



TRIPLE-S PROPIEDAD, INC.

REPORT ON EXAMINATION
AS OF DECEMBER 31, 2022
CASE No. EX-2023-26

AMENDED

NAIC CODE 40568
REPORT DATE: JUNE 3, 2024

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June 3, 2024

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 Information Requirement Case Number EX-2023-26, dated November 27, 2023, a full-scope financial condition examination has been made of the records, affairs, financial condition, and management of the

**TRIPLE-S PROPIEDAD, INC.
1510 Roosevelt Avenue
Guaynabo, Puerto Rico 00968**

hereinafter referred to as “Company” or “TSP,” incorporated under the laws of the Commonwealth of Puerto Rico on July 6, 1987. The examination was conducted remotely. The report on this examination is respectfully submitted.

SCOPE OF EXAMINATION

This multi-state examination of Triple-S Propiedad was performed by examiners from Noble Consulting Services, Inc. (Noble), representing the Office of the Commissioner of Insurance of Puerto Rico (OCI), and financial examiners from the OCI. Triple-S Propiedad is licensed as an insurer in Puerto Rico and the United States Virgin Islands (USVI). The last examination covered

the period of January 1, 2015, through December 31, 2018. This examination covered the period of January 1, 2019 through December 31, 2022 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, PricewaterhouseCoopers, LLP (PwC), 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. Article 26.050 of the Code – Notice of Unclaimed Funds

The Company failed to publish notice of unclaimed funds once a week for two consecutive weeks in a newspaper of general circulation in Puerto Rico for 2019 and 2021 in accordance with the requirements of Article 26.050 of the Code.

2. Rule No. 83 of the Regulations of the Code and Statement of Statutory Accounting Principles (SSAP) No. 25 – Affiliates and Other Related Parties, Paragraph 10

The Company engages in short-term lending with affiliates; however, there is not a written agreement for these short-term loans in accordance with SSAP No. 25, Paragraph 10 which states, "Transactions between related parties must be in the form of a written agreement. The written agreement must provide for timely settlement of amounts owed, with a specified due date. Amounts owed to the reporting entity over

ninety days from the written agreement due date shall be nonadmitted, except to the extent this is specifically addressed by other statements of statutory accounting principles (SSAPs). If the due date is not addressed by the written agreement, any uncollected receivable is nonadmitted.”

Additionally, during 2021, the lending met the threshold for prior approval of the Puerto Rico Office of the Commissioner of Insurance. The Company did not request prior approval for these transactions.

PRIOR EXAMINATION FINDINGS

1. Article 3.151 of the Insurance Code of Puerto Rico— Minimum Deposit Required

The Company failed to comply with Article 3.151 of the Insurance Code of Puerto Rico. As of December 31, 2016, the Insurer did not keep assets of a value in an amount of not less than 50% of the amount of paid-in capital, at its amortized value.

It was recommended the Insurer maintain deposits of a value not less than 50% of the amount of paid-in capital in compliance with Article 3.151 of the Insurance Code of Puerto Rico.

The Insurer complied with this recommendation.

2. Article 3.160(1) of the Insurance Code of Puerto Rico – Investments in Puerto Rico Securities

The Company failed to comply with Article 3.160(1) of the Insurance Code of Puerto Rico. During 2018, the Insurer kept all its investments in first mortgages on real property located in Puerto Rico. Article 3.160(1) of the Insurance Code of Puerto Rico allows 50% in first mortgages on real property located in Puerto Rico and another 50%

in Bonds of Puerto Rico or its municipalities. The Insurer did not request the Commissioner to waive the requirement of this section.

It was recommended that the Insurer comply with Article 3.160(1) of the Insurance Code of Puerto Rico by maintaining the required amount in the allowable securities.

The Insurer complied with this recommendation.

3. Article 6.040(2) of the Insurance Code of Puerto Rico – Investments’ Formal Resolution

The Company did not comply with Article 6.040(2) of the Insurance Code of Puerto Rico. For 2017 and 2018, the Board of Directors meeting minutes did not include the formal resolution by the Board of Directors certifying that all investments had been made pursuant to the Insurer’s Investment Policy and Chapter 6 of the Puerto Rico Insurance Code. The Insurer subsequently corrected this issue for 2018 in 2020 during the prior examination fieldwork.

It was recommended that the Insurer comply with Article 6.040(2) of the Insurance Code of Puerto Rico 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.

The Insurer complied with this recommendation.

4. Article 6.040(1) of the Insurance Code of Puerto Rico – Professional Qualifications

The Insurer failed to comply with Article 6.040(1) of the Insurance Code of Puerto Rico. The Insurer’s Investment Policy did not state the professional qualifications of

the persons that make routine investment decisions. This was subsequently corrected in 2019 during the prior examination field work. No recommendation was made for the prior examination.

The Insurer was in compliance for all years under the current examination period.

COMPANY HISTORY

Triple-S Propiedad was originally incorporated on July 6, 1987 under the name Seguros Triple-S, Inc. and commenced business on January 1, 1988. The Seguros Triple-S name was changed to Triple-S Propiedad, Inc. on August 10, 2010. The Company is a wholly owned subsidiary of Triple-S Management Corporation (TSM) which is wholly owned by GuideWell Mutual Holding Corporation (GMHC). TSP wholly owns Triple-S Insurance Agency (TSIA), an agency that produces a significant portion of TSP's business.

TSP is a property and casualty insurance company licensed in Puerto Rico and the U.S. Virgin Islands 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.

TSP is authorized to write agricultural, casualty, disability, marine and transportation, property, surety, title and vehicle insurance in Puerto Rico and to write property and casualty insurance in the USVI.

DIVIDENDS AND CAPITAL CONTRIBUTIONS

The Company paid no dividends during the period under examination.

CAPITAL STOCK

The Company has 5,000,000 shares of common stock authorized, with 352,854 shares issued and outstanding at \$10 par value. As of December 31, 2022, TSM owned 352,849 shares

with the remaining 5 shares owned by members of the Board of TSP 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

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

BY-LAWS

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

MINUTES

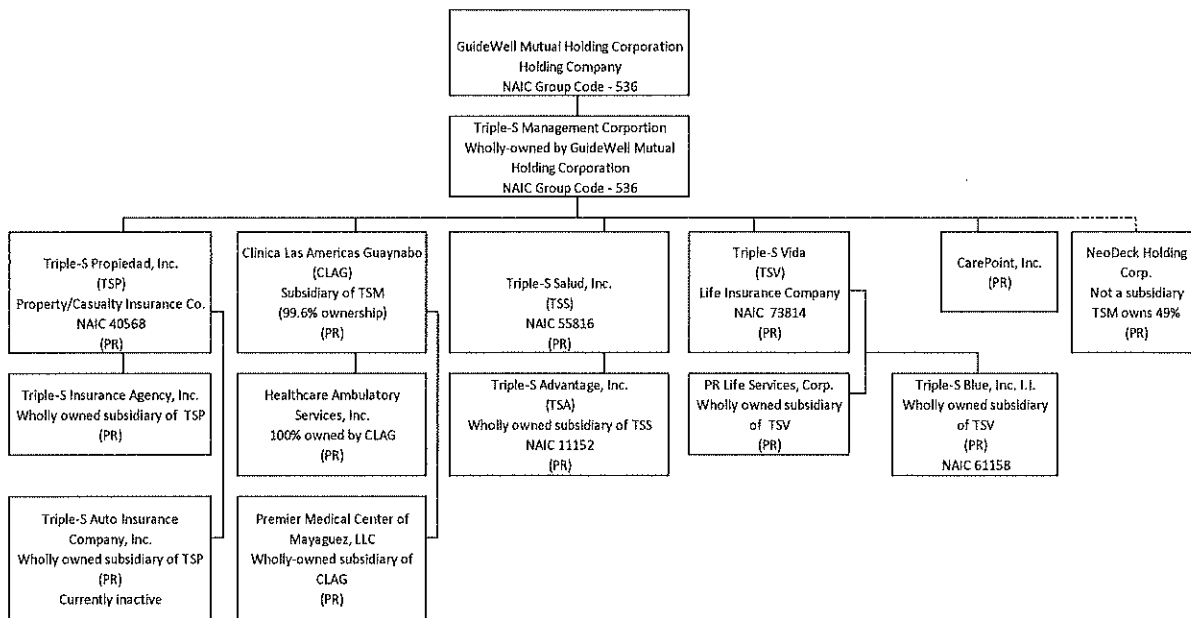
The recorded minutes adequately documented its meetings and approval of Company transactions and events, in compliance with the Code.

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. GMHC, a not for profit mutual holding company, became the ultimate controlling parent effective February 1, 2022, with TSM being the immediate parent of TSP. TSM is comprised of four insurance companies domiciled in Puerto Rico and that operate under the regulations of the Government of Puerto Rico and the USVI. These companies are Triple-S Propeidad, Inc., Triple-S Salud, Inc., Triple-S Vida, Inc. and Triple-S Blue, Inc. II.

The following is an organizational chart that reflects the identities and interrelationships between the Company, TSM, GMHC and other affiliates as of December 31, 2022:



Triple-S Management Group:

- Triple-S Management Corporation (TSM) was a publicly traded holding company until January 31, 2022 with its member companies mainly engaged in insurance products.
- Triple-S Propiedad, Inc. (TSP) is a property and casualty multi-line insurer writing business in Puerto Rico and USVI through General Agencies.
- Triple-S Insurance Agency (TSIA), a wholly owned subsidiary of TSP, is an agency writing a significant portion of the insurance business for TSP.
- Triple-S Salud, Inc. (TSS) is a health insurer writing business in Puerto Rico and the USVI.
- Triple-S Advantage, Inc., (TSA) was a wholly owned subsidiary of TSS until April 2023 when TSS received approval from OCI to dividend its shares of TSA to TSM. TSA is a Medicare Advantage Company that operates as a Health Maintenance Organization in Puerto Rico.
- Triple-S Vida, Inc. (TSV), a wholly owned subsidiary of TSM, is an insurer writing health, life and disability business in Puerto Rico and the USVI.
- 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 the 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.

- Clinica Las Americas 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 as of December 31, 2022.

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 in compliance with Article 44.060(c)(3) of the Code as of December 31, 2022.

The Company's By-Laws, Article III, Section 3.2 state 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, and 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
José M. del Amo-Mojica Guaynabo, Puerto Rico	President Triple-S Propiedad
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

Subsequent to December 31, 2022, Roberto Garcia Rodríguez retired and was replaced by Thurman Justice. Victor Haddock-Morales resigned and was replaced by Daryl Veach.

OFFICERS

The Company's By-Laws, Article IV, Section 4.1 state 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 of the Board creating the office and defining the duties thereof. Officers elected and serving as of December 31, 2022, were as follows:

<u>Name</u>	<u>Principal Occupation</u>
José M. del Amo-Mojica	President
Víctor Haddock	Treasurer
Frances Cifuentes Gómez	Corporate Secretary
Edgardo J. Marchand Castro	Assistant Treasurer
Yazmin Umpierre	Assistant Corporate Secretary
Dennis I. Hanftwurz	Sr. Vice President
Enrique Polanco	Vice President

As of December 31, 2022, the Company was operating in accordance with its By-Laws and Article 29.210 of the Code that states the insurer's officers shall consist of a president, vice president, treasurer, and secretary, and all officers shall be elected by the board of directors.

COMMITTEES

The Company's By-Laws provide that the Board shall designate an Executive Committee to consist of not less than three Directors and by resolution designate the Chairman of said Committee. The Board may designate one or more committees composed of more than two members. An Executive Committee and Chairman were designated for all years under examination.

As of December 31, 2022, the Investment Committee and the Audit Committee assisted the Board of Directors in oversight for the Company.

INVESTMENT PLAN

Article 6.040 of the Code provides, among other things, that all investments acquired and held under Chapter 6 of the Code 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.

The examiners review of the Board minutes evidenced that the Company certified for all years 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, 2022:

Agreement

This agreement, executed December 31, 2007, and effective for transactions originating in 2007, is between Signature Insurance Agency, Inc. and Seguros Triple-S, Inc., now known as Triple-S Insurance Agency, and Triple-S Propiedad, Inc., respectively, and provides for the allocation of administrative and operational expenses provided to TSIA by TSP.

Intercompany Services Agreement

This agreement, effective January 1, 2008, is between Triple-S Inc. and Seguros Triple-S, now known as Triple-S Salud and Triple-S Propiedad, respectively, and provides for administrative, operational and investment services to be provided to, or procured on behalf of, TSP by TSS. Costs and expenses are allocated on a pass-through billing basis.

Services Agreement

This agreement, dated March 1, 2016, is between TSP and TSM. The agreement provides for various administrative, operational and investment services provided by TSM. Costs and expenses are allocated on an activity-based accounting method.

Lease Agreement

This agreement, dated August 16, 2017, is between TSP and TSM. The agreement provides for the use of office space by TSP in exchange for monthly rent payments to TSM.

TERRITORY AND PLAN OF OPERATIONS

The Company is licensed and authorized to write agricultural, casualty, disability, marine and transportation, property, surety, title and vehicle insurance in Puerto Rico, and to write property and casualty insurance in the USVI.

Approximately 99.8% of the Company's business for 2022 is attributed to business written in Puerto Rico. The largest lines of business are commercial multiple peril, private passenger auto

physical damage, commercial auto physical damage, commercial multiple peril liability and other commercial auto liability. These lines of business represent approximately 70% of the business written for 2022.

Business is written through general agents, including TSP's wholly owned subsidiary, TSIA. TSIA wrote approximately \$142.7 million, approximately 83%, of the total premiums written by TSP for 2022. Remaining premiums are written by non-affiliated agents.

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, 2022.

Year	Admitted Assets	Surplus	Gross Premiums Written	Net Income
2019	\$349,192,729	\$87,975,430	\$150,518,963	\$9,105,540
2020	332,661,385	99,127,133	157,921,768	20,023,469
2021	333,078,515	134,222,439	167,837,463	11,648,106
2022	339,669,130	134,174,321	172,050,022	6,778,286

Since the previous examination, conducted as of December 31, 2018, the Company's policyholder surplus increased by \$70,362,411, which is primarily attributed to net income during the examination period, the conversion of the surplus note resulting in the increase in common stock and paid in and contributed surplus, the decrease in the reserve for catastrophe losses, and the amortization of the gain on retroactive reinsurance impacting unassigned surplus.

Total revenues increased steadily during the examination period while the net income had significant increases in 2020 and 2021. The increases are primarily attributed to the increased volume in certain lines of business offset by decreases in other lines of business and increased reinsurance premiums.

REINSURANCE

ASSUMED

The Company did not assume business during the period under examination.

CEDED

The Company maintained excess of loss and quota share reinsurance for all years under examination with authorized and unauthorized reinsurers. The Company ceded approximately \$35,289,000 in premiums to authorized U.S. unaffiliated insurers, approximately \$30,254,000 in premiums to authorized non-U.S. insurers, and approximately \$1,437,000 in premiums to unauthorized non-U.S. insurers in 2022. Five reinsurers assumed approximately 59% of the Company's total ceded premiums for 2022.

The Company entered into a Multi-Year High Excess of Loss Reinsurance Agreement commencing April 1, 2018 and ending March 31, 2023, attached retrospectively to the underlying 2018/2019 catastrophe excess of loss per risk agreement (CAT XOL) on November 2, 2018. Any changes to the 2018/2019 CAT XOL agreement do not impact the new agreement. The agreement provides for 100% coverage up to \$50 million in excess of \$76.5 million for losses due to Hurricane Maria. The agreement covers all losses arising from storm systems or atmospheric disturbances in progress prior to October 10, 2018. Losses arising from earthquakes or associated aftershocks commencing prior to October 10, 2018 are excluded. The agreement includes a loss corridor and a profit sharing provision. The aggregate term limit is \$411 million, and there are no reinstatement provisions.

The first layer provides coverage of 19.5% of \$235 million in excess of the underlying 2018/2019 CAT XOL agreement subject to an annual aggregate limit of \$45.825 million per cover year and subject to the aggregate term limit.

The second layer provides coverage of 100% of \$100 million in excess of \$275 million of the underlying 2018/2019 CAT XOL agreement per loss subject to an annual aggregate limit of \$100 million per cover year and subject to the aggregate term limit. The \$40 million in excess of \$235 million layer of the underlying agreement is not covered.

The third layer provides coverage of 50% of \$70 million in excess of \$375 million in excess of the underlying 2018/2019 CAT XOL agreement per loss subject to an annual aggregate limit of \$35 million per cover year and subject to the aggregate term limit.

The Company utilized Willis Re, Inc. (Willis Re) as reinsurance intermediary broker through December 4, 2020, when the broker of record was changed to Guy Carpenter & Company, LLC (Guy Carpenter).

The Company did not have a Reinsurance Intermediary Agreement with Willis Re 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 executed a Reinsurance Intermediary Authorization with Guy Carpenter, effective December 4, 2020.

The reinsurance contracts reviewed complied with NAIC guidelines and the Statement of Statutory Accounting Principles No. 62R, 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

The Company and SunCap Insurance Limited (SunCap), an affiliate, entered into a Loss Portfolio Reinsurance Transfer Agreement dated as of November 30, 2023. Pursuant to the terms of the agreement, TSP ceded 100% of the ceded gross liabilities as of the cut-off date. SunCap shall not be liable for amounts exceeding \$40 million over the ceded gross liabilities at cut-off date. TSP retains full responsibility for claims handling of the ceded business. The agreement includes a profit sharing clause whereby TSP will receive 50% of the ultimate profit in excess of \$5 million. The agreement was submitted to OCI and Cayman Islands Monetary Authority for approval.

TSM contributed \$42.5 million to the Company in November 2023 to support the Company's operations and increase the Company's surplus resulting from 2023 adverse reserve developments attributed to Hurricane Maria that hit Puerto Rico in 2017.

The Loss Portfolio Transfer to SunCap and capital contribution from TSM improved the Company's risk based capital to an acceptable regulatory level as of December 31, 2023.

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, 2022. 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 Propiedad, Inc.

Assets

December 31, 2022

	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 229,671,174		\$ 229,671,174
Common stocks	28,604,975		28,604,975
Cash, cash equivalents and short-term investments	14,171,449		14,171,449
Other invested assets	<u>3,526,165</u>		<u>3,526,165</u>
Subtotal, cash and invested assets	\$ 275,973,763		\$ 275,973,763
Investment income due and accrued	1,636,713		1,636,713
Uncollected premiums and agents' balances in the course of collection	26,080,947	\$ 1,000,108	25,080,839
Amounts recoverable from reinsurers	15,659,236		15,659,236
Other amounts receivable under reinsurance Contracts	2,895,836		2,895,836
Net deferred tax asset	19,375,853	7,765,361	11,610,492
Electronic data process equipment and software	67,075	3,361	63,714
Furniture and equipment, including health care delivery assets	106,818	106,818	
Receivables from parent, subsidiaries and affiliates	219,394		219,394
Aggregate write-ins for other than invested assets:			
Investments in Subsidiary	4,667,183		4,667,183
Joint Underwriting Association dividend receivable	1,861,960		1,861,960
Other assets	<u>874,838</u>	<u>874,838</u>	
Totals	<u>\$ 349,419,616</u>	<u>\$ 9,750,486</u>	<u>\$ 339,669,130</u>

Triple-S Propiedad, Inc.
Liabilities, Surplus, and Other Funds
December 31, 2022

Losses	\$ 103,318,503
Loss adjustment expenses	21,833,470
Commissions payable, contingent commissions and other similar charges	154,010
Other expenses (excluding taxes, licenses and fees)	3,751,062
Taxes, licenses and fees (excluding federal and foreign income taxes)	2,264,277
Current federal and foreign income taxes	57,057
Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$10,496,000)	79,028,548
Advance premium	57,609
Ceded reinsurance premiums payable (net of ceding commissions)	10,459,504
Amounts withheld or retained by company for account of others	1,348,985
Provision for reinsurance	2,006,839
Drafts outstanding	3,414,319
Payable to parent, subsidiaries and affiliates	79,184
Aggregate write-ins for liabilities:	
UPR portion of amounts recovered pursuant to Article 38.160 of Ins. Code of PR	166,457
Retroactive reinsurance reserve ceded	<u>(22,445,015)</u>
Total liabilities	<u>\$ 205,494,809</u>
Aggregate write-ins for special surplus funds:	
Reserve for Catastrophe Insurance Losses pursuant to Chapter 25 of Ins. Code of PR	\$ 27,876,760
Gain on retroactive reinsurance	22,445,014
Common capital stock	3,528,540
Gross paid in and contributed surplus	30,898,460
Unassigned funds	<u>49,425,547</u>
Surplus as regards policyholders	<u>\$ 134,174,321</u>
Total liabilities, capital and surplus	<u><u>\$ 339,669,130</u></u>

Triple-S Propiedad, Inc.
Statement of Income
December 31, 2022

Underwriting Income	
Premiums earned	\$ 104,143,276
Deductions:	
Losses incurred	\$ 41,061,539
Loss adjustment expenses incurred	15,612,177
Other underwriting expenses incurred	49,703,210
Total underwriting deductions	<u>106,376,926</u>
Net underwriting (loss)	\$ (2,233,650)
Investment income	
Net investment income earned	8,419,779
Net realized capital (losses)	<u>(612,782)</u>
Net investment gain	\$ 7,806,997
Other income	<u>624,559</u>
Net loss from agents' or premium balances charged off	\$ (38,304)
Aggregate write-ins for miscellaneous income:	
Joint Underwriting Association dividend	1,861,959
SIMED dividend*	1,449,722
Interest on surplus notes	(1,927,000)
Other income/charges	<u>14,535</u>
Total other income	\$ 1,360,912
Net income before dividends to policyholders, after capital	
gains tax and before federal and foreign income taxes	6,934,259
Federal and foreign income taxes incurred	<u>155,973</u>
Net income	<u>\$ 6,778,286</u>

*As a member of Sindicato de Aseguradores para la Suscripción Conjunta de Seguros de Responsabilidad Profesional Medico-Hospitalaria (SIMED), the Company shares risks with other member companies and is contingently liable in the event that SIMED cannot meet its obligations. In 2022, the Company received a dividend.

Triple-S Propiedad, Inc.
Capital and Surplus Account

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Surplus as regards policyholders, December 31 prior year	\$ 134,222,439	\$ 99,127,133	\$ 87,975,430	\$ 63,811,910
Net income	\$ 6,778,286	\$ 11,648,106	\$ 20,023,469	\$ 9,105,540
Change in net unrealized capital gains (losses)	(4,017,196)	3,671,759	1,168,824	6,017,611
Change in net deferred income tax	1,091,773	(5,803,139)	(5,789,177)	(2,991,460)
Change in nonadmitted assets	(2,287,474)	14,849,962	7,173,537	7,487,829
Change in provision for reinsurance	1,459,493	4,686,571	(382,903)	(7,456,000)
Change in surplus notes	(12,000,000)			12,000,000
Paid in capital	278,540			
Paid in surplus	13,648,460			
Aggregate write-ins for gains or (losses) in surplus	<u>(5,000,000)</u>	<u>6,042,047</u>	<u>(11,042,047)</u>	<u> </u>
Change in surplus as regards Policyholders for the year	\$ <u>(48,118)</u>	\$ <u>35,095,306</u>	\$ <u>11,151,703</u>	\$ <u>24,163,520</u>
Surplus as regards policyholders, December 31 current year	<u>\$ 134,174,321</u>	<u>\$ 134,222,439</u>	<u>\$ 99,127,133</u>	<u>\$ 87,975,430</u>

Since the previous examination, made as of December 31, 2018, the Company's assets increased by \$13,109,208, its liabilities decreased by \$57,253,203, and its surplus increased by \$70,362,411.

COMMENTS ON FINANCIAL STATEMENT ITEMS

INVESTED ASSETS

As of December 31, 2022, the Company's invested assets were distributed as follows:

	<u>Amount</u>	<u>Percentage</u>
Bonds	\$ 229,671,174	83.2%
Common Stocks	28,604,975	10.4%
Cash	(3,356,781)	(1.3%)
Cash Equivalents	17,528,230	6.4%
Other Invested Assets	<u>3,526,165</u>	<u>1.3%</u>
Total	<u>\$ 275,973,763</u>	<u>100.0%</u>

The Company's bond portfolio consisted of NAIC 1 investment grade bonds with laddered maturities of one to five years 48.2%, five to ten years 27.2%, ten to twenty years 2.7% and over twenty years 21.9%.

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

Contingent Commitments and Assessments

The Company is a member of Sindicato de Aseguradores para la Subscripcion Conjunta de Seguros de Responsabilidad Profesional Medico-Hospitalaria (SIMED) and the Compulsory Vehicle Liability Insurance Joint Underwriting Association pursuant to the Puerto Rico Insurance Code. Additionally, the Company is a member of the Puerto Rico Fire and Allied Lines Underwriting Association, the Puerto Rico Automobile Assigned Risk Plan and the Puerto Rico Property and Casualty Insurance Guaranty Association. Assessments and Dividends are periodically assessed and declared for the aforementioned entities.

The Company was assessed \$1,073,478 in 2022 to cover losses related to insolvent insurers due to Hurricane María.

RESERVES

As of December 31, 2022, the Company reported net reserves for losses and loss adjustment expenses of \$103,318,503 and \$21,833,470, respectively, and direct and assumed reserves for losses and loss adjustment expenses of \$150,018,000 and \$28,368,000, respectively. The Company also reported premium reserves for long duration contracts in the amounts of \$3,931,054 for direct and assumed and \$2,377,922, net, respectively. The Company also reported retroactive reinsurance ceded reserves in the amount of \$22,445,015.

Simon K. Wong, FCAS, FSA, MAAA, associated with the firm of Milliman, Inc., has served as the Company's Appointed Actuary and provided a Statement of Actuarial Opinion (Opinion) for all years in the examination period. Mr. Wong issued an Opinion stating that the

Company's reserve amounts "make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements" and "make a reasonable provision for the unearned premium reserves for property and casualty long duration contracts of the Company under the terms of its contracts and agreements."

In order for the examination team to gain an adequate comfort level with the Company's reserve estimates, the Department retained the services of Noble to perform a risk-focused review of the Company's reserving and pricing activities. Based on the procedures performed and the results obtained, the examination team obtained sufficient documentation to support the conclusion that the Company's carried reserve amounts for losses, loss adjustment expenses, and long duration contracts were reasonably stated as of December 31, 2022, based on information known at that time.

Subsequent to the examination date, the Company recorded net adverse development of \$116.9 million primarily due to litigation related to Hurricane Maria claims. This adverse development represents approximately 87% of the Company's December 31, 2022 surplus. The examination team, including the actuarial specialists, reviewed the 2023 reserve development, noting that many Hurricane Maria claims are in arbitration status.

As a result of the significant development recognized for catastrophe losses, particularly the Hurricane Maria claims, the Company exhausted its catastrophe reinsurance protection. On November 30, 2023, the Company entered into a Loss Portfolio Transfer Agreement with affiliate, SunCap Insurance, Limited (SunCap), a Cayman Island domiciled captive insurer. The Loss Portfolio Transfer Agreement is discussed in more detail in the Subsequent Events section of this report.

Given the Company's actions to address the adverse reserve development subsequent to the examination as of date, the examiners make no recommendation for the Company to adjust the reserve estimates as of December 31, 2022, nor restate the 2022 financial statements.

Surplus Notes

The Company issued a \$12.0 million surplus note to TSM during 2019 as a plan to increase statutory surplus. In November 2022, the surplus note and accrued interest were exchanged for common stock in the Company. This transaction resulted in the surplus note in the amount of \$12.0 million being canceled and the accrued interest in the amount of \$1.9 million being charged against operations. A capital contribution in common stock in the amount of \$279,000 and paid in and contributed surplus in the amount of \$13.6 million were recorded on the December 31, 2022 financial statement.

SUMMARY OF RECOMMENDATIONS

1. Article 26.050 of the Code – Notice of Unclaimed Funds

The Company failed to publish notice of unclaimed funds once a week for two consecutive weeks in a newspaper of general circulation in Puerto Rico for 2019 and 2021 in accordance with the requirements of Article 26.050 of the Code.

It is recommended that the Company comply with the provisions of Article 26.050 of the Code by publishing its notice of unclaimed funds once a week for two consecutive weeks in a newspaper of general circulation in Puerto Rico.

2. Rule No. 83 of the Regulations of the Code and Statement of SSAP No. 25, Paragraph 10.

The Company engages in short-term lending with affiliates; however, there is no written agreement for these short-term loans in accordance with SSAP No. 25, Paragraph 10

which states “Transactions between related parties must be in the form of a written agreement. The written agreement must provide for timely settlement of amounts owed, with a specified due date. Amounts owed to the reporting entity over ninety days from the written agreement due date shall be nonadmitted, except to the extent this is specifically addressed by other statements of statutory accounting principles (SSAPs). If the due date is not addressed by the written agreement, any uncollected receivable is nonadmitted.”

Additionally, during 2021, the short-term lending transactions met the threshold requiring prior approval of the Puerto Rico OCI. The Company did not request prior approval for these transactions.

It is recommended that the Company comply with the provisions Rule No. 83 of the Regulations of the Insurance Code of Puerto Rico and of SSAP No. 25, Paragraph 10 by obtaining prior approval for lending that meets the regulatory threshold and by executing agreements with affiliates for short-term lending.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Triple-S Propiedad, Inc.** as of December 31, 2022, 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, CFE, Exam Manager, Michael Nadeau, CFE, CISA, IT Manager, Tommy Siedner, IT Examiner, Melissa Greiner, Actuarial Examiner, Matthew Milford, CFE, Julie Smith, CFE, and Mark Murphy CFE, all of Noble, participated in this examination. Additionally, Solomon Frazier, FSA, FCAS, MAAA, Michael Starke, FCAS, MAAA and Riley Phillips, Consulting Actuaries affiliated with Taylor-Walker Consulting, LLC, reviewed the Actuarial Reserves and performed substantive testing procedures for the current examination.

Yessica Galarza, 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
Noble Consulting Services, Inc.
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