

TRIPLE-S SALUD, INC.

REPORT ON EXAMINATION
AS OF DECEMBER 31, 2021
CASE No. EX-2022-20

NAIC CODE 55816
REPORT DATE: MARCH 24, 2023

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March 24, 2023

Honorable Alexander S. Adams Vega
Commissioner of Insurance
Commonwealth of Puerto Rico Office of the Commissioner of Insurance
World Plaza Building, 9th Floor
268 Muñoz Rivera Avenue
San Juan, Puerto Rico 00918

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Order Case Number EX-2022-20, dated August 5, 2022, a full-scope financial condition examination has been made of the records, affairs, financial condition, and management of the

TRIPLE-S SALUD, INC.
F.D. Roosevelt Avenue 1441
San Juan, Puerto Rico 00920

hereinafter referred to as "Company" or "Triple-S Salud" or "TSS", incorporated under the laws of the Commonwealth of Puerto Rico, as of December 31, 2021. The examination was conducted remotely. The report on this examination is respectfully submitted.

SCOPE OF EXAMINATION

This multi-state examination of Triple-S Salud was performed by examiners from Eide Bailly, LLP, representing the Office of the Commissioner of Insurance of Puerto Rico

(OCI), and financial examiners from the OCI. Triple-S Salud is licensed as an insurer in Puerto Rico and the United States Virgin Islands (USVI). The last examination covered the period of January 1, 2013, through December 31, 2017. This examination covered the period of January 1, 2018 through December 31, 2021 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 *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (NAIC Handbook)* and generally accepted statutory insurance examination standards consistent with the insurance laws and regulations of the Government of Puerto Rico. The *NAIC 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 Section 2.030(12) of the Insurance Code of Puerto Rico (the Code) 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 other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, Deloitte & Touche, LLP (D&T), and Triple-S Management Corporation's Internal Audit Department. 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, risk assessments and in substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

CURRENT EXAMINATION FINDINGS

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

1. Failure to comply with Ruling Letter 2010-118-AF and the NAIC Annual Statement Filing Instructions
 - The Company failed to properly report Directors as elected by the Stockholder on the 2020 and 2021 Annual Statement Jurat Page.

- The Company did not identify a new director in 2018 and new officers in 2020 and 2021 on the annual statement jurat pages.
- The Company did not report affiliated transactions on the Annual Statement Schedule Y Part 2 – Summary of Insurer’s Transactions with any Affiliates (Schedule Y Part 2) for 2021 for agreements entered into during 2021. Additionally, the new agreements were not disclosed in the Annual Statement Notes to Financial Statements.
- The Company’s Schedule Y Part 2 does not agree to its affiliate’s Schedule Y Part 2. Schedule Y Part 2 should disclose holding company transactions consistently for all insurers of the same holding company system.
- The Company’s Schedule S failed to properly report business ceded to affiliate.

It is recommended that the Company prepare its NAIC Annual Statement in accordance with Ruling Letter 2010-118-AF and the NAIC Annual Statement Filing Instructions.

2. Compliance with Rule 97 of the Regulation of the Code

The Company does not have a formalized Reinsurance Intermediary Agreement with its named Intermediary on two reinsurance agreements in accordance with Rule 97 of the Regulations of the Insurance Code, titled “Reinsurance Intermediaries” under Section 2.030 of Public Law No. 77, as amended, known as the Puerto Rico Uniform Administrative Procedures Act

which was adopted in accordance with model law #790, "Reinsurance Intermediary Model Act" as recommended by the NAIC.

It is recommended that the Company enter into a Reinsurance Intermediary Agreement with Worldwide Insurance & Reinsurance Services, Inc. in accordance with Rule 97.

3. Compliance with Article 6.040(2) of the Code

The Company failed to certify in writing, through a formal resolution, that the 2018 investments were made in accordance with the investment goals established by the Company's Board of Directors as required by Article 6.040(2) of the Insurance Code of Puerto Rico.

4. Rule I-A of the Regulation of the Code- Investigation Procedures

During the course of the examination there were a number of requests for documentation or information that were fulfilled significantly beyond the time stipulated by the financial examiners. The Company was not in compliance with Rule I-A of the Regulation of the Insurance Code of Puerto Rico which requires full cooperation with the investigation being carried out by the Commissioner.

PRIOR EXAMINATION FINDINGS

1. Rule No. 66 – Claims processing services outside of Puerto Rico

The Company failed to comply with Section 4(c)(7) of Rule No. 66 by selecting Optum Insight, Inc. (Optum) to provide claims processing services outside of Puerto Rico. Optum's claims processing services are located in India.

It was recommended the Insurer maintain the adjudication of claims in Puerto Rico, in order to maintain its tax-exempt status.

The Company requested an exemption. With letter of April 4, 2023, this Office approved said exemption for the years 2018-2023, conditioned that the Company continues with the commitment of improving its claims system and reduce the suspended claims that currently represent 5% of the total claims. The Company continues to utilize Optum Insight, Inc. and process claims outside of Puerto Rico.

2. Article 6.040(1) – Qualifications of Investment Personnel

The Company failed to comply with Article 6.040(1) because its investment plan does not state the professional qualifications of the persons that shall be making routine investment decisions in order to ensure their competence and ethical behavior.

The company complied with this recommendation.

3. Rule No. 76 - Electronic Storage System

The Company did not comply with Rule No. 76 of the Regulations of Puerto Rico Insurance Code by not presenting to the OCI the certification of the electronic storage system of a certified information systems auditor.

It was recommended that the Insurer comply with Rule No. 76 of the Regulations of the Puerto Rico Insurance Code and present the certification of the electronic storage system of a certified information systems auditor as soon as possible to the OCI.

4. Article 6.070(1) – Investment in Equity

The Company maintained an investment in SPDR S&P 500 ETF Trust Index Fund Large during 2013 in an amount that exceeded the limitation on investments issued, assumed, or guaranteed by one single person or business entity per Article 6.070(1) of the Insurance Code of Puerto Rico.

It was recommended that the Insurer comply with Article 6.070(1) of the Puerto Rico Insurance Code by not maintaining an investment in an amount greater than the limitation on investments under Article 6.070(1).

5. Requirements to Report Grievances

The Company failed to comply with Article 22.050(f)(2)(A) of the Puerto Rico Health Insurance Code and Ruling Letter No. CN-2013-157-1 by not submitting to the OCI its Form CSS-I-22-002 for years 2013 through 2015.

The Company failed to comply with Article 22.060(c) of the Puerto Rico Health Insurance Code and Circular Letter CC-2013-1832-D by not submitting to the Commissioner its Form CSS-I-22-001 for years 2013 through 2015.

The Company did not have available for inspection on site its certification compliance Form CSS-I-22-001 for years 2013 through 2017.

6. Rule XII - Maintain Books and Records

The Company failed to comply with Rule XII by not providing its Grievance Report, Form CSS-I-22-002, and its certification of compliance with internal complaint procedures Form CSS-I-22-001 for years 2013 through 2015.

7. Statement of Statutory Accounting Principles (SSAP) No.41R – Surplus Notes

The Company failed to comply with paragraph 9(b) of SSAP No. 41R by reporting its surplus note investment in its subsidiary, Triple-S Advantage (TSA), as an admitted asset in its 2016 Annual Statement. As of December 31, 2016, TSA's Risk Based Capital (RBC) ratio was 176.2% which represents an Insurer Action Level Event.

It was recommended that the Insurer comply with paragraph 9(b) in future Annual Statements.

The Company complied with this recommendation.

COMPANY HISTORY

Triple-S Salud was originally incorporated on July 31, 1959, and commenced business on March 1, 1960. The Company, formerly known as Triple-S, Inc., changed its name to Triple-S Salud, Inc. on February 16, 2009. TSS acquired 100% of the outstanding capital of Socios Mayores en Salud Holdings, Inc. (SMSH), the parent Insurer of American Health, Inc. (AH) on February 7, 2011. AH, a provider of Medicare Advantage (MA) managed care services in Puerto Rico, changed its name to Triple-S Advantage, Inc. in 2014. As part of a reorganization project, Triple-S Management Corporation (TSM), sole shareholder of TSS, performed a downstream merger of SMSH, a wholly owned subsidiary of TSM, into Triple-S Advantage Solutions (TSAS). SMSH was the parent Insurer of TSAS. SMSH, TSAS and TSA, are collectively known as the Medicare Advantage operation. Effective January 1, 2018, with the approval of the Insurance Commissioner of Puerto Rico, TSAS merged with and into TSS, resulting in TSS directly owning the stocks of TSA.

Triple-S Salud is a health services company, a member of the Blue Cross and Blue Shield Association (BCBSA) and is subject to the regulations of the Commonwealth of Puerto Rico Office of the Commissioner of Insurance and the Division of Banking and Insurance of the Office of the Lieutenant Governor of the U.S. Virgin Islands. The Company obtained licensing rights to sell, market and administer health care plans and related services under the BCBS brand in Puerto Rico, the USVI, Costa Rica, British Virgin Islands and Anguilla pursuant to a licensing agreement.

Triple-S Salud is authorized to write life and disability insurance in Puerto Rico and to write health insurance in the USVI.

DIVIDENDS AND CAPITAL CONTRIBUTIONS

The Company paid dividends of \$20 million and \$5 million in 2020 and 2019, respectively, to its shareholder, TSM.

CAPITAL STOCK

The Company has 20,000,000 shares of common stock authorized, with 3,750,000 shares issued and outstanding at \$40 par value. As of December 31, 2021, TSM owned 3,749,994 shares with the remaining six shares owned by members of the Board of Triple-S Salud in compliance with Article 29.150(1)(a) of the Code. There are no other classes of capital stock.

CORPORATE RECORDS

The Articles of Incorporation, By-Laws and all amendments thereto, and the minutes of the meetings of the Board, Board committees, and shareholders were reviewed for the period under examination.

ARTICLES OF INCORPORATION

The Company amended the Amended and Restated Articles of Incorporation on June 29, 2018 to include transacting life insurance to Article Four. This amendment was approved by the Company's Board of Directors and the Shareholders.

BY-LAWS

There were no amendments to the Company's By-Laws during the examination period.

Article IV – Officers, of the By-Laws in effect during the period under examination provided for a President, Vice President, Secretary and Treasurer. The Company's Board did not elect a President or Vice President for all years under examination. The Company was not operating in accordance with its By-Laws as of December 31, 2021.

MINUTES

The recorded minutes adequately documented its meetings and approval of Company transactions and events, in compliance with the Code except for the certification of investments in accordance with the Company's Investment Policy in 2018.

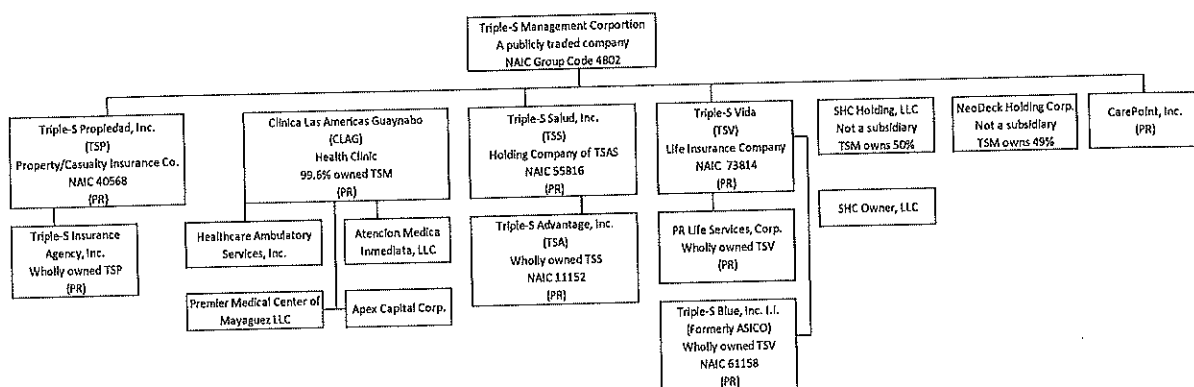
MANAGEMENT AND CONTROL

HOLDING COMPANY SYSTEM

The Company is a member of an Insurance Holding Company System, as defined under the Insurance Laws of Puerto Rico. TSM, a publicly traded company, is the

ultimate controlling parent. The Holding Company is comprised of four insurance companies domiciled in Puerto Rico and that operate in the Government of Puerto Rico and the USVI.

The following is an organizational chart that reflects the identities and interrelationships between the Company, TSM and other affiliates as of December 31, 2021:



Triple-S Management Group:

- Triple-S Salud, Inc. is a health insurer writing business in Puerto Rico and USVI.
- Triple-S Advantage, Inc., a wholly owned subsidiary of TSS, is a Medicare Advantage Company that operates as a Health Maintenance Organization.
- Triple-S Vida, Inc. (TSV), a wholly owned subsidiary of TSM, is an insurer writing health, life and disability business.
- Triple-S Blue, Inc. II (TSB) is an international insurance company writing health, life and accident business in Costa Rica and life and health business in USVI, British Virgin Islands and Anguilla.
- Puerto Rico Life Services Corporation, a wholly owned subsidiary of TSV, is a general agency providing sales and marketing of TSV products in Puerto Rico.
- Triple-S Propiedad, Inc. (TSP) is a property and casualty multi-line insurer writing business in Puerto Rico through General Agencies.
- Triple-S Insurance Agency, Inc. (TSIA) is wholly owned by TSP writing a significant portion of the insurance business for TSP.

- Clínica Las Américas de Guaynabo, Inc. (CLAG) is a health clinic majority owned by TSM.
- Healthcare Ambulatory Services, Inc. is a wholly owned subsidiary of CLAG.
- Premier Medical Center of Mayaguez, LLC is a wholly owned subsidiary of CLAG.
- CarePoint, Inc. is an Independent Practice Association that offers health care to Medicare Advantage affiliates.
- NeoDeck Holding Corporation, SHC Holding, LLC and SHC Owner, LLC are considered invested assets, not subsidiaries, for TSM.

BOARD OF DIRECTORS

Article 29.150 of the Code states that not less than the majority of directors of an insurer shall be residents of, and actually reside in, Puerto Rico. The Company was in compliance with Article 29.150 of the Code.

Article 44.060(c)(3) of the Code requires that one-third of the directors of insurers be natural persons who are not officers or employees of the insurer or of an entity that controls the insurer. The Company was granted a waiver of this requirement by the OCI in 2015.

The Company's By-Laws, Article III, Section 3.2 states the composition of the Board shall be in accordance with the Articles of Incorporation. The Company's Articles of Incorporation provide that the business and affairs shall be managed under the direction of a Board of Directors consisting of not less than five directors, the number thereof may be determined from time to time by the Board of Directors. Each director shall be elected by the stockholders and serve for the term of one (1) year. All directors of the Corporation shall be natural persons of full age, must comply with any

requirements promulgated by the Insurance Code and the BCBSA and shall retire from the Board after the expiration of the term in which he or she turns 72 years old. The Company's Board of Directors was elected in accordance with the provisions of its By-Laws and Articles of Incorporation during the examination period.

As of the examination date, the directors of the Company, who were elected at the annual meeting of stockholders, and documented in the corporate meeting minutes, were as follows:

<u>Name and Location</u>	<u>Principal Occupation</u>
Roberto García Rodríguez, Esq Guaynabo, Puerto Rico	Attorney Triple-S Management
Juan R. Serrano Carolina, Puerto Rico	President Triple-S Salud
Ivelisse M. Fernández-Cruz San Juan, Puerto Rico	Chief Marketing and Communications Officer Triple-S Management
Víctor J. Haddock Morales San Juan, Puerto Rico	Chief Financial Officer Triple-S Management
José E. Novoa-Loyola San Juan, Puerto Rico	Chief Medical Officer Triple-S Management

The information reported on the Company's 2021 Annual Statement Jurat Page did not accurately reflect the elected Directors. The error was identified during examination field work and corrected when the September 30, 2022 Statement was filed. The Company did not file an amended Jurat Page.

OFFICERS

The Company's By-Laws, Article IV, Section 4.1 states the officers will be a President, a Vice President, a Treasurer, and a Secretary, all of whom shall be elected by the Board. Officers are elected by the Board on an annual basis. The Board may also elect other officers or assistant officers as it may determine by resolution or the Board creating the office and defining the duties thereof. A list of the officers elected, as documented in the corporate meeting minutes, and serving as of December 31, 2021, were as follows:

<u>Name</u>	<u>Principal Occupation</u>
Juan R. Serrano	President
Carlos L. Rodríguez- Ramos, Esq.	Secretary
Víctor J. Haddock Morales	Treasurer
Liliana Rivera Corcino, CPA	Assistant Treasurer
Rene P. van Noort	Assistant Treasurer
Mayra Burgos	Assistant Treasurer
Frances M. Cifuentes-Gómez	Assistant Treasurer

President and Vice-President were not elected/appointed by the Board of Directors for any year under examination.

COMMITTEES

The Company's By-Laws provide that the Board may designate one or more committees. In the creation of committees, the Board must comply with all Blue Cross Blue Shield Association requirements, including the prohibitions related to the participation of officers to employees of the Corporation or its subsidiaries in the Compensation, Nominations and Audit Committees, if any.

As of December 31, 2021, the TSM Audit and Risk Committee, Finance Committee, Governance and Sustainability Committee, Compensation and Talent Development

Committee and Enterprise Risk Committee assisted the TSS Board oversight for the Company.

INVESTMENT PLAN

Article 6.040 of the Code 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 the insurer. The Board 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.

Review of the Board minutes evidenced that the Company certified for all years except 2018, in writing through a formal resolution, that all investments were made pursuant to standards, limitations and investment goals established by the Board.

INTERCOMPANY AGREEMENTS

The Company was party to the following intercompany agreements as of December 31, 2021:

SHARED SERVICES AGREEMENT

This agreement, dated January 1, 2008, is between the Company, formerly known as Triple-S Inc., and Triple-S Vida. The agreement provides for cost sharing of professional services, IT Systems, human resource services, building services and payroll services between the two entities. Costs are incurred by the Company on behalf of TSV.

FACILITIES AND REAL ESTATE MANAGEMENT AGREEMENT

This agreement, dated April 17, 2012, is between the Company and TSM. It provides for cost sharing of facilities and real estate management, security, monitoring and communications services expenses incurred by the Company on behalf of TSM.

SERVICE AGREEMENT

This agreement, dated July 12, 2012, is between the Company and TSM. It provides for cost sharing of expenses for human resources, payroll and benefits, wellness and medical, and investment services provided to the Company by TSM.

LEASE AGREEMENT

This agreement, dated August 16, 2017, is between the Company and TSM. It provides for the lease of premises effective September 1, 2017, and expiring January 1, 2024 with successive renewable terms. The Company is responsible for the monthly rental expenses and related costs. The Company recovers affiliates share of the expense through cost allocation.

ADMINISTRATION AGREEMENT

This agreement, dated January 1, 2021, is between the Company and TSV. It provides for TSV to provide administrative management services on certain TSS policies issued after January 1, 2021 as discussed below at Quota Share Reinsurance Agreement. TSV provides underwriting manager duties, claims handling and adjudication, and data records and systems duties in exchange for a percentage of the gross written premiums less return premium. The agreement is effective for two years with automatic yearly

renewal until terminated in accordance with the terms of the agreement. This agreement was submitted to OCI in accordance with Holding Company requirements.

QUOTA SHARE REINSURANCE AGREEMENT

This agreement, effective January 1, 2021, is between the Company and TSV. Pursuant to the terms of the agreement, TSS cedes and TSV accepts seventy-four percent (74%) of TSS's net liability on certain nonparticipating Individual Group Life and Accidental Death insurance policies with one-year renewable term sold in Puerto Rico. TSS receives a ceding commission and an issuing carrier fee. This agreement is associated with the Administration Agreement discussed above. This agreement was submitted to OCI in accordance with Holding Company requirements.

TERRITORY AND PLAN OF OPERATIONS

The Company is licensed and authorized to write disability and life insurance business in the Government of Puerto Rico and health insurance business the USVI. The Company offers a broad portfolio of managed care and related products to corporate accounts, U.S. Federal and local government employees, individual accounts and Medicare Supplement. The Company also participates in the Government of Puerto Rico Health Insurance Plan, a government funded managed care program similar to Medicaid.

Approximately 99.9% of Triple-S Salud's business for 2021 is attributed to business written in Puerto Rico. The business mix for 2021 is Medicaid, Comprehensive and the Federal Employee Health Plan.

GROWTH OF THE COMPANY

The following information was obtained from the Company's filed Annual Statements and covers the past four years through December 31, 2021.

Year	Admitted Assets	Surplus	Total Revenues	Net Income
2018	\$795,186,024	\$362,825,404	\$1,565,749,158	\$27,687,776
2019	891,127,977	437,519,107	1,581,511,746	(15,804,939)
2020	983,370,651	442,674,356	1,770,391,874	(26,578,180)
2021	1,067,387,099	524,513,695	2,079,177,564	(202,209)

Since the previous examination, made as of December 31, 2017, the Company's policyholder surplus increased by \$169,908,080 which is primarily attributed to the net income from 2018 and the increases in fair market value of common stocks and other invested assets.

Total revenues increased steadily during the examination period while the net income had significant fluctuations primarily attributed to the increased expenses partially offset with net investment gains.

REINSURANCE

ASSUMED

The Company assumed \$30,741 in premiums from Swiss Medical Uruguay, referred to in the Group Medical Excess of Loss Agreement as the BCBS of Uruguay, a non-affiliated company, as of December 31, 2021. This agreement was effective January 1, 2005 and provides for coverage to a maximum excess of loss benefit of \$1,000,000 per insured person.

CEDED

The Company maintained excess of loss and quota share reinsurance for all years under examination with an authorized reinsurer. The Company ceded approximately \$1,130,000 in premiums to Munich Reinsurance Company (Munich Re) in 2021.

The reinsurance agreements with Munich Re are negotiated by Worldwide Insurance & Reinsurance Services, Inc. The Company did not have a Reinsurance Intermediary Agreement with the intermediary in accordance with Rule 97 of the Regulations of the Insurance Code, titled "Reinsurance Intermediaries" under Section 2.030 of Public Law No. 77, as amended, which was adopted in accordance with the Reinsurance Intermediary Model Act.

The Company entered into a quota share reinsurance agreement with affiliate, TSV, effective January 1, 2021. Pursuant to the agreement, TSS cedes a percentage of its net liability on certain nonparticipating one-year renewable term individual group life and accidental death insurance policies sold in Puerto Rico.

TSS ceded approximately \$675,000 of gross premium to TSV and received approximately \$74,000 ceding allowance related to the ceded business as of December 31, 2021. TSV paid approximately \$60,000 of benefits and charged TSS approximately \$24,000 in service fees related to this reinsurance agreement as of December 31, 2021. TSS did not report this ceded reinsurance on its 2021 Annual Statement.

The reinsurance contracts reviewed complied with NAIC guidelines with respect to the insolvency clause, arbitration clause and transfer of risk.

ACCOUNTS AND RECORDS

The accounts and records review included an assessment of the Company's risk management process for identifying and controlling risks in key operational areas. In making the assessment for each key area, processes were reviewed, risks were identified, and significant controls were documented and tested as deemed appropriate. The Company's methodology for assessing the effectiveness of the established mitigation factors was also evaluated.

A review and assessment of the Company's information systems and the related control environment was performed. There were no reportable examination findings with respect to the Company's information technology systems and controls.

SUBSEQUENT EVENTS

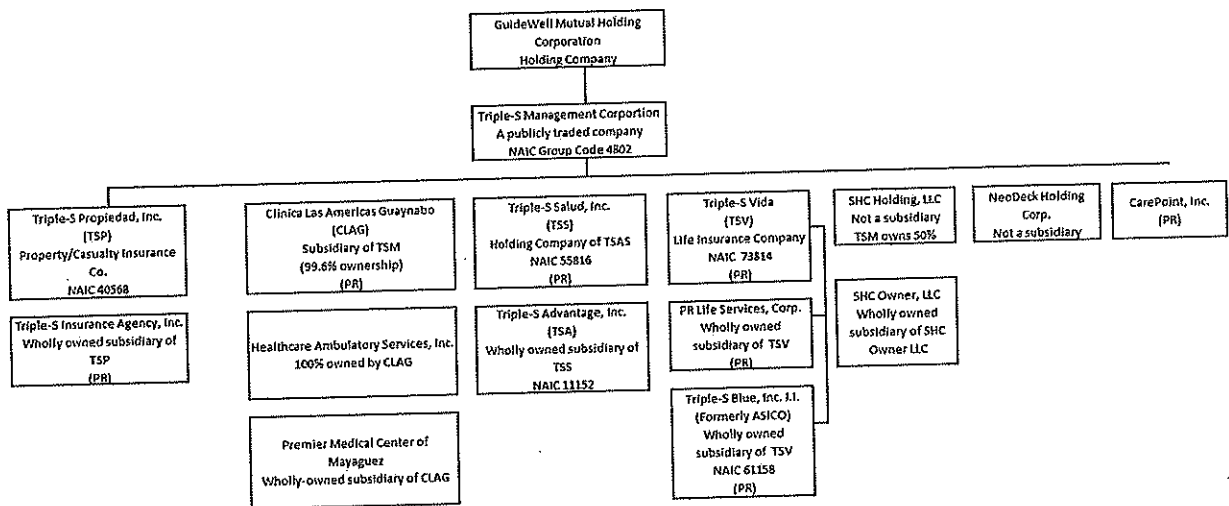
Triple-S Management Corporation entered into an Agreement and Plan of Merger with GuideWell Mutual Holding Corporation (GuideWell), a Florida not-for profit mutual insurance holding company and GuideWell Merger, Inc., a Delaware corporation and wholly owned subsidiary of GuideWell on August 23, 2021. On February 1, 2022, GuideWell Merger, Inc. was merged with and into Triple-S Management Corporation with Triple-S Management being the surviving entity. This transaction was approved by the Office of the Commissioner of Insurance of Puerto Rico on January 28, 2022.

As a result of the transaction, GuideWell Mutual Holding Corporation became the ultimate parent company for Triple-S Management Corporation. Triple-S Management Corporation is no longer a publicly traded stock company.

The TSM Board of Directors was replaced by a Board of Directors comprised of two independent directors and two members of senior management from GuideWell and

TSM. The GuideWell Board Governance and Nominating Committee replaced the TSM Governance and Sustainability Committee, the GuideWell Finance Committee replaced the TSM Finance Committee, and the GuideWell Compensation Committee replaced the TSM Compensation and Talent Development Committee. The two independent GuideWell Board members serve on the TSM Audit and Risk Committee, the only standing committee of the TSM Board.

The following chart depicts the holding company structure as of December 31, 2021:



FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the OCI and present the financial condition of the Company for the period ending December 31, 2021. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements. The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statement Items." These differences were determined to be immaterial concerning their effect on the financial statements, and therefore were only communicated to the Company and noted in the work papers for each individual key activity.

TRIPLE-S SALUD, INC.

**Assets
December 31, 2021**

	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 295,955,400		\$ 295,955,400
Common stocks	388,232,603		388,232,603
Cash, cash equivalents and short-term investments	63,417,306		63,417,306
Other invested assets (Schedule BA)	<u>105,520,698</u>	<u> </u>	<u>105,520,698</u>
Subtotal, cash and invested assets	\$ 853,126,007		\$ 853,126,007
Investment income due and accrued	10,132,573		10,132,573
Uncollected premiums and agents' balances in the course of collection	70,860,996	\$ 4,140,245	66,720,751
Amounts recoverable from reinsurers	39,344		39,344
Amount receivable relating to uninsured plans	22,667,761	9,055	22,658,706
Current federal and foreign income tax recoverable and interest thereon	263,051		263,051
Net deferred tax asset	67,342,459	13,117,000	54,225,459
Electronic data process equipment and software	19,413,294	15,592,713	3,820,581
Furniture and equipment, including health care delivery assets	20,684,753	20,684,753	
Receivables from parent, subsidiaries and affiliates	49,461,060	8,635,848	40,825,212
Health care and other amounts receivable	49,079,161	33,503,746	15,575,415
Aggregate write-ins for other than invested assets	<u>11,838,450</u>	<u>11,838,450</u>	<u> </u>
Totals	<u>\$1,174,908,909</u>	<u>\$107,521,810</u>	<u>\$1,067,387,099</u>

TRIPLE-S SALUD, INC.
Liabilities, Surplus, and Other Funds
December 31, 2021

Claims unpaid	\$ 293,614,822
Accrued medical incentive pool and bonus amounts	28,259,189
Unpaid claims adjustment expenses	4,666,855
Aggregate health policy reserves	12,847,795
Premiums received in advance	1,792,006
General expenses due and accrued	131,536,784
Ceded reinsurance premiums payable	335,749
Amounts withheld or retained for the account of others	29,800,730
Remittances and items not allocated	927,377
Liability for amounts held under uninsured plans	555,303
Aggregate write-ins for liabilities:	
Federal Employees Health Benefit Program	37,195,660
Interest Payable	<u>1,341,134</u>
Total liabilities	<u>\$ 542,873,404</u>
Common capital stock	\$ 150,000,000
Unassigned funds	<u>374,513,695</u>
Total capital and surplus, December 31	<u>\$ 524,513,695</u>
Total liabilities, capital and surplus	<u>\$1,067,387,099</u>

TRIPLE-S SALUD, INC.
Summary of Operations
December 31, 2021

Net premium income	\$2,079,173,623
Change in unearned premium reserves and reserve for rate credits	<u>3,941</u>
Total revenues	\$2,079,177,564
Hospital and Medical:	
Hospital/medical benefits	1,129,972,793
Emergency room and out-of-area	97,504,946
Prescription drugs	639,181,310
Incentive pool, withhold adjustments and bonus amounts	<u>11,977,900</u>
Subtotal	\$1,878,636,949
Less:	
Net reinsurance recoveries	<u>112,450</u>
Total hospital and medical	\$1,878,524,499
Claims adjustment expenses	51,614,344
General administrative expenses	<u>167,104,001</u>
Total underwriting deductions	<u>\$2,097,242,844</u>
Net underwriting loss	\$ (18,065,280)
Net investment income earned	15,603,012
Net realized capital gains	<u>2,550,288</u>
Net investment gains	\$ 18,153,300
Other income	<u>624,559</u>
Net income after capital gains tax and before all other federal income taxes	\$ 712,579
Federal and foreign income taxes incurred	<u>914,788</u>
Net loss	<u>\$ (202,209)</u>

TRIPLE-S SALUD, INC.
Capital and Surplus Account

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Capital and surplus, beginning	<u>\$442,674,356</u>	<u>\$437,519,107</u>	<u>\$362,825,404</u>	<u>\$354,605,615</u>
Net income	\$ (202,209)	\$ (26,578,180)	\$ (15,804,939)	\$ 27,687,776
Change in net unrealized capital gains (losses)	92,434,506	44,810,826	98,635,230	(555,180)
Change in net deferred income tax	695,193	12,623,575	14,127,016	(6,696,925)
Change in nonadmitted assets	(13,769,368)	(5,713,832)	(16,994,217)	(12,069,488)
Dividends to stockholders		(20,000,000)	(5,000,000)	
Aggregate write-ins for gains or (losses) in surplus	<u>2,681,217</u>	<u>12,860</u>	<u>(269,387)</u>	<u>(146,394)</u>
Net change in capital and surplus	<u>\$ 81,839,339</u>	<u>\$ 5,155,249</u>	<u>\$ 74,693,703</u>	<u>\$ 8,219,789</u>
Capital and surplus, ending	<u>\$524,513,695</u>	<u>\$442,674,356</u>	<u>\$437,519,107</u>	<u>\$362,825,404</u>

Since the previous examination, made as of December 31, 2017, the Company's assets increased by \$305,564,605, its liabilities increased by \$135,656,525, and its surplus increased by \$169,908,080.

COMMENTS ON FINANCIAL STATEMENT ITEMS

INVESTED ASSETS

As of December 31, 2021, the Company's invested asset were distributed as follows:

	<u>Amount</u>	<u>Percentage</u>
Bonds	\$295,955,400	34.7%
Common Stocks	388,232,603	45.5%
Cash	61,391,737	7.2%
Cash Equivalents	2,025,569	.2%
Other Invested Assets	<u>105,520,698</u>	<u>12.4%</u>
Total	<u>\$853,126,007</u>	<u>100.0%</u>

The Company's bond portfolio consisted of NAIC 1 investment grade bonds with laddered maturities of one year or less (18.9%), one to five years (57.0%), five to ten years (14.1%) and over ten years (10.0%).

The Company and Bank of New York Mellon, N.A. entered into a custodial agreement effective July 16, 2008. The agreement terms comply with the *NAIC Handbook*.

CLAIMS RESERVES

As of December 31, 2021, the Company reported reserves for claims unpaid of \$293,614,822, reserves for accrued medical incentive pool and bonus payments of \$28,259,189, unpaid claims adjustment expenses of \$4,666,855 and aggregate health policy reserves including unearned premium reserves and additional policy reserves of \$12,847,795.

Marc A. Lambright, FSA, MAAA, principal and consulting actuary from Oliver Wyman, has served as the Company's Appointed Actuary during the examination period. The Appointed Actuary reviews the year-end reserve calculations, performs an asset adequacy analysis supporting the actuarial opinion and issues the annual actuarial opinion. Data, calculations and summaries are provided by the Company and used by the Appointed Actuary for various analyses. The reserves as reported were accepted for the examination.

SUMMARY OF RECOMMENDATIONS

1. Failure to comply with Ruling Letter 2010-118-AF and the NAIC Annual Statement Filing Instructions

- The Company failed to properly report Directors as elected by the Stockholder on the 2020 and 2021 Annual Statement Jurat Page. (ISS.7)
- The Company did not identify a new director in 2018 and new officers in 2020 and 2021 on the annual statement jurat pages.
- The Company did not report affiliated transactions on the Annual Statement Schedule Y Part 2 – Summary of Insurer’s Transactions with any Affiliates (Schedule Y Part 2) for 2021 for agreements entered into during 2021. Additionally, the new agreements were not disclosed in the Annual Statement Notes to Financial Statements.
- The Company’s Schedule Y Part 2 does not agree to its affiliate’s Schedule Y Part 2. Schedule Y Part 2 should disclose holding company transactions consistently for all insurers of the same holding company system.
- The Company’s Schedule S failed to properly report business ceded to affiliate.

It is recommended that the Company prepare its NAIC Annual Statement in accordance with Ruling Letter 2010-118-AF and the NAIC Annual Statement Filing Instructions.

2. Rule 97 of the Regulation of the Code

The Company does not have a formalized Reinsurance Intermediary Agreement with its named Intermediary on two reinsurance agreements in accordance with Rule 97 of the Regulations of the Code, titled “Reinsurance Intermediaries” under Section 2.030 of Public Law No. 77, as amended, known

as the Puerto Rico Uniform Administrative Procedures Act which was adopted in accordance with model law #790, "Reinsurance Intermediary Model Act" as recommended by the NAIC.

It is recommended that the Company enter into a Reinsurance Intermediary Agreement with Worldwide Insurance & Reinsurance Services, Inc. in accordance with Rule 97.

3. Compliance with Article 6.040(2) of the Code

The Company failed to certify in writing, through a formal resolution, that the 2018 investments were made in accordance with the investment goals established by the Company's Board of Directors as required by Article 6.040(2) of the Insurance Code of Puerto Rico.

4. Rule I-A of the Regulation of the Code- Investigation Process

During the course of the examination there were a number of requests for documentation or information that were fulfilled significantly beyond the time stipulated by the financial examiners. The Company was not in compliance with Rule I-A of the Regulation of the Insurance Code of Puerto Rico which requires full cooperation with the investigation being carried out by the Commissioner.

This is a repeat finding from the prior examination.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Triple-S Salud, Inc. as of December 31, 2021, consistent with the insurance laws of the Office of the Commissioner of Insurance of Puerto Rico.

The examiners wish to express their appreciation for the cooperation extended by the officers and employees of the Company during the course of the examination.

In addition to the undersigned, James Menck, Exam Manager, Michael Nadeau, IT Manager, Steve Mahan, Actuarial Examiner, Bob Burch, CFE, Brian Sewell, CFE, Jamesia Burford, CFE, and Michelle Scaccia, all of EB, participated in this examination.

Yajaira Torres and Rafael Ruffat, Financial Examiners of the Office of the Commissioner of Insurance, participated in the compliance portion of the examination. Yajaira Torres was not part of the examination after January 27, 2023.

Respectfully submitted,



Robin Roberts, CFE
Examiner-in-Charge
Eide Bailly LLP
Representing the Office of the Commissioner of
Insurance of Puerto Rico



María Morcelo, MBA APIR
Special Aide II, Acting Chief Financial Examiner
Office of the Commissioner of Insurance of
Puerto Rico