



TRIPLE-S VIDA, INC.

REPORT ON EXAMINATION
AS OF DECEMBER 31, 2021
CASE NO. EX-2022-21
NAIC CODE 73814
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-2022-21, 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 VIDA, INC.
1052 Muñoz Rivera
San Juan, Puerto Rico 00927**

hereinafter referred to as "Company" or "Triple-S Vida" or "TSV", 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 Vida 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 Vida is licensed as an insurer in Puerto Rico, Texas, and in the United States Virgin Islands (USVI). The Company is also authorized to act as a Third Party Administrator in Florida and Texas. It is recognized as a foreign accredited reinsurer in Illinois. The last examination covered the period of January 1, 2013, through December 31, 2017. This examination covers the period from 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 the Triple-S Management Corporation 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. Article 7 of Rule No. 76 of the Regulation of the Code

The Company failed to file its 2021 Electronic Storage System Certification of Independent Auditor's Report in accordance with the requirements of Rule

No. 76 of the Regulations of the Code which requires the certifications to be filed every three years. This is a repeat finding from the prior examination. (ISS.5)

2. Article 7.021(3) of the Code

The Company failed to submit their Tax Exemption Form on or before January 31, 2020 in accordance with the requirements of Article 7.021(3) which requires the annual Tax Exemption Form be filed on or before January 31 of each year. (ISS.3)

3. Ruling Letter 2010-118-AF and the NAIC Annual Statement Filing Instructions

- The Company failed to report its licensure in USVI for all years under examination, its licensure in Texas for 2020 and 2021, and its licensure as an accredited reinsurer in Illinois for 2020 and 2021.
- The Company failed to include the Secretary on the Annual Statement Jurat Page listing of officers for 2019, 2020 and 2021.
- The Company failed to identify a new director in 2018, 2020 and 2021 on the Annual Statement Jurat Page.
- The Company failed to complete Note 13D of the Annual Statement Notes to Financial Statements (Notes) to disclose dividends paid for years 2018, 2019 and 2021.
- The Company failed to report affiliated transactions on Schedule Y Part 2 – Summary of Insurer’s Transactions with any Affiliates (Schedule Y Part 2)

for the year 2021. Additionally, these new agreements were not disclosed in the Annual Statement Notes.

- The Company's Schedule Y Part 2 does not agree to 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 Part 1 Reinsurance Assumed did not include business assumed from affiliate.
- The Company failed to accurately complete Schedule S Part 3 Section 1 for reinsurance credit for business ceded to an authorized reinsurer. The Company incorrectly reported an unauthorized reinsurer and not the authorized reinsurer. The result was the \$15,433 reinsurance credit was not included, resulting in an understatement of the reinsurance credit or overstatement of reported reserves liability.
- The Company failed to accurately complete Exhibit 5 - Aggregate Reserves for Life Contracts by reporting reinsurance ceded to and assumed from TSB that was acquired under the approved Portfolio Assumption Agreement dated December 16, 2013. TSV Appointed Actuary stated this was a presentation error. There was no financial impact as a result of the presentation error.

4. Article 21(B) of Rule No. 83 of the Regulation of the Code

The Company failed to submit the notification of dividends to be paid for years 2019 and 2021 in accordance with the provisions of Article 21(B) of Rule No. 83. (ISS.9)

5. Article 6.040(2) of the Code and the Company's Investment Policy

The Company's Board of Directors (Board) did not certify in writing through formal resolution that all investments had been made pursuant to Article 6.040(2) of the Puerto Rico Insurance Code and the Company's Investment Policy for 2018. (ISS.10)

6. Article 5 of Rule No. 97 of the Regulation of the Code

The Company participated in reinsurance retrocession agreements with an entity that was not licensed to act in the capacity of reinsurance intermediary manager. (ISS.13)

7. 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.

This is a repeat finding from the prior examination.

PRIOR EXAMINATION FINDINGS

1. Failure to comply with Article 7 of Rule No. 76 of the Regulations of Puerto Rico Insurance Code. The Company did not file its first certification until November 2018.

It was recommended the Company obtain an opinion from a certified information systems auditor to the effect that the electronic storage system used meets the requirements of the Code and this Rule.

The Company did not comply with this recommendation as the Certified Information Systems Auditor Report on Electronic Storage Systems was not filed for 2021.

2. Failure to comply with Article 6.040(1) which establishes that the investment plan must state the professional qualifications of the person(s) that shall be making routine investment decisions in order to ensure their competence and ethical behavior.

The Company amended its Investment Policy in December 2019 to include the professional qualifications of the person(s) that shall be making the routine investment decisions, in compliance with Article 6.040(1) of the Insurance Code of Puerto Rico.

3. Failure to comply with Article 3.151 in 2015 as the Company did not maintain the required statutory deposit amount of \$1,250,000.

It was recommended the Company maintain the required statutory deposit.

The Company complied with this recommendation.

4. Failure to comply with Article 6.040(3) because the Investment Committee or the Board of Directors did not review an investment report at least every three months (for June 2016 and November 2017). Evidence of submittal of reports was evaluated but no evidence of review was provided.

It was recommended the Investment Committee receive and review investment transaction reports at least every three months.

The Company complied with this recommendation.

5. Failure to respond timely to requests. During the course of the examination there were a number of requests for documentation of information that were fulfilled significantly beyond the time stipulated. 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.

It was recommended that the Company respond to all requests during an examination within the time stipulated as required by Rule I-A of the Insurance Code of Puerto Rico.

The Company did not comply with this recommendation. The Company continued to not fulfill request responses timely during the current financial examination.

COMPANY HISTORY

Triple-S Vida was originally incorporated on July 1, 1964, and commenced business on September 15, 1964. The Company has operated under several names and ownerships since incorporation. On January 31, 2006, the Company became a wholly

owned subsidiary of Triple- S Management Corporation (TSM) when TSM completed the acquisition of 100% of the common stock of Great American Life Assurance Company of Puerto Rico, the Company's previous name. Triple-S Vida's operations were merged with TSM's life insurance subsidiary, Seguros de Vida Triple S. Effective November 1, 2007, the Company was incorporated as prescribed by the laws and the provisions of the Insurance Code of Puerto Rico under its current name.

The Company acquired 100% of the outstanding shares of common stock of Triple-S Blue, Inc. I.L., formerly Atlantic Southern Insurance Company (ASICO), an international life insurance company authorized to do business in Puerto Rico, U.S. Virgin Islands (USVI), Costa Rica, Anguilla, and British Virgin Islands.

As of December 31, 2021, TSM owned 100% of Triple-S Vida and is the Ultimate Controlling Party (UCP).

The Company is authorized to write life and disability insurance in Puerto Rico and the USVI, and accident, health and life business in Texas.

DIVIDENDS AND CAPITAL CONTRIBUTIONS

The Company declared and paid dividends of \$6,000,000, \$2,750,000 and \$6,000,000 in 2018, 2019 and 2021, respectively, to its sole shareholder, TSM, with consent of the Board.

The Company did not submit the notification of dividends to be paid for years 2019 and 2021 to OCI in accordance with the provisions of Article 21(B) of Rule No. 83 of the Regulation of the Code. Additionally, the Company did not report the dividends in

the Annual Statement Notes to Financial Statements in 2018, 2019 and 2021 in accordance with Ruling Letter 2010-118-AF.

CAPITAL STOCK

The Company has 3,000,000 shares of common stock authorized, issued and outstanding at \$1 par value. As of December 31, 2021, TSM owned 2,999,995 shares, with the remaining five shares owned by members of the Board of TSV in compliance with Article 29.150(1)(a) of the Code. The Company has 60,000 shares of 6% interest preferred stock authorized with no shares issued and outstanding at \$100 par value.

CORPORATE RECORDS

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

ARTICLES OF INCORPORATION

There were no amendments to the Company's Articles of Incorporation during the examination period.

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, Treasurer and Secretary. The Company's Board did not elect, or ratify by Board resolution, a President or Vice President for any years

under examination. The Company was not operating in accordance with its By-Laws as of December 31, 2021.

MINUTES

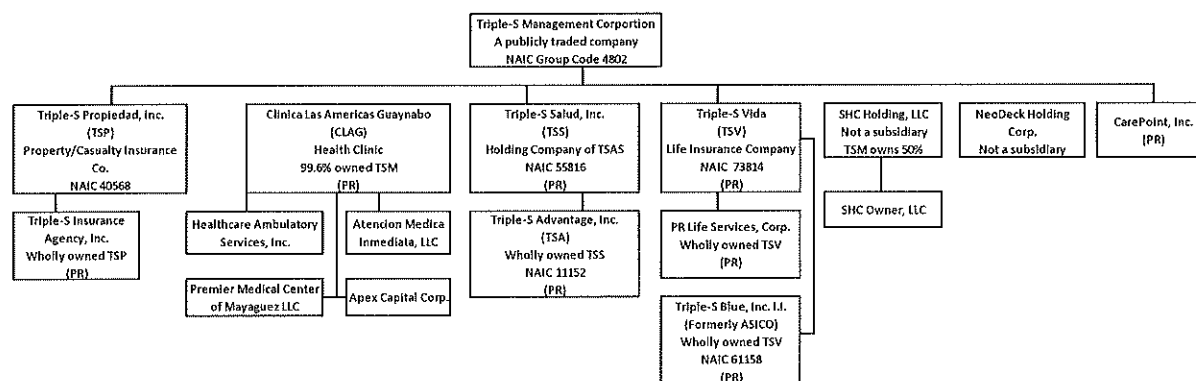
The recorded minutes adequately documented its meetings and approval of Company transactions and events, in compliance with the Code, except for the certification of investments in accordance with the Company's Investment Policy in 2018.

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 UCP. 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:



The insurance companies in the Group share common administration, business policies, and integrated operations. TSM and affiliate Triple-S Salud (TSS) provide shared services and facilities to other affiliates pursuant to formal agreements.

Triple-S Management Group:

- Triple-S Vida, Inc., a wholly owned subsidiary of TSM, is an insurer writing health, life and disability business.
- Triple-S Blue, Inc. II (TSB), a wholly owned subsidiary of TSV, 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 Salud, Inc., a wholly owned subsidiary of TSM, 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 Propiedad, Inc. (TSP), a wholly owned subsidiary of TSM, is a property and casualty multi-line insurer writing business in Puerto Rico through general agencies.
- Triple-S Insurance Agency, Inc. (TSIA), a wholly subsidiary of TSP, is an agency writing a significant portion of the insurance business for TSP.
- Clinica Las Americas de Guaynabo, Inc. (CLAG), dba Salus, 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.

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 year. The President of the Corporation shall be a member of the Board of Directors. 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

Arturo Carrión Crespo
San Juan, Puerto Rico

President
Triple-S Vida

OFFICERS

The Company's By-Laws, Article IV, Section 4.1(a) state the officers will be a President, a Vice President, a Treasurer, and a Secretary, all of whom shall be elected by the Board. The Board may authorize the President of the Corporation to appoint any such officer or assistant officer set forth by these Bylaws or created by resolution, provided that such appointment shall be ratified 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 and serving, as documented on the annual statement, as of December 31, 2021, were as follows:

<u>Name</u>	<u>Principal Occupation</u>
Arturo Carrión Crespo	President
Victor J. Haddock Morales	Treasurer
Carlo La Russa Jiménez	Assistant Treasurer
Michael Baez Rodríguez	Executive Vice President
Ramón González Maldonado	Vice President

A list of the officers elected by the Board, as documented in the corporate meeting minutes, as of December 31, 2021 were as follows:

<u>Name</u>	<u>Principal Occupation</u>
Roberto García-Rodríguez	Chairman of the Board
Victor J. Haddock Morales	Treasurer
Carlos L. Rodríguez-Ramos	Secretary
René P. van Noort	Assistant Treasurer
Frances M. Cifuentes-Gómez	Assistant Corporate Secretary

Corporate meeting minutes did not evidence the President or Vice-President elected or ratified by the Board of Directors by a resolution for any year under examination. The annual statement Jurat page did not include a Secretary for 2019 through 2021. (ISS.20)

COMMITTEES

The Company's By-Laws provide that the Board may designate one or more committees consisting of one or more directors. Each such committee shall serve at the pleasure of the Board as may be determined by resolution adopted by the Board. Each committee shall have and may exercise all the power and authority of the Board, except as restricted by applicable law. Each committee shall keep regular minutes of its meetings and report the same of the Board.

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 TSV Board in the oversight of 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 and TSS, formerly known as Triple-S Inc. 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 TSS on behalf of the Company.

PORTFOLIO ASSUMPTION AGREEMENT

This agreement, dated December 16, 2013, is between the Company and Atlantic Southern Insurance Company of Puerto Rico (ASICO), now known as TSB. Pursuant to the agreement, TSV assumed a portfolio of insurance policies, amendments, supplements, endorsements and waivers for business written in Puerto Rico by ASICO. ASICO was released from all policy liabilities and TSV became exclusively responsible for the policy liabilities. This transaction was approved by the OCI.

SERVICE AGREEMENT

This agreement, dated October 1, 2015, is between the Company and TSB. It provides cost sharing of professional and operational services, facilities and warehousing provided by the Company to TSB. Costs are incurred by the Company on behalf of TSB.

SERVICE AGREEMENT

This agreement, dated August 12, 2019, 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.

SERVICE AGREEMENT

This agreement, dated September 23, 2019, is between the Company and TSB. It provides for cost sharing of governance and controls, general management supervision, professional services and information and programming support and services to TSB. Expenses are incurred by the Company on behalf of TSB.

ADMINISTRATION AGREEMENT

This agreement, dated January 1, 2021, is between the Company and TSS. 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.

QUOTA SHARE REINSURANCE AGREEMENT

This agreement, effective January 1, 2021, is between the Company and TSS. Pursuant to the terms of the agreement, TSS cedes and TSV accepts 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.

SECURITY AGREEMENT, PLEDGE AND ASSIGNMENT AGREEMENT

This agreement, dated April 1, 2021, is between the Company and CLAG, dba Salus. TSV is the lender of \$3,070,404.49 under this agreement. The loan bears 4.5% interest requires monthly principal and interest payments and matures April 1, 2026.

TERRITORY AND PLAN OF OPERATIONS

The Company is licensed and authorized to write life and disability business in the Government of Puerto Rico and the USVI and accident, health and life business in Texas. The Company is also authorized to act as a third-party administrator in Florida and Texas and is recognized as a foreign accredited reinsurer in Illinois. The Company offers products that fulfill basic protection needs for funeral costs, life insurance, cancer and dreaded disease, and supplemental health. The majority of the Company's business is written in Puerto Rico.

The Company is the only home service company in Puerto Rico marketing guaranteed issue funeral and cancer products to individuals directly in their homes through a network of approximately 700 company employed agents located in branch offices around Puerto Rico.

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	Total Liabilities	Surplus	Gross Premiums Written	Net Income
2018	\$ 655,109,296	\$ 594,798,598	\$ 60,310,698	\$ 182,377,614	\$ 6,356,392
2019	735,388,974	679,722,220	55,666,754	205,001,749	3,607,609
2020	750,550,154	687,126,246	63,423,908	212,937,361	11,227,064
2021	810,122,072	751,794,002	58,328,067	227,687,217	5,890,767

Since the previous examination, made as of December 31, 2017, the Company's assets increased by \$172,262,246, its liabilities increased by \$181,035,487 and its surplus decreased by \$8,773,244.

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.

Liabilities increased during the examination period primarily attributed to increases in the reserve account balances.

REINSURANCE

ASSUMED

The Company assumed \$10,469 in premiums from 4 Ever Life Insurance Company (4 Ever Life), a non-affiliated company, as of December 31, 2021. The Company entered

into a quota share reinsurance agreement, effective April 1, 2020, with 4 Ever Life, licensed in 50 US states, Puerto Rico and the District of Columbia, to reinsure 50% of 4 Ever Life's net liability on the risk of certain cancer and graded life insurance policies sold by 4 Ever Life in Florida and Texas.

The Company entered into an Administration Agreement with 4 Ever Life, effective September 3, 2020, whereby the Company provides all administration services related to the policies issued by 4 Ever Life and reinsured under the quota share agreement. Pursuant to the agreement, the Company underwrites, markets and administers the 4 Ever Life insurance policies on behalf of 4 Ever Life in exchange for compensation as set forth in the agreement.

The Company entered into a quota share reinsurance agreement with affiliate, TSS, effective January 1, 2021. Pursuant to the agreement, TSS cedes 74% of its net liability on certain nonparticipating one-year renewable term individual group life and accidental death insurance policies sold in Puerto Rico.

The Company assumed approximately \$675,000 of gross premium from TSS and paid approximately \$74,000 ceding allowance to TSS 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. The Company did not report this assumed reinsurance on its 2021 Annual Statement.

CEDED

The Company maintained automatic and facultative reinsurance agreements with various reinsurers for all years under examination. The Company reported \$3,852,809 for amounts recoverable from reinsurers and \$1,764,495 for amounts payable on reinsurance ceded on its 2021 annual statement. Swiss Reinsurance Company is the Company's primary reinsurer.

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

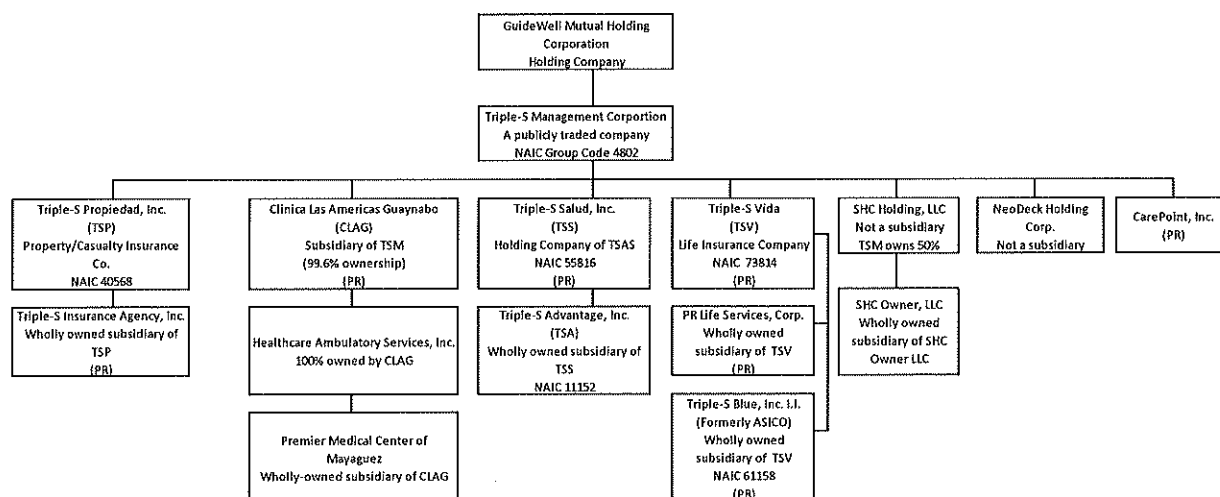
TSM entered into an Agreement and Plan of Merger with GuideWell Mutual Holding Corporation (GuideWell), a Florida not-for profit mutual insurance holding company and GuideWell Merger, Inc., a Delaware corporation and wholly owned subsidiary of GuideWell on August 23, 2021. On February 1, 2022, GuideWell Merger,

Inc. was merged with and into TSM with TSM being the surviving entity. This transaction was approved by the OCI on January 28, 2022.

As a result of the transaction, GuideWell became the UCP of TSM. TSM is no longer a publicly traded stock company.

The TSM Board was replaced by a Board comprised of two independent directors and two members of senior management from both 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 February 1, 2022:



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 VIDA, INC.
Assets
December 31, 2021

	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$549,226,489		\$549,226,489
Common stocks	156,614,639		156,614,639
Cash, cash equivalents and short-term investments	8,683,530		8,683,530
Contract loans	10,656,678		10,656,678
Other invested assets (Schedule BA)	<u>27,332,281</u>	<u> </u>	<u>27,332,281</u>
Subtotal, cash and invested assets	\$752,513,617		\$752,513,617
Investment income due and accrued	4,862,007		4,862,007
Uncollected premiums and agents' balances in the course of collection	4,919,244	164,531	4,754,713
Deferred premiums, agents' balances and installments booked but deferred and not yet due	32,907,183	3,164,570	29,742,613
Amounts recoverable from reinsurers	3,852,809		3,852,809
Current federal and foreign income tax Recoverable and interest thereon	1,710,927		1,710,927
Electronic data process equipment and software	475,466	122,698	352,768
Furniture and equipment, including health delivery assets	3,080,771	3,080,771	
Receivables from parent, subsidiaries and affiliates	8,580,991		8,580,991
Aggregate write-ins for other than invested assets:			
Goodwill	2,967,702		2,967,702
Deferred asset on assumed reinsurance	783,925		783,925
Other assets	<u>2,478,217</u>	<u>2,478,217</u>	
Totals	<u>\$819,132,859</u>	<u>\$9,010,787</u>	<u>\$810,122,072</u>

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

Aggregate reserve for life contracts	\$567,672,461
Aggregate reserve for accident and health contracts	79,437,529
Contract claims: Life	14,345,461
Contract claims: Accident and Health	25,033,946
Premium and annuity considerations for life and accident and health contracts	2,018,567
Other amounts payable on reinsurance	1,764,495
Interest maintenance reserve	1,526,034
Commissions to agents due or accrued	4,720,271
General expenses due or accrued	8,669,507
Taxes, licenses and fees due or accrued, excluding federal income taxes	2,807,390
Current federal and foreign income taxes	2,070,109
Net deferred tax liability	4,636,942
Amounts held for agents' account	489,072
Asset valuation reserve	29,599,606
Payable to parent, subsidiaries and affiliates	4,574,944
Aggregate write-ins for liabilities:	
Unclaimed funds	1,544,166
Other payables	<u>883,503</u>
Total liabilities	<u>\$751,794,002</u>
Common capital stock	<u>\$ 3,000,000</u>
Gross paid in and contributed surplus	22,060,000
Unassigned funds	<u>33,268,067</u>
Surplus	<u>\$ 55,328,067</u>
Capital and Surplus, December 31	<u>\$ 58,328,067</u>
Total liabilities, surplus and Other funds	<u>\$810,122,069</u>

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

Premiums and annuity considerations	
for life and accident and health contracts	\$227,687,217
Net investment income	27,005,640
Amortization of Interest Maintenance Reserve	336,472
Miscellaneous income:	
Charges and fees for deposit-type contracts	628,927
Aggregate write-ins for miscellaneous income	<u>73,376</u>
Total	\$255,731,632
Death benefits	35,678,860
Matured endowments	697,366
Annuity benefits	642,642
Disability benefits and benefits under accident and health contracts	46,048,874
Surrender benefits and withdrawals for life contracts	14,499,303
Increase in aggregate reserves for life and accident and health contracts	<u>45,399,734</u>
Total	\$142,966,779
Commissions on premiums, annuity considerations, and deposit-type contract funds	52,397,354
Commission and expenses allowances on reinsurance assumed	18,115
General insurance expenses	43,498,939
Insurance taxes, licenses and fees, excluding federal income taxes	7,141,666
Increase in loading on deferred and uncollected premiums	3,135,707
Aggregate write-ins for deductions:	
Amortization of deferred assets and other service fees	<u>391,963</u>
Total	\$249,550,523
Net gain from operations before federal income taxes	6,181,109
Federal and foreign income taxes incurred	<u>2,502,220</u>
Net gain from operations after federal income taxes and before realized capital gains	\$ 3,678,889
Net realized capital gains	<u>2,211,878</u>
Net income	<u>\$ 5,890,767</u>

TRIPLE-S VIDA, INC.
Capital and Surplus Account

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Capital and surplus, beginning	<u>\$63,423,907</u>	<u>\$55,666,757</u>	<u>\$60,310,698</u>	<u>\$67,101,311</u>
Net income	5,890,767	\$11,227,064	\$ 3,607,609	\$ 6,356,392
Change in net unrealized capital gains	7,109,804	(718,504)	9,407,253	(11,331,100)
Change in net deferred income tax	(1,384,687)	275,510	(2,268,400)	1,857,213
Change in nonadmitted assets	(1,433,699)	469,329	(644,140)	(1,222,336)
Change in asset valuation reserve	(8,037,485)	(2,320,670)	(10,037,578)	4,194,304
Dividends to stockholders	(6,000,000)		(2,750,000)	(6,000,000)
Aggregate write-ins for surplus change:				
Equity and surplus pickup on subsidiary	(777,940)	(905,785)	(1,958,686)	(645,086)
Amortization of goodwill on				
Acquired policies portfolio	<u>(462,504)</u>	<u>\$ (269,794)</u>	<u> </u>	<u> </u>
Net change for the year	<u>\$ (5,095,743)</u>	<u>\$ 7,757,150</u>	<u>\$ (4,643,942)</u>	<u>\$ (6,790,613)</u>
Capital and surplus, ending	<u>\$58,328,064</u>	<u>\$63,423,907</u>	<u>\$55,666,756</u>	<u>\$60,310,698</u>

Policyholders' surplus decreased during the exam period from \$67,101,311 as of December 31, 2017, to \$58,328,067 as of December 31, 2021, primarily attributed to the net income and the dividends paid to stockholders.

COMMENTS ON FINANCIAL STATEMENT ITEMS

INVESTED ASSETS

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

	Amount	Percentage
Bonds	\$549,226,489	73.0%
Common Stocks	156,614,639	20.8%
Cash	8,683,530	1.2%
Contract Loans	10,656,678	1.4%
Other Invested Schedule BA assets	<u>27,332,281</u>	<u>3.6%</u>
Total	<u>\$ 752,513,617</u>	<u>100.0%</u>

The Company's bond portfolio consisted of NAIC 1 and NAIC 2 investment grade bonds with laddered maturities of one year or less (8.3%), one to five years (45.1%), five to ten years (23.8%) and over ten years (22.8%).

The Company and Bank of New York Mellon, N.A. entered into a custodial agreement effective July 16, 2008. The agreement includes the safekeeping provisions suggested by the *NAIC Handbook*.

CLAIMS RESERVES

As of December 31, 2021, the Company reported reserves for life contracts of \$567,672,461, reserves for accident and health contracts of \$79,437,529, and contract claims for life and accident and health of \$14,345,461 and \$25,033,946, respectively.

Steve Griffith, MAAA, associated with Griffith, Ballard & Company, 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. 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. Article 7 of Rule No. 76 of the Regulations of the Code

The Company failed to file its 2021 Electronic Storage System Certification of Independent Auditor's Report in accordance with the requirements of Rule No. 76 of the Regulations of the Code which requires the certifications to be filed every three years. This is a repeat finding from the prior examination. (ISS.5)

It is recommended that the Company comply with Article 7 of the Regulations of the Puerto Rico Insurance Code by timely filing the certification of the electronic storage system by a Certified Information Systems Auditor.

2. Article 7.021(3) of the Code

The Company failed to submit their Tax Exemption Form on or before January 31, 2020 in accordance with the requirements of Article 7.021(3) which requires the annual Tax Exemption Form be filed on or before January 31 of each year. (ISS.3)

It is recommended that the Company comply with the provision of Article 7.021 (3) of the Regulations of the Code and file the annual Tax Exemption Form on or before January 31 of each year.

3. Ruling Letter 2010-118-AF and the NAIC Annual Statement Filing Instructions

- The Company failed to report its licensure in USVI for all years under examination, its licensure in Texas for 2020 and 2021, and its licensure as an accredited reinsurer in Illinois for 2020 and 2021. (ISS.1)
- The Company failed to include the Secretary on the Annual Statement Jurat Page listing of officers for 2019, 2020 and 2021. (ISS.21)

- The Company failed to identify a new director in 2018, 2020 and 2021 on the Annual Statement Jurat Page.
- The Company failed to complete Note 13D of the Annual Statement Notes to Financial Statements (Notes) to disclose dividends paid for years 2018, 2019 and 2021.
- The Company failed to report affiliated transactions on Schedule Y Part 2 – Summary of Insurer’s Transactions with any Affiliates (Schedule Y Part 2) for 2021 related to agreements entered into during 2021. Additionally, these new agreements were not disclosed in the Annual Statement Notes.
- The Company’s Schedule Y Part 2 does not agree to 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 Part 1 Reinsurance Assumed did not include business assumed from affiliate. (ISS.19)
- The Company failed to accurately complete Schedule S Part 3 Section 1 for reinsurance credit for business ceded to an authorized reinsurer. The Company incorrectly reported an unauthorized reinsurer and not the authorized reinsurer. The result was the \$15,433 reinsurance credit was not included, resulting in an understatement of the reinsurance credit or overstatement of reported reserves liability. (ISS.12)
- The Company failed to accurately complete Exhibit 5 – Aggregate Reserves for Life Contracts by reporting reinsurance ceded to and assumed from TSB

that was acquired under the approved Portfolio Assumption Agreement dated December 16, 2013. TSV Appointed Actuary stated this was a presentation error. There was no financial impact as a result of the presentation error.

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.

4. Article 21(B) of Rule No. 83 of the Regulation of the Code

The Company failed to submit the notification of dividends to be paid for years 2019 and 2021 in accordance with the provisions of Article 21(B) of Rule No. 83. (ISS.9)

It is recommended that the Company file dividend notices in accordance with Article 21(B) of Rule No.83.

5. Article 6.040(2) of the Code and the Company's Investment Policy

The Company's Board of Directors (Board) did not certify in writing through formal resolution that all investments had been made pursuant to Article 6.040(2) of the Puerto Rico Insurance Code and the Company's Investment Policy for 2018. (ISS.10)

It is recommended that the Company's Board of Directors certify that all investment transactions were made in accordance with its Investment Policy and in accordance with Article 6.040(2) of the Insurance Code of Puerto Rico.

6. Article 5 of Rule No. 97 of the Regulation of the Code

The Company participated in reinsurance retrocession agreements with an entity that was not licensed to act in the capacity of reinsurance intermediary manager. (ISS.13)

It is recommended that the Company participate in reinsurance agreements only with entities licensed by the Office of the Commissioner of Insurance.

7. Compliance with Company's By-Laws

The Company's Amended and Restated By-Laws, Article IV, Section 4.1 states, in part, the officers will be a President, a Vice President, a Treasurer, and a Secretary. The officers shall be elected by the Board. The Board may authorize the President of the Corporation to appoint any such officer set forth by these By-Laws or created by resolution; provided, that such appointment shall be ratified by the Board. The Company's Board of Directors did not elect or ratify by Board resolution a President or Vice President in 2018, 2019, 2020 or 2021; therefore, the Company was not acting in accordance with its By-Laws as of the examination date. (ISS.20)

It is recommended that the Company operate in accordance with its By-Laws.

8. 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.

This is a repeat finding from the prior examination.

It is recommended that the Company respond to all requests during an examination within the time stipulated as required by Rule I-A of the Regulation Code

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Triple-S Vida, 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.

Rafael Ruffat, Financial Examiner of the Office of the Commissioner of Insurance, participated in the compliance portion of the examination.

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