that the Insurer was in compliance.

INVESTMENTS

Article 6.040 of the Insurance Code of Puerto Rico provides, among other things, that all investments acquired and held under this Chapter shall be acquired and owned under the supervision and direction of the Board of Directors of the Insurer. The Board of Directors shall certify in writing, through a formal resolution to be adopted at least once a year, that all investments have been made pursuant to the standards, limitations and investment goals established by the Board, or by a committee authorized by the Board with the responsibility to administer the investments of the Insurer. Per our review of the Board of Directors and Finance Committee minutes, we noted that the Insurer's Board certify in writing, for the years 2015, 2016 and 2018; and Treasury Department certified years 2017 and 2018. In accordance with Article 6.040(2), through a formal resolution that all investments were made pursuant to standards, limitations and

investment goals established by the Board. In addition, the Company's investment policy did not comply with Article 6.040(1) since it does not state the professional qualifications of the persons that shall be making routine investment decisions.

DIVIDENDS TO STOCKHOLDERS

Article 29.340 of the Insurance Code of Puerto Rico provides that a domestic stock Insurer shall not pay any cash dividends to stockholders, except out of any realized net profits on its business. The following table shows dividends paid to stockholders during the examination period and the balance of unassigned surplus for the corresponding year:

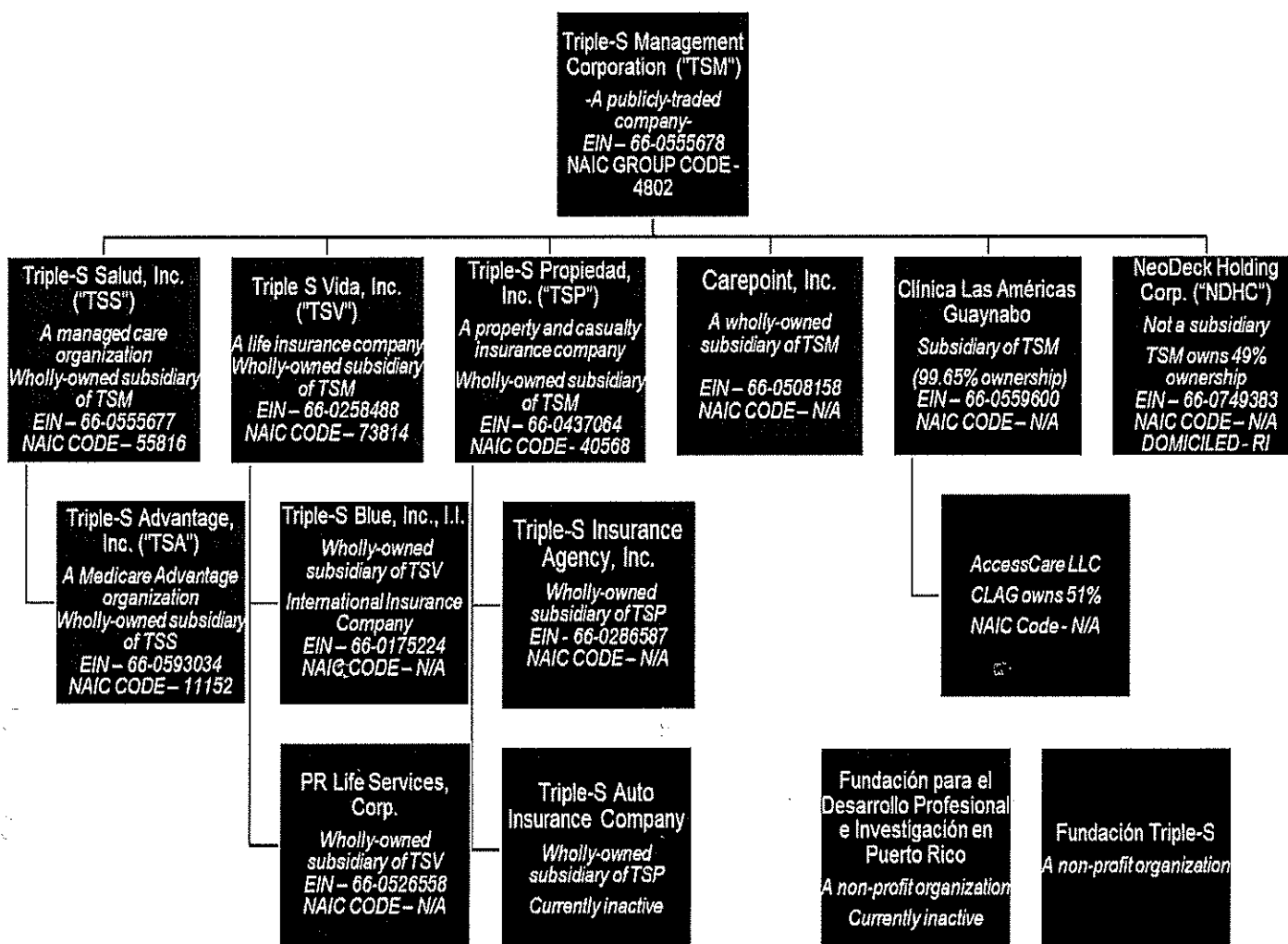
Year	Dividend Paid	Total Capital and Surplus - Previous Year
2015	\$15,000,000	\$137,038,348
2016	12,000,000	134,773,447
2017	0	139,688,802
2018	0	135,596,021

Pursuant to Puerto Rico Regulations, Rule No. 83 Section 19(b), an Insurer may not pay extraordinary dividends or make any other extraordinary distribution to shareholders until thirty (30) days after notifying the Commissioner of Insurance and the Commissioner of Insurance has not disapproved such payments or has expressly approved the extraordinary dividend within the thirty (30) day period. Extraordinary dividends paid for 2015 were made in accordance with Rule No. 83 Section 19(b) and Article 44.060(b) of the Insurance Code of Puerto Rico. In addition, the payment of ordinary dividends in 2016 was made in accordance with Rule No. 83 Section 19(b) and Article 44.050(e) of the Insurance Code of Puerto Rico. All dividends paid during the examination period were made in compliance with Article 29.340 of the Insurance Code of Puerto Rico.

HOLDING INSURER SYSTEM

The Insurer is member of an insurance holding company system as defined under the Insurance Laws of Puerto Rico. TSM is the ultimate controlling parent. TSM is a publicly traded insurance holding company that trades on the New York Stock Exchange under the ticker symbol GTS. The OCI reviewed Rule No. 83 forms submitted by TSM (Insurance Holding Company System Registration Statement) for the period of examination and reviewed all forms and noted they were submitted by the required date. No significant matters were noted in the disclosures.

The following is an organizational chart that reflects the identities and interrelationships between the Insurer, its parents and subsidiaries, and other affiliates.



The following is a summary of each entity in the holding company system:

Triple-S Management Corporation (TSM) is a publicly-traded holding company with its member companies mainly engaged in insurance products.

Triple-S Insurance Agency, Inc. (TSIA) is a wholly-owned subsidiary of TSP.

Triple-S Auto Insurance Company is a wholly-owned subsidiary of TSP and is currently inactive.

Triple-S Salud, Inc. (TSS) is a managed care organization with a wholly owned subsidiary,

Triple-S Advantage, Inc. (TSA), provides Medicare Advantage services to dual and non-dual eligible members in Puerto Rico and offers a comprehensive network of primary care and specialty providers, facilities and ancillary services as a Health Maintenance Organization (HMO).

Triple-S Vida, Inc. (TSV) offers a wide variety of life, accident and health and annuity products to all markets in Puerto Rico. TSV is a distributor of life products in Puerto Rico and is the only home service company in Puerto Rico. TSV offers guaranteed issue, funeral and cancer policies and markets directly to people in their homes. TSV also markets group life and disability coverage through independent producers.

Triple-S Blue (TSB) is a wholly owned subsidiary of TSV and writes life and accident and health insurance policies and the administration of annuity contracts primary in the Republic of Costa Rica, Anguilla and British Islands.

PR Life Services, Corporation, a wholly owned subsidiary of TSV, is a general agency (insurance agents, brokers and service) and represents TSV by providing sales and marketing of TSV products in Puerto Rico.

Carepoint, Inc. is a third party administrator and is wholly-owned by TSM.

Clínica Las Americas Guaynabo (CLAG) is a subsidiary of TSM (99.65% ownership) and a health care service provider.

AccessCare, LLC is a health care clinic in Puerto Rico that is 51% owned by CLAG.

Fundación Triple-S is a non-profit organization and Foundation for Professional Development and Research in Puerto Rico, Inc. is an inactive non-profit corporation.

NeoDeck Holding Corporation TSM owns 49% of the outstanding stock.

INTERCOMPANY AGREEMENTS

The Company accounts for transactions with affiliated parties in accordance with SSAP. No. 25, *Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties*. Transactions between related parties must be in the form of a written agreement and the written agreement must provide for a timely settlement of amounts owed with a specific date due. Amounts owed that are more than ninety days from the due date are considered non-admitted. If the agreement does not contain a due date, the uncollected receivable amounts are non-admitted. The Company has entered into the following agreements with its affiliated entities:

A Service Agreement with the Company's parent, TSM, executed on March 1, 2016 that provides a variety of services, including human resources, staff training, payroll and benefits, wellness and medical, accounting, printing and mailing, purchasing, legal, information technology, warehousing, facilities and investments. Total charges for administrative expenses and services provided were \$3.87 million for the year-ended December 31, 2018.

A Lease Agreement with the Company's parent, TSM, executed on August 16, 2017 and effective September 1, 2017 through January 1, 2024 for office space located at the Triple-S Plaza Building, 1510 F.D. Roosevelt Avenue, Guaynabo, Puerto Rico 00968. Total rent charges for the year-ended December 31, 2018 were \$696,000.

A General Agency Agreement effective March 1, 2011 with TSIA providing underwriting facilities and broker services. As noted in the *Lines of Business / Operations* section above, for the year ending December 31, 2018, TSIA subscribed \$98.1 million, or 70% of premiums written by TSP.

As of December 31, 2018, TSP reported a net payable to parent, subsidiaries and affiliates of \$1,195,253.

TERRITORY AND PLAN OF OPERATIONS

The Company is licensed by the OCI to transact within Puerto Rico agricultural, casualty, disability, marine and transportation, property, surety, title and vehicle insurance. TSP's business is primarily directed to the underwriting of property and liability insurance policies. Business is written through insurance general agents, including TSIA, a wholly owned subsidiary. TSIA has direct contacts with over 700 producers and brokers. For the year ending December 31, 2018, TSIA subscribed \$98.1 million, or 70% of premiums written by TSP. TSP's remaining premiums are produced by non-affiliated general agents.

The Company produced net written premium as follows in 2018:

Direct premium	\$139,826,320
Ceded premium (non-affiliates)	<u>60,353,837</u>
Total	<u><u>\$79,472,483</u></u>

GROWTH OF THE INSURER

The following information was obtained from the Insurer's filed Annual Statements and covers the past four years through December 31, 2018.

Year	Admitted Assets	Surplus	Gross Premium Written	Net Income
2015	\$278,048,632	\$134,773,447	\$134,409,987	\$19,889,701
2016	279,522,650	\$139,688,802	133,114,927	16,950,860
2017	410,561,477	135,596,021	143,787,323	5,731,127
2018	326,559,922	63,811,910	139,826,320	(80,439,550)

The net losses and corresponding decrease in surplus in 2018 were the result of adverse claims development from Hurricanes Irma and Maria, which made landfall in Puerto Rico in September 2017.

REINSURANCE

ASSUMED

The Company has no assumed reinsurance.

CEDED

The Company has a number of pro rata and excess of loss reinsurance treaties, whereby they retain for its own account all loss payments for each occurrence that does not exceed the stated amount in the agreements. TSP also has a catastrophe cover, whereby TSP protects itself from a loss or disaster of a catastrophic nature. Reinsurance cessions are made on excess of loss and on a proportional basis. The principal reinsurance agreements cover the following:

Catastrophic excess of loss

Reinstatement premium protection

Property quota share, (proportional basis)

Casualty excess of loss

Medical malpractice excess of loss

Builders' risk quota shares and first surplus (covering contractors' risk), (proportional basis)

Surety quota share treaty (covering contract and miscellaneous surety bond issues), (proportional basis)

As part of the catastrophe program, TSP signed a multiyear reinsurance contract providing for retroactive and prospective reinsurance coverage. The retroactive portion is an adverse

development cover of \$50 million over \$76.5 million of the spillover of Hurricane Maria losses. Under generally accepted accounting principles, the retroactive reinsurance resulted in a deferred gain of \$25 million. Under statutory accounting principles, the retroactive reinsurance resulted in a gain on retroactive reinsurance of \$25 million. The statutory statement of admitted assets, liabilities and surplus is presenting \$25 million as special surplus funds in the surplus section. Also, there is reinsurance recoverable under retroactive reinsurance of \$50 million as a contra-liability write-in line in the liability section of the statement. The unpaid reserves are not reduced by the retroactive reinsurance. Facultative reinsurance is obtained when coverage per risk is required.

The reinsurance contracts reviewed comply with NAIC guidelines with respect to the insolvency clause, arbitration clause, transfer of risk, reporting, and settlement information deadlines as stated in SSAP No. 62 of the *NAIC Accounting Practices and Procedures Manual*.

INFORMATION TECHNOLOGY

A review of the Company's Information Technology General Controls and General Application Controls was performed as required by the Handbook. The information technology review was completed by INS Services, Inc. Results of the review were discussed with management and/or included in a management letter.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Insurer with the Office of the Commissioner of Insurance of Puerto Rico and present the financial condition of the Insurer as of and for the period ending December 31, 2018. The accompanying notes on financial statements reflect no adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

TRIPLE-S PROPIEDAD, INC.
ASSETS
DECEMBER 31, 2018

Bonds	\$221,640,047
Common stocks	51,857,911
Cash, cash equivalents, and short-term investments	(2,839,460)
Other invested assets	5,320,803
Investment income due/accrued	2,196,041
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	18,723,373
Reinsurance:	
Amounts recoverable from reinsurers	25,397,268
Other amounts receivable under reinsurance contracts	1,103,496
Current federal and foreign income tax recoverable	675,505
Electronic data processing equipment and software	65,579
Receivable from parent, subsidiaries and affiliates	176,221
Investment in subsidiary	2,243,138
Total assets excluding Separate Accounts	326,559,922
From Separate Accounts	0
Total Assets	\$326,559,922

TRIPLE-S PROPIEDAD, INC.
LIABILITIES, SURPLUS AND OTHER FUNDS
DECEMBER 31, 2018

Losses	\$171,750,278
Loss adjustment expenses	22,197,847
Commissions Payable	121,346
Other expenses	2,089,938
Taxes, licenses and fees	700,479
Net deferred tax liability	185,650
Unearned premiums	59,321,601
Advance Premiums	104,353
Ceded reinsurance premiums payable	39,670,822
Funds held by company under reinsurance treaties	7,244,296
Amounts withheld or retained by company for others	1,780,005
Provision for reinsurance	314,000
Drafts outstanding	5,895,896
Payable to parent, subsidiaries and affiliates	1,371,474
UPR portions of amounts recovered pursuant to Article 38.160 of Ins code of PR	27
Retroactive reinsurance reserve ceded	(50,000,000)
Total liabilities	<u>262,748,012</u>
Common capital stock	3,250,000
Gross paid in and contributed surplus	17,250,000
Gain on retroactive reinsurance	25,000,000
Reserve for catastrophe insurance losses pursuant to Chapter 25 of the insurance code of Puerto Rico	37,749,232
Unassigned funds (surplus)	<u>(19,437,322)</u>
Surplus as regards policyholders	<u>63,811,910</u>
Total liabilities, surplus and other funds	<u><u>\$326,559,922</u></u>

TRIPLE-S PROPIEDAD, INC.
Statement of Income
DECEMBER 31, 2018

Underwriting Income

Premiums earned	\$83,542,892
Deductions:	
Losses incurred	146,645,978
Loss adjustment expenses incurred	18,495,138
Other underwriting expenses incurred	37,270,525
Total underwriting deductions	<u>202,411,641</u>
Net underwriting gain	<u>(118,868,749)</u>

Investment Income

Net investment income earned	10,348,543
Net realized capital gains	81,271
Net investment gain	<u>10,429,814</u>

Other Income

Net gain (loss) from agents' or premium balances charged off	(17,054)
Extraordinary dividend from SIMED & the joint underwriting association	2,896,769
Other income/charges	258,360
Gain on retroactive reinsurance	25,000,000
Total other income	<u>28,138,075</u>
Net income before dividends to policyholders	<u>(80,300,860)</u>
Net income before federal and foreign income tax incurred	<u>(80,300,860)</u>
Federal and foreign income taxes incurred	138,690
Net income	<u><u>(\$80,439,550)</u></u>

TRIPLE-S PROPIEDAD, INC.
Comparative Analysis of Changes in Surplus
DECEMBER 31, 2018

Capital and Surplus Account

Capital and Surplus, December 31 previous year	\$135,596,021
Net income	(80,439,550)
Change in net unrealized capital gains	(6,633,706)
Change in net deferred income tax	32,814,467
Change in nonadmitted assets	(31,017,922)
Change in provision for reinsurance	3,492,600
Capital changes: Paid in	250,000
Surplus changes: Paid in	<u>9,750,000</u>
Change in capital and surplus	<u>(71,784,111)</u>
Capital and Surplus, December 31, 2018	<u>\$63,811,910</u>

TRIPLE-S PROPIEDAD, INC.
RECONCILIATION OF SURPLUS FOR THE PERIOD SINCE THE LAST EXAMINATION
DECEMBER 31, 2018

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Capital and Surplus 12/31 prior year	\$137,038,348	\$134,773,447	\$139,688,802	\$135,596,021
Net Income (Loss)	19,889,701	16,950,860	5,731,127	(80,439,550)
Change in net unrealized capital gains	(7,745,739)	(2,213,792)	4,540,543	(6,633,706)
Change in net deferred income tax	(8,623)	618,355	611,297	32,814,467
Change in nonadmitted assets	318,350	1,625,142	(2,219,148)	(31,017,922)
Change in provision for reinsurance	281,410	(65,210)	(2,756,600)	3,492,600
Capital Changes: Paid in	0	0	0	250,000
Surplus Adjustments: Paid in				9,750,000
Dividends to stockholders	(15,000,000)	(12,000,000)	0	0
Aggregate write-ins for gains and losses in surplus	0	0	(10,000,000)	0
Net Change in Capital & Surplus	<u>(2,264,901)</u>	<u>4,915,355</u>	<u>(4,092,781)</u>	<u>(71,784,111)</u>
Capital & Surplus at end of year	<u>\$134,773,447</u>	<u>\$139,688,802</u>	<u>\$135,596,021</u>	<u>\$63,811,910</u>

NOTES ON FINANCIAL STATEMENTS

NOTE 1: ACTUARIAL REVIEW

Losses	\$171,750,278
Loss adjustment expenses	\$22,197,847

The OCI retained the services of INS Consultants, Inc. (INS), to conduct an independent review of the Insurer's liabilities listed above as of December 31, 2018. The consulting actuary's analysis was performed using a risk-focused approach according to the guidelines contained in the Handbook. The conclusions set forth in the consulting actuary's report were based on information provided by the Insurer, including the 2018 Annual Statement. The Statement of Actuarial Opinion and Actuarial Opinion Summary for 2018 were prepared by the Insurer and signed by the appointed actuary, Simon K. Wong, FCAS, FSA, MAAA, a consulting actuary with the firm of Milliman, Inc. The Actuarial Opinion was prepared and submitted timely in accordance with Section 2 of Rule No. 96, of the Regulations of the Insurance Code of Puerto Rico.

Based on the work performed, the consulting actuary found the Insurer's liabilities provision for losses and loss adjustment expenses to be reasonable. In addition, INS verified the liabilities comply with actuarial standards, and the methodologies appeared reasonable.

NOTE 2: TOTAL CAPITAL AND SURPLUS

The total capital and surplus of \$63,811,910 at December 31, 2018, as determined by this examination, is the same as the amount reported by the Insurer on its 2018 Annual Statement.

SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States including Puerto Rico. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on Puerto Rico and the insurance and reinsurance industry is still unknown at the time of releasing this report. The OCI is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The OCI and all insurance regulators, with the assistance of the National Association of Insurance Commissioners (NAIC), are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers. The OCI has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. On April 14, 2020, the OCI issued Ruling Letter CN-2020-276-D requiring insurers to complete the NAIC COVID-19 Information Request Template to disclose the impact, assessment and business continuity plans to address the COVID-19 pandemic. The Company reported no significant changes to the operations or financial impact to the Company. However, this situation is evolving and represents a prospective risk to the Company.

SUMMARY OF RECOMMENDATIONS

MINIMUM DEPOSIT REQUIRED – ARTICLE 3.151

We recommend that the Insurer maintain deposits of a value not less than fifty percent (50%) of the amount of paid-in capital in compliance with Article 3.151 of the Insurance Code of Puerto Rico.

INVESTMENT IN PUERTO RICO SECURITIES - ARTICLE 3.160(1)

We recommend that the Insurer comply with Article 3.160(1) of the PR Insurance Code, by maintaining the required amount in the allowable securities.

INVESTMENTS' FORMAL RESOLUTION – ARTICLE 6.040(2)

We recommend that the Insurer comply with Article 6.040(2) of the PR Insurance Code in that the Board of Directors certify in writing, through a formal resolution to be adopted at least once a year, that all investments have been made pursuant to the delegation, standards, limitations and investment goals established by the Board, or by a committee authorized by the Board with the responsibility to administer the investments of the insurer.

CONCLUSION

The Accounting Practices and Procedures Manual as promulgated by the NAIC has been followed in ascertaining the financial condition of TSP as of December 31, 2018, consistent with the insurance laws of the Office of the Commissioner of Insurance of Puerto Rico. In addition to the undersigned, the following individuals participated in the examination:

Office of the Commissioner of Insurance of Puerto Rico

Rafael Ruffat, OCI Compliance Examiner

The INS Companies

Cheryl B. Plozizka, CFE, ARM-E, Financial Regulation Supervisor

Barry W. Lupus, CFE, CPA, CFE (Fraud), Examiner in Charge (through July 31, 2020)

Brian Maynard, CFE, Examiner in Charge

Ralph Romano, AIE, FLMI, MCM, MBA, Financial Examiner

James M. Coyle, CISA, Supervising Information Technology (IT) Examiner

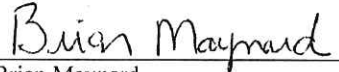
David Gordon, MBA, CISA, CIA, CFE (Fraud), CDF, IT Examination Manager

Robert Ficken, CPA, CISA, CFE, AES, CDFE, CRISC, Senior IT Examiner

David J. Macesic, ACAS, MAAA, Vice President and Chief Property/Casualty Actuary

Michael W. Morro, ACAS, MAAA, Peer Review Actuary

Respectfully submitted,



Brian Maynard
Examiner-in-Charge
INSRIS-PR, LLC



Carla M. Colón León
Examiners Supervisor

per: Juan L. Figueroa