Section 1: 10-Q (10-Q)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2019

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____________to ___________

COMMISSION FILE NUMBER: 001-33865

TRIPLE-S MANAGEMENT CORPORATION

Puerto Rico
(State or other jurisdiction of incorporation or organization)

66-0555678
(I.R.S. Employer Identification No.)

1441 F.D. Roosevelt Avenue
San Juan, Puerto Rico
(Address of principal executive offices)

00920
(Zip code)

(787) 749-4949
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock Class B, $1.00 par value	GTS	New York Stock Exchange (NYSE)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☑ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☑ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑

Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☑ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title of each class	Outstanding at September 30, 2019
Common Stock Class B, $1.00 par value	24,333,036

Triple-S Management Corporation

FORM 10-Q

For the Quarter Ended September 30, 2019

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Part I - Financial Information

Item 1. Financial Statements

Triple-S Management Corporation
Condensed Consolidated Balance Sheets (Unaudited)
(dollar amounts in thousands, except share data)

	September 30, 2019	December 31, 2018
Assets		
Investments and cash:		
Fixed maturities available for sale, at fair value	$ 1,268,910	$ 1,199,402
Fixed maturities held to maturity, at amortized cost	1,860	2,492
Equity investments, at fair value	267,283	279,164
Other invested assets, at net asset value	97,084	74,015
Policy loans	10,566	9,469
Cash and cash equivalents	98,932	117,544
Total investments and cash	1,744,635	1,682,086
Premiums and other receivables, net	608,305	628,444
Deferred policy acquisition costs and value of business acquired	232,948	215,159
Property and equipment, net	86,299	81,923
Deferred tax asset	61,680	79,010
Goodwill	28,970	25,397
Other assets	67,529	48,229
Total assets	$ 2,830,366	$ 2,760,248
Liabilities and Stockholders' Equity		
Claim liabilities	$ 801,991	$ 936,789
Liability for future policy benefits	381,264	361,495
Unearned premiums	88,281	82,990
Policyholder deposits	177,129	174,110
Liability to Federal Employees' Health Benefits and Federal Employees' Programs	44,947	44,926
Accounts payable and accrued liabilities	322,207	275,228
Deferred tax liability	10,283	3,245
Long-term borrowings	26,492	28,883
Liability for pension benefits	29,081	31,274
Total liabilities	1,881,675	1,938,940
Stockholders' equity:		
Triple-S Management Corporation stockholders' equity		
Common stock Class A, $1 par value. Authorized 100,000,000 shares; issued and outstanding 950,968 at December 31, 2018	-	951
Common stock Class B, $1 par value. Authorized 100,000,000 shares; issued and outstanding 24,333,036 and 21,980,492 shares at September 30, 2019 and December 31, 2018, respectively	24,333	21,980
Additional paid-in capital	67,180	34,021
Retained earnings	816,969	761,970
Accumulated other comprehensive income	40,895	3,062
Total Triple-S Management Corporation stockholders' equity	949,377	821,984
Non-controlling interest in consolidated subsidiary	(686)	(676)
Total stockholders' equity	948,691	821,308
Total liabilities and stockholders' equity	$ 2,830,366	$ 2,760,248

See accompanying notes to unaudited condensed consolidated financial statements.

Triple-S Management Corporation

Condensed Consolidated Statements of Earnings (Unaudited)

(dollar amounts in thousands, except per share data)

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenues:				
Premiums earned, net	$ 815,021	$ 742,445	$ 2,442,516	$ 2,236,249
Administrative service fees	2,607	3,802	7,695	11,216
Net investment income	15,176	16,168	45,614	45,630
Other operating revenues	3,167	1,575	6,335	4,234
Total operating revenues	835,971	763,990	2,502,160	2,297,329
Net realized investment gains (losses)	1,087	(956)	4,766	1,065
Net unrealized investment gains (losses) on equity investments	1,267	5,632	24,259	(11,343)
Other income, net	485	1,943	3,359	3,600
Total revenues	838,810	770,609	2,534,544	2,290,651
Benefits and expenses:				
Claims incurred	680,010	648,580	2,009,504	1,959,707
Operating expenses	136,882	141,026	403,629	408,772
Total operating costs	816,892	789,606	2,413,133	2,368,479
Interest expense	2,062	2,000	5,681	5,515
Total benefits and expenses	818,954	791,606	2,418,814	2,373,994
Income (loss) before taxes	19,856	(20,997)	115,730	(83,343)
Income tax expense (benefit)	5,910	(3,430)	36,075	(30,944)
Net income (loss)	13,946	(17,567)	79,655	(52,399)
Net (loss) income attributable to non-controlling interest	(2)	-	(10)	1
Net income (loss) attributable to Triple-S Management Corporation	$ 13,948	$ (17,567)	$ 79,665	$ (52,400)
Earnings per share attributable to Triple-S Management Corporation				
Basic net income (loss) per share	$ 0.59	$ (0.77)	$ 3.44	$ (2.27)
Diluted net income (loss) per share	$ 0.58	$ (0.77)	$ 3.43	$ (2.27)

See accompanying notes to unaudited condensed consolidated financial statements.

Triple-S Management Corporation

Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
(dollar amounts in thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2019	**2018**	**2019**	**2018**
Net income (loss)	$ 13,946	$ (17,567)	$ 79,655	$ (52,399)
Other comprehensive income (loss), net of tax:				
Net unrealized change in fair value of available for sale securities, net of taxes	9,290	(6,216)	37,660	(21,312)
Defined benefit pension plan:				
Actuarial loss, net	61	147	173	409
Total other comprehensive income (loss), net of tax	9,351	(6,069)	37,833	(20,903)
Comprehensive income (loss)	23,297	(23,636)	117,488	(73,302)
Comprehensive (loss) income attributable to non-controlling interest	(2)	-	(10)	1
Comprehensive income (loss) attributable to Triple-S Management Corporation	$ 23,299	$ (23,636)	$ 117,498	$ (73,303)

See accompanying notes to unaudited condensed consolidated financial statements.

Triple-S Management Corporation
Condensed Consolidated Statements of Stockholders' Equity (Unaudited)
(dollar amounts in thousands)

	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Triple-S Management Corporation Stockholders' Equity	Non-controlling Interest in Consolidated Subsidiary	Total Stockholders' Equity
Balance, December 31, 2018	$ 951	$ 21,980	$ 34,021	$ 761,970	$ 3,062	$ 821,984	$ (676)	$ 821,308
Share-based compensation	-	177	1,409	-	-	1,586	-	1,586
Repurchase and retirement of common stock	-	(1)	(15)	-	-	(16)	-	(16)
Comprehensive income (loss)	-	-	-	34,786	13,497	48,283	(3)	48,280
Balance, March 31, 2019	$ 951	$ 22,156	$ 35,415	$ 796,756	$ 16,559	$ 871,837	$ (679)	$ 871,158
Share-based compensation	-	44	4,276	-	-	4,320	-	4,320
Comprehensive income (loss)	-	-	-	30,931	14,985	45,916	(5)	45,911
Balance, June 30, 2019	$ 951	$ 22,200	$ 39,691	$ 827,687	$ 31,544	$ 922,073	$ (684)	$ 921,389
Share-based compensation	-	1	2,816	-	-	2,817	-	2,817
Issuance of Common Stock	48	-	1,151	-	-	1,199	-	1,199
Stock dividend	-	1,133	23,522	(24,655)	-	-	-	-
Dividend	-	-	-	(11)	-	(11)	-	(11)
Common Stock Class A conversion to Class B	(999)	999	-	-	-	-	-	-
Comprehensive income (loss)	-	-	-	13,948	9,351	23,299	(2)	23,297
Balance, September 30, 2019	$ -	$ 24,333	$ 67,180	$ 816,969	$ 40,895	$ 949,377	$ (686)	$ 948,691
Balance, December 31, 2017	$ 951	$ 22,627	$ 53,142	$ 785,390	$ 51,254	$ 913,364	$ (682)	$ 912,682
Share-based compensation	-	285	106	-	-	391	-	391
Repurchase and retirement of common stock	-	(580)	(14,095)	-	-	(14,675)	-	(14,675)
Comprehensive income (loss)	-	-	-	3,914	(6,763)	(2,849)	-	(2,849)
Cumulative effect adjustment due to implementation of ASU 2016-01	-	-	-	39,882	(39,882)	-	-	-
Balance, March 31, 2018	$ 951	$ 22,332	$ 39,153	$ 829,186	$ 4,609	$ 896,231	$ (682)	$ 895,549
Share-based compensation	-	-	2,151	-	-	2,151	-	2,151
Repurchase and retirement of common stock	-	(89)	(2,254)	-	-	(2,343)	-	(2,343)
Comprehensive (loss) income	-	-	-	(38,747)	(8,071)	(46,818)	1	(46,817)
Balance, June 30, 2018	$ 951	$ 22,243	$ 39,050	$ 790,439	$ (3,462)	$ 849,221	$ (681)	$ 848,540
Share-based compensation	-	3	916	-	-	919	-	919
Repurchase and retirement of common stock	-	(260)	(5,735)	-	-	(5,995)	-	(5,995)
Comprehensive (loss) income	-	-	-	(17,567)	(6,069)	(23,636)	10	(23,626)
Balance, September 30, 2018	$ 951	$ 21,986	$ 34,231	$ 772,872	$ (9,531)	$ 820,509	$ (671)	$ 819,838

See accompanying notes to unaudited condensed consolidated financial statements.

Triple-S Management Corporation
Condensed Consolidated Statements of Cash Flows (Unaudited)
(Dollar amounts in thousands)

	Nine months ended September 30, 2019	2018
Cash flows from operating activities:		
Net income (loss)	$ 79,655	$ (52,399)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	10,729	9,933
Net amortization of investments	1,484	3,747
Additions to the allowance for doubtful receivables	2,476	7,085
Deferred tax expense (benefit)	14,570	(33,006)
Net realized investment gain on sale of securities	(4,766)	(1,065)
Net unrealized (gains) losses on equity investments	(24,259)	11,343
Interest credited to policyholder deposits	4,414	4,288
Share-based compensation	8,723	3,462
Decrease (increase) in assets:		
Premium and other receivables, net	17,663	259,345
Deferred policy acquisition costs and value of business acquired	(20,004)	(5,943)
Deferred taxes	114	606
Other assets	(12,428)	(19,657)
(Decrease) increase in liabilities:		
Claim liabilities	(134,798)	(68,762)
Liability for future policy benefits	19,769	15,859
Unearned premiums	5,291	(7,805)
Liability to Federal Employees' Health Benefits and Federal Employees' Programs	21	(10,407)
Accounts payable and accrued liabilities	27,891	(120,552)
Net cash used in operating activities	(3,455)	(3,928)

Triple-S Management Corporation
Condensed Consolidated Statements of Cash Flows (Unaudited)
(Dollar amounts in thousands)

	Nine months ended September 30,	
	2019	2018
Cash flows from investing activities:		
Proceeds from investments sold or matured:		
Securities available for sale:		
Fixed maturities sold	$ 365,383	$ 1,042,720
Fixed maturities matured/called	19,017	18,133
Securities held to maturity:		
Fixed maturities matured/called	1,378	2,066
Equity investments sold	126,134	150,024
Other invested assets sold	3,379	2,040
Acquisition of investments:		
Securities available for sale:		
Fixed maturities	(397,956)	(1,113,587)
Securities held to maturity:		
Fixed maturities	(748)	(2,238)
Equity investments	(88,945)	(113,108)
Other invested assets	(24,233)	(38,501)
Increase in other investments	(2,710)	(144)
Net change in policy loans	(1,097)	(603)
Net capital expenditures	(14,746)	(12,315)
Net cash used in investing activities	(15,144)	(65,513)
Cash flows from financing activities:		
Change in outstanding checks in excess of bank balances	3,808	9,104
Repayments of long-term borrowings	(2,425)	(2,427)
Repurchase and retirement of common stock	(1)	(22,390)
Proceeds from policyholder deposits	15,060	14,726
Surrenders of policyholder deposits	(16,455)	(21,422)
Net cash used in financing activities	(13)	(22,409)
Net decrease in cash and cash equivalents	(18,612)	(91,850)
Cash and cash equivalents:		
Beginning of period	117,544	198,941
End of period	$ 98,932	$ 107,091

See accompanying notes to unaudited condensed consolidated financial statements.

(1) Basis of Presentation

The accompanying condensed consolidated interim financial statements prepared by Triple-S Management Corporation and its subsidiaries are unaudited. In this filing, the "Corporation", the "Company", "TSM", "we", "us" and "our" refer to Triple-S Management Corporation and its subsidiaries. The condensed consolidated interim financial statements do not include all the information and the footnotes required by accounting principles generally accepted in the United States of America (GAAP or U.S. GAAP) for complete financial statement presentation pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2018.

In the opinion of management, all adjustments, consisting of a normal recurring nature necessary for a fair presentation of such condensed consolidated interim financial statements, have been included. The results of operations for the three months and nine months ended September 30, 2019 are not necessarily indicative of the results for the full year ending December 31, 2019.

(2) Significant Accounting Policies

Recently Adopted Accounting Standards

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued guidance to increase transparency and comparability among organizations by requiring the recognition of a lease right-of-use (ROU) asset and a lease liability, initially measured at the present value of the lease payment on the balance sheet, for both finance and operating leases with lease terms of more than 12 months. The classification of finance or operating will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. Lessors are required to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. In July 2018, the FASB issued the following guidance "Leases – Targeted Improvements" and "Codification Improvement to Leases" to assist in the implementation of leases and address certain technical corrections and improvement to the recently issued lease standard. Amendments include an additional transition method that allows entities to apply the new standard on the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings, as well as a new practical expedient for lessors and other implementation considerations. For public companies, the amended guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company adopted the standard effective January 1, 2019 recognizing approximately $8,800 in ROU assets and lease liabilities for its operating leases in its condensed consolidated balance sheet. ROU assets are included within the other assets and the lease liabilities are included within the accounts payable and accrued liabilities line items in the accompanying condensed consolidated balance sheet. No cumulative effect adjustment to opening balance of retained earnings on the adoption date was required. Most of the operating leases are related to real estate. The Company adopted the following two accounting policies as a result of the adoption of the standard: (1) to not separate lease components from nonlease components and (2) to not apply the recognition requirements of ASC 842 to short-term leases. In addition, the Company implemented control processes and procedures, as necessary, based on changes resulting from the new standard.

On March 5, 2019, the FASB issued guidance for Leases (Topic 842): Codification Improvements. The amendments in this update include issues brought to the FASB's attention through interactions with stakeholders in order to clarify its intent when applying the guidance. The issues were: (1) determining the fair value of the underlying asset by lessors that are not manufacturers or dealers; (2) presentation on the statement of cash flows of sales type and direct financing leases; and (3) transition disclosures related to Topic 250, Accounting Changes and Error Corrections. The amendments in this update for Issue 1 affect all lessors that are not manufacturers or dealers. Issue 2 affects all lessors that are depository and lending entities within the scope of Topic 942, and Issue 3 affect all entities that are lessees or lessors. For public companies, the amendments for Issue 1 and Issue 2, will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The amendments for Issue 3 are effective to the original transition requirements on Topic 842 and were implemented in January 1, 2019. The adoption of this guidance did not have a material impact on the presentation of the Company's consolidated result of operations.

Future Adoptions of Accounting Standards

On April 25, 2019, the FASB issued Accounting Standard Update (ASU) 2019-04: Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments. The amendment in this update represent changes to clarify, correct errors in or improve the codification. Such amendments should make the codification easier to understand and easier to apply by eliminating inconsistencies and providing clarifications. Within the clarifications was the FASB's intent to include all reinsurance recoverables within the scope of ASU 2016-13 (Topic 326). For public companies, the improvements related to ASU 2016-13 (Topic 326) and ASU 2016-01 (Topic 825) are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We are currently evaluating the impact the adoption of this guidance may have on the Company's condensed consolidated financial statements.

Other than the accounting pronouncements disclosed above, there were no other new accounting pronouncements issued during the three months and nine months ended September 30, 2019 that could have a material impact on the Corporation's financial position, operating results or financials statement disclosures.

(Dollar amounts in thousands, except per share data)

(3) Investment in Securities

The amortized cost for debt securities and cost for alternative investments, gross unrealized gains, gross unrealized losses, and estimated fair value for the Company's investments in securities by major security type and class of security as of September 30, 2019 and December 31, 2018, were as follows:

	September 30, 2019			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Fixed maturities available for sale				
Obligations of government-sponsored enterprises	$ 16,969	$ 568	$ (1)	$ 17,536
U.S. Treasury securities and obligations of U.S. government instrumentalities	111,744	5,654	-	117,398
Municipal securities	612,680	41,420	-	654,100
Corporate bonds	190,078	22,866	(43)	212,901
Residential mortgage-backed securities	249,233	8,239	(113)	257,359
Collateralized mortgage obligations	9,078	538	-	9,616
Total fixed maturities available for sale	$ 1,189,782	$ 79,285	$ (157)	$ 1,268,910

	September 30, 2019			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Fixed maturities held to maturity				
U.S. Treasury securities and obligations of U.S. government instrumentalities	$ 615	$ 175	$ -	$ 790
Residential mortgage-backed securities	165	2	-	167
Certificates of deposit	1,080	-	-	1,080
Total	$ 1,860	$ 177	$ -	$ 2,037

	September 30, 2019			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Other invested assets - Alternative investments	$ 94,338	$ 3,445	$ (699)	$ 97,084

Triple-S Management Corporation
Notes to Condensed Consolidated Financial Statements
(Dollar amounts in thousands, except per share data)
(Unaudited)

	December 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities available for sale				
Fixed maturities				
Obligations of government- sponsored enterprises	$ 21,470	$ 120	$ (1)	$ 21,589
U.S. Treasury securities and obligations of U.S. government instrumentalities	174,675	2,349	-	177,024
Obligations of the Commonwealth of Puerto Rico and its instrumentalities	8,295	-	-	8,295
Municipal securities	692,205	18,112	(538)	709,779
Corporate bonds	186,085	9,724	(239)	195,570
Residential mortgage-backed securities	75,373	1,298	-	76,671
Collateralized mortgage obligations	10,266	208	-	10,474
Total fixed maturities	$ 1,168,369	$ 31,811	$ (778)	$ 1,199,402

	December 31, 2018			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Securities held to maturity:				
U.S. Treasury securities and obligations of U.S. government instrumentalities	$ 617	$ 125	$ -	$ 742
Residential mortgage-backed securities	190	2	-	192
Certificates of deposit	1,685	-	-	1,685
Total	$ 2,492	$ 127	$ -	$ 2,619

	December 31, 2018			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Other invested assets - Alternative investments	$ 72,627	$ 2,042	$ (654)	$ 74,015

Triple-S Management Corporation
Notes to Condensed Consolidated Financial Statements
(Dollar amounts in thousands, except per share data)
(Unaudited)

Gross unrealized losses on investment securities and the estimated fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of September 30, 2019 and December 31, 2018 were as follows:

	September 30, 2019								
	Less than 12 months			12 months or longer			Total		
	Estimated Fair Value	Gross Unrealized Loss	Number of Securities	Estimated Fair Value	Gross Unrealized Loss	Number of Securities	Estimated Fair Value	Gross Unrealized Loss	Number of Securities
Fixed maturities available for sale									
Obligations of government-sponsored enterprises	$ 1,094	$ (1)	1	$ -	$ -	-	$ 1,094	$ (1)	1
Corporate bonds	5,086	(43)	1	-	-	-	5,086	(43)	1
Residential mortgage-backed securities	39,227	(113)	8	-	-	-	39,227	(113)	8
Total fixed maturities	$ 45,407	$ (157)	10	$ -	$ -	-	$ 45,407	$ (157)	10
Other invested assets - Alternative investments	$ 20,599	$ (313)	7	$ 9,601	$ (386)	1	$ 30,200	$ (699)	8

	December 31, 2018								
	Less than 12 months			12 months or longer			Total		
	Estimated Fair Value	Gross Unrealized Loss	Number of Securities	Estimated Fair Value	Gross Unrealized Loss	Number of Securities	Estimated Fair Value	Gross Unrealized Loss	Number of Securities
Fixed maturities available for sale									
Obligations of government-sponsored enterprises	$ 1,469	$ (1)	1	$ -	$ -	-	$ 1,469	$ (1)	1
Municipal securities	62,328	(349)	10	17,648	(189)	3	79,976	(538)	13
Corporate bonds	52,539	(239)	18	-	-	-	52,539	(239)	18
Total fixed maturities	$ 116,336	$ (589)	29	$ 17,648	$ (189)	3	$ 133,984	$ (778)	32
Other									

invested assets - Alternative investments	$ 7,399	$ (351)	3	$ 10,447	$ (303)	2	$ 17,846	$ (654)	5

The Company reviews the available for sale and other invested assets portfolios under the Company's impairment review policy. Given market conditions and the significant judgments involved, there is a continuing risk that declines in fair value may occur and material other-than-temporary impairments may be recorded in future periods. The Company from time to time may sell investments as part of its asset/liability management process or to reposition its investment portfolio based on current and expected market conditions.

Obligations of Government-Sponsored Enterprises: The unrealized losses of these securities were mainly caused by fluctuations in interest rates and general market conditions. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the par value of the investment. In addition, these investments have investment grade ratings. Because the decline in fair value is attributable to changes in interest rates and not credit quality; because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity; and because the Company expects to collect all contractual cash flows, these investments are not considered other-than-temporarily impaired.

Corporate Bonds: The unrealized losses of these bonds were principally caused by fluctuations in interest rates and general market conditions. All corporate bonds with an unrealized loss have investment grade ratings. Because the decline in estimated fair value is principally attributable to changes in interest rates; because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity; and because the Company expects to collect all contractual cash flows, these investments are not considered other-than-temporarily impaired.

(Dollar amounts in thousands, except per share data)

Residential mortgage-backed securities: The unrealized losses on these investments were mostly caused by fluctuations in interest rates and credit spreads. The contractual cash flows of these securities are guaranteed by a U.S. government-sponsored enterprise. Any loss in these securities is determined according to the seniority level of each tranche, with the least senior (or most junior), typically the unrated residual tranche, taking any initial loss. The investment grade credit rating of our securities reflects the seniority of the securities that the Company owns. The Company does not consider these investments other-than-temporarily impaired because the decline in fair value is attributable to changes in interest rates and not credit quality; the Company does not intend to sell the investments and it is more likely than not that the Company will not be required to sell the investments before recovery of their amortized cost basis, which may be maturity; and because the Company expects to collect all contractual cash flows.

Alternative investments: As of September 30, 2019, alternative investments with unrealized losses are not considered other-than-temporarily impaired based on market conditions and the length of time the funds have been in a loss position.

Maturities of investment securities classified as available for sale and held to maturity were as follows:

	September 30, 2019	
	Amortized cost	Estimated fair value
Fixed maturities available for sale		
Due in one year or less	$ 750	$ 750
Due after one year through five years	454,665	474,047
Due after five years through ten years	262,866	283,037
Due after ten years	213,190	244,101
Residential mortgage-backed securities	249,233	257,359
Collateralized mortgage obligations	9,078	9,616
	$ 1,189,782	$ 1,268,910
Fixed maturities held to maturity		
Due in one year or less	$ 1,080	$ 1,080
Due after ten years	615	790
Residential mortgage-backed securities	165	167
	$ 1,860	$ 2,037

Expected maturities may differ from contractual maturities because some issuers have the right to call or prepay obligations with or without call or prepayment penalties.

(Dollar amounts in thousands, except per share data)

(4) Realized and Unrealized Gains (Losses)

Information regarding realized and unrealized gains and losses from investments is as follows:

	Three months ended September 30,		Nine months ended September 30	
	2019	2018	2019	2018
Realized gains (losses)				
Fixed maturity securities:				
Securities available for sale:				
Gross gains	$ 950	$ 587	$ 3,597	$ 2,099
Gross losses	-	(2,892)	(319)	(13,695)
Total fixed securities	950	(2,305)	3,278	(11,596)
Equity investments:				
Gross gains	401	1,218	2,532	9,972
Gross losses	(443)	(67)	(1,488)	(1,091)
Total equity investments	(42)	1,151	1,044	8,881
Other invested assets:				
Gross gains	179	311	500	4,104
Gross losses	-	(113)	(56)	(324)
Total other invested assets	179	198	444	3,780
Net realized investment gains (losses)	$ 1,087	$ (956)	$ 4,766	$ 1,065

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Changes in net unrealized gains (losses):				
Recognized in accumulated other comprehensive income (loss):				
Fixed maturities – available for sale	$ 11,544	$ (8,873)	$ 48,095	$ (30,130)
Other invested assets	686	894	1,358	1,333
	$ 12,230	$ (7,979)	$ 49,453	$ (28,797)
Not recognized in the consolidated financial statements:				
Fixed maturities – held to maturity	$ 14	$ (13)	$ 50	$ (46)

The change in deferred tax liability on unrealized gains recognized in accumulated other comprehensive income (loss) during the nine months ended September 30, 2019 and 2018 was $9,892 and $7,980, respectively.

As of September 30, 2019, and December 31, 2018, no individual investment in securities exceeded 10% of stockholders' equity.

Triple-S Management Corporation
Notes to Condensed Consolidated Financial Statements
(Dollar amounts in thousands, except per share data)
(Unaudited)

(5) Premiums and Other Receivables, Net

Premiums and other receivables, net were as follows:

	September 30, 2019	December 31, 2018
Premium	$ 171,491	$ 94,613
Self-funded group receivables	28,900	31,184
FEHBP	14,161	14,030
Agent balances	31,728	30,224
Accrued interest	8,659	12,426
Reinsurance recoverable	269,324	399,202
Other	124,612	88,807
	648,875	670,486
Less allowance for doubtful receivables:		
Premium	27,847	32,487
Other	12,723	9,555
	40,570	42,042
Total premium and other receivables, net	$ 608,305	$ 628,444

As of September 30, 2019, and December 31, 2018, the Company had premiums and other receivables of $57,430 and $54,329, respectively, from the Government of Puerto Rico, including its agencies, municipalities and public corporations. The related allowance for doubtful receivables as of September 30, 2019 and December 31, 2018 were $17,138 and $20,984, respectively.

(6) Goodwill

Certain business combination transactions have resulted in goodwill, which represents the excess of the acquisition cost over the fair value of net assets acquired, and is assigned to reporting units. Goodwill recorded as of September 30, 2019 and December 31, 2018 were $28,970 and $25,397, respectively, which is mostly attributable to the Medicare Advantage reporting unit within the Managed Care segment.

In an effort to expand the health clinics reporting unit, the Company purchased various health clinics across different municipalities in Puerto Rico, resulting in a recognition of goodwill of $3,573 during the nine months ended September 30, 2019. The fair values initially assigned to the assets acquired and liabilities assumed are preliminary and are subject to refinement for up to one year after the closing date of the acquisition as new information becomes available.

(Dollar amounts in thousands, except per share data)

(7) Fair Value Measurements

Our condensed consolidated balance sheets include the following financial instruments: securities available for sale, equity investments, policy loans, policyholder deposits, and long-term borrowings. We consider the carrying amounts of policy loans, policyholder deposits, and long-term borrowings to approximate their fair value. Certain assets are measured at fair value on a recurring basis and are disclosed below. These assets are classified into one of three levels of a hierarchy defined by GAAP. For a description of the methods and assumptions that are used to estimate the fair value and determine the fair value hierarchy classification of each class of financial instrument, see the consolidated financial statements and notes thereto included in our 2018 Annual Report on Form 10-K.

The following tables summarize fair value measurements by level for assets measured at fair value on a recurring basis:

	September 30, 2019			
	Level 1	Level 2	Level 3	Total
Fixed maturity securities available for sale				
Obligations of government-sponsored enterprises	$ -	$ 17,536	$ -	$ 17,536
U.S. Treasury securities and obligations of U.S government instrumentalities	117,398	-	-	117,398
Municipal securities	-	654,100	-	654,100
Corporate bonds	-	212,901	-	212,901
Residential agency mortgage-backed securities	-	257,359	-	257,359
Collateralized mortgage obligations	-	9,616	-	9,616
Total fixed maturities	$ 117,398	$ 1,151,512	$ -	$ 1,268,910
Equity investments	$ 154,898	$ 107,216	$ 5,169	$ 267,283

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Fixed maturity securities				
Obligations of government-sponsored enterprises	$ -	$ 21,589	$ -	$ 21,589
U.S. Treasury securities and obligations of U.S government instrumentalities	177,024	-	-	177,024
Obligations of the Commonwealth of Puerto Rico and its instrumentalities	-	8,295	-	8,295
Municipal securities	-	709,779	-	709,779
Corporate bonds	-	195,570	-	195,570
Residential agency mortgage-backed securities	-	76,671	-	76,671
Collateralized mortgage obligations	-	10,474	-	10,474
Total fixed maturities	$ 177,024	$ 1,022,378	$ -	$ 1,199,402
Equity investments	$ 147,348	$ 128,011	$ 3,805	$ 279,164

There were no transfers between Levels 1 and 2 during the three and nine months ended September 30, 2019 and 2018.

(Dollar amounts in thousands, except per share data)

During the three months ended December 31, 2018, the Company purchased an equity investment with fair value amounting to $3,805 which was classified as a Level 3. A reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months and nine months ended September 30 is as follows:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Three months ended September 30, 2019	Nine months ended September 30, 2019
Beginning Balance	$ 5,130	$ 3,805
Realized gains	-	-
Unrealized in other accumulated comprehensive income	39	114
Purchases	-	1,250
Sales	-	-
Capital Distributions	-	-
Ending Balance	$ 5,169	$ 5,169

The fair value of investment securities is estimated based on quoted market prices for those or similar investments. Additional information pertinent to the estimated fair value of investment in securities is included in Note 3.

(Dollar amounts in thousands, except per share data)

(8) Claim Liabilities

A reconciliation of the beginning and ending balances of claim liabilities is as follows:

	Nine months ended September 30, 2019		
	Managed Care	Other Business Segments *	Consolidated
Claim liabilities at beginning of period	$ 394,226	$ 542,563	$ 936,789
Reinsurance recoverable on claim liabilities	-	(315,543)	(315,543)
Net claim liabilities at beginning of period	394,226	227,020	621,246
Claims incurred			
Current period insured events	1,934,859	85,726	2,021,426
Prior period insured events	(29,038)	(8,254)	(38,133)
Total	1,905,821	77,472	1,983,293
Payments of losses and loss-adjustment expenses			
Current period insured events	1,606,458	41,849	1,648,307
Prior period insured events	303,289	32,145	335,434
Total	1,909,747	73,994	1,983,741
Net claim liabilities at end of period	390,300	230,498	620,798
Reinsurance recoverable on claim liabilities	-	181,193	181,193
Claim liabilities at end of period	$ 390,300	$ 411,691	$ 801,991

* Other Business Segments include the Life Insurance and Property and Casualty segments, as well as intersegment eliminations.

(Dollar amounts in thousands, except per share data)

	Nine months ended September 30, 2018		
	Managed Care	**Other Business Segments ***	**Consolidated**
Claim liabilities at beginning of period	$ 367,357	$ 739,519	$ 1,106,876
Reinsurance recoverable on claim liabilities	-	(633,099)	(633,099)
Net claim liabilities at beginning of period	367,357	106,420	473,777
Claims incurred			
Current period insured events	1,764,038	80,774	1,844,812
Prior period insured events	(30,404)	122,951	92,547
Total	1,733,634	203,725	1,937,359
Payments of losses and loss-adjustment expenses			
Current period insured events	1,438,611	40,317	1,478,928
Prior period insured events	249,073	40,621	289,694
Total	1,687,684	80,938	1,768,622
Net claim liabilities at end of period	413,307	229,207	642,514
Reinsurance recoverable on claim liabilities	-	395,600	395,600
Claim liabilities at end of period	413,307	$ 624,807	$ 1,038,114

* Other Business Segments include the Life Insurance and Property and Casualty segments, as well as intersegment eliminations.

The actual amounts of claims incurred in connection with insured events occurring in a prior period typically differ from estimates of such claims made in the prior period. Amounts included as incurred claims for prior period insured events reflect the aggregate net amount of these differences.

The claims incurred disclosed in this table exclude the portion of the change in the liability for future policy benefits expense, which amounted to $26,211 and $22,348 during the nine months ended September 30, 2019 and 2018, respectively.

The following is information about total incurred but not reported (IBNR) liabilities plus expected development on reported claims included in the liability for unpaid claims adjustment expenses for the Managed Care segment as of September 30, 2019.

Incurred Year	**Total of IBNR Liabilities Plus Expected Development on Reported Claims**
2018	$ 16,040
2019	328,401

(Dollar amounts in thousands, except per share data)

(9) Pension Plan

The components of net periodic benefit cost were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Components of net periodic benefit cost:				
Interest cost	$ 1,748	$ 1,713	$ 5,230	$ 5,099
Expected return on assets	(2,209)	(2,255)	(6,643)	(6,817)
Amortization of actuarial loss	98	240	277	670
Settlement loss	555	395	1,305	1,045
Net periodic benefit cost	$ 192	$ 93	$ 169	$ (3)

Employer Contributions: The Company disclosed in its audited consolidated financial statements for the year ended December 31, 2018 that it expected to contribute $2,000 to the pension program in 2019. As of September 30, 2019, the Company has contributed $2,000 to the pension program.

(10) Reinsurance

Triple-S Propiedad, Inc. (TSP) uses facultative reinsurance, pro rata, and excess of loss reinsurance treaties to manage its exposure to losses, including those from catastrophe events. TSP has geographic exposure to catastrophe losses from hurricanes and earthquakes. The incidence and severity of catastrophes are inherently unpredictable. Under these treaties, TSP ceded premiums written were $12,355 and $12,658 for the three months ended September 30, 2019 and 2018, respectively, and $ 36,028 and $40,124 for the nine months ended September 30, 2019, and 2018, respectively. During the three months ended September 30, 2019 and 2018, TSP ceded claims incurred amounting to $81 and $84,113, respectively, related to losses caused by Hurricanes Irma and Maria. During the nine months ended September 30, 2019 and 2018, TSP ceded claims incurred amounting to $760 and $153,707, respectively, related to losses caused by Hurricanes Irma and Maria.

Principal reinsurance agreements are as follows:

- Casualty excess of loss treaty provides reinsurance for losses up to $12,000, subject to a retention of $225.
- Medical malpractice excess of loss treaty provides reinsurance for losses up to $3,000, subject to a retention of $150.
- Property reinsurance treaty includes proportional cessions and a per risk excess of loss contract limiting losses to $375 in $30,000 risks.
- Catastrophe protection is purchased limiting losses to $5,000 per event with losses up to approximately $775,000. After this, there is a retention of $24,500 from the next $70,000, for a total protection of $815,000 in an $845,000 event.

All principal reinsurance contracts are for a period of one year and are subject to modifications and negotiations in each renewal. TSP's current property and catastrophe reinsurance program was renewed effective April 1, 2019 for a twelve months period ending March 31, 2020. Other contracts were renewed as expiring on January 1, 2019.

(11) Stockholder's Equity

a Common Stock

On July 29, 2019, the Company issued 48,602 Class A shares to the heirs of a former shareholder, as a result of a litigation settlement. During July 2019, the Board of Directors authorized and approved the conversion (Conversion) of the Company's remaining issued and outstanding Class A common shares into Class B common shares. Effective on August 7, 2019, all Class A holders of record received one Class B share for each Class A share held. Upon the Conversion, all remaining outstanding Class A shares were automatically cancelled and extinguished, and the Company now maintains a single class of common shares.

b Dividend

The issuance of 48,602 Class A shares entitled all Class B shareholders to certain anti-dilution rights; therefore, all holders of Class B shares at the close of business on July 26, 2019 (Record Date) received a share dividend of 0.051107 Class B shares for every Class B share they owned as of that time. On August 6, 2019, the Company paid the Class B share dividend which amounted to $24,655; cash was paid in lieu of fractional shares so that shareholders receive a whole number of shares of common stock.

Triple-S Management Corporation
Notes to Condensed Consolidated Financial Statements
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(Unaudited)

(12) Comprehensive Income (Loss)

The accumulated balances for each classification of other comprehensive income (loss), net of tax, are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Net Unrealized Gain on Securities Beginning Balance	$ 55,678	$ 21,260	$ 27,308	$ 76,238
Unrealized loss reclassified to beginning retained earnings as a result of implementation new accounting pronouncement	-	-	-	(39,882)
Other comprehensive income (loss) before reclassifications	10,160	(6,981)	41,473	(20,460)
Amounts reclassified from accumulated other comprehensive (loss) income	(870)	765	(3,813)	(852)
Net current period change	9,290	(6,216)	37,660	(21,312)
Ending Balance	64,968	15,044	64,968	15,044
Liability for Pension Benefits Beginning Balance	(24,134)	(24,722)	(24,246)	(24,984)
Amounts reclassified from accumulated other comprehensive income	61	147	173	409
Ending Balance	(24,073)	(24,575)	(24,073)	(24,575)
Accumulated Other Comprehensive Income (Loss) Beginning Balance	31,544	(3,462)	3,062	51,254
Unrealized loss reclassified to beginning retained earnings as the result of implementing new accounting pronouncement	-	-	-	(39,882)
Other comprehensive income (loss) before reclassifications	10,160	(6,981)	41,473	(20,460)
Amounts reclassified from accumulated other comprehensive (loss) income	(809)	912	(3,640)	(443)
Net current period change	9,351	(6,069)	37,833	(20,903)
Ending Balance	$ 40,895	$ (9,531)	$ 40,895	$ (9,531)

(13) Share-Based Compensation

Share-based compensation expense recorded during the three months ended September 30, 2019 and 2018 was $2,817 and $919, respectively. Share-based compensation expense recorded during the nine months ended September 30, 2019 and 2018 was $8,723 and $3,462, respectively. During the nine months ended September 30, 2019 and 2018, 602 and 24,796 shares, respectively, were repurchased and retired as the result of non-cash tax withholdings upon vesting of shares. There were no non-cash tax withholdings during the three months ended September 30, 2019 and 2018.

(Dollar amounts in thousands, except per share data)

(14) Net Income (Loss) Available to Stockholders and Net Income (Loss) per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Numerator for earnings per share:				
Net income (loss) attributable to TSM available to stockholders	$ 13,948	$ (17,567)	$ 79,665	$ (52,400)
Denominator for basic earnings per share:				
Weighted average of common shares	23,830,106	22,895,582	23,143,361	23,058,754
Effect of dilutive securities	63,701	-	73,937	-
Denominator for diluted earnings per share	23,893,807	22,895,582	23,217,298	23,058,754
Basic net income (loss) per share attributable to TSM	$ 0.59	$ (0.77)	$ 3.44	$ (2.27)
Diluted net income (loss) per share attributable to TSM	$ 0.58	$ (0.77)	$ 3.43	$ (2.27)

The Company excluded the effect of dilutive securities during the three months and nine months ended September 30, 2018 because their effect would have been anti-dilutive given the net loss attributable to stockholders in those periods. If the Company had generated income from continuing operations during the three months and nine months ended September 30, 2018, the effect of restricted stock awards on the diluted shares calculation would have been an increase in shares of 75,986 and 92,076 shares, respectively.

(15) Contingencies

The following information supplements and amends, as applicable, the disclosures in Note 24 to the Consolidated Financial Statements of the Company's 2018 Annual Report on Form 10-K. The Company's business is subject to numerous laws and regulations promulgated by Federal, Puerto Rico, U.S. Virgin Islands (USVI), Costa Rica, British Virgin Islands (BVI), and Anguilla governmental authorities. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. The Commissioner of Insurance of Puerto Rico, as well as other Federal, Puerto Rico, USVI, Costa Rica, BVI, and Anguilla government authorities, regularly make inquiries and conduct audits concerning the Company's compliance with such laws and regulations. Penalties associated with violations of these laws and regulations may include significant fines and exclusion from participating in certain publicly funded programs and may require the Company to comply with corrective action plans or changes in our practices.

The Company is involved in various legal actions arising in the ordinary course of business. We are also defendants in various other litigations and proceedings, some of which are described below. Where the Company believes that a loss is both probable and estimable, such amounts have been recorded. Although we believe our estimates of such losses are reasonable, these estimates could change as a result of further developments in these matters. In other cases, it is at least reasonably possible that the Company may incur a loss related to one or more of the mentioned pending lawsuits or investigations, but the Company is unable to estimate the range of possible loss which may be ultimately realized, either individually or in the aggregate, upon their resolution. The outcome of legal proceedings is inherently uncertain and pending matters for which accruals have not been established have not progressed sufficiently to enable us to estimate a range of possible loss, if any. Given the inherent unpredictability of these matters, it is possible that an adverse outcome in one or more of these matters could have a material adverse effect on the consolidated financial condition, operating results and/or cash flows of the Company.

Additionally, the Company may face various potential litigation claims that have not been asserted to date, including claims from persons purporting to have rights to acquire shares of the Company on favorable terms pursuant to agreements previously entered by our predecessor managed care subsidiary, Seguros de Servicios de Salud de Puerto Rico, Inc. (SSS), with physicians or dentists who joined our provider network to sell such new provider shares of SSS at a future date (Share Acquisition Agreements) or to have inherited such shares notwithstanding applicable transfer and ownership restrictions.

Claims by Heirs of Former Shareholders

The Company and TSS are defending five individual lawsuits: Vera Sanchez, et al, v. Triple-S; Olivella Zalduondo, et al, v. Seguros de Servicios de Salud, et al; Montilla Lopez, et al v. Seguros de Servicio de Salud, et al; Cebollero Santamaria v. Triple-S Salud, Inc., et al; and Ruiz de Porras, et al, v. Triple-S Salud, Inc. All claims were filed in the Puerto Rico Court of First Instance by persons who claim to have inherited a total of 62 shares of the Company or one of its predecessors or affiliates (before giving effect to the 3,000-for-one stock Split). While each case presents unique facts and allegations, the lawsuits generally allege that the redemption of the shares by the Company pursuant to transfer and ownership restrictions contained in the Company's (or its predecessors' or affiliates') articles of incorporation and bylaws was improper. Consequently, the remedy requested by the plaintiffs is to be recognized as shareholders of the Company in the corresponding proportion.

As a result of the Puerto Rico Supreme Court's decision to deny the applicability of the statute of limitations contained in the local securities law, these claims are being litigated on their merits.

In Montilla López, et al. v. Seguros de Servicios de Salud, et al. local Court of First Instance entered summary judgment in favor of Company dismissing all claims on November 2, 2018. Plaintiffs filed an Appeal before Puerto Rico Court of Appeals and the Puerto Rico Supreme Court, both of which have been denied. Plaintiff's first request for reconsideration was denied by the Supreme Court. On October 21, 2019, the Company filed its opposition to Plaintiff's second request for reconsideration before the Supreme Court.

In Cebollero Santamaria v. Triple-S Salud, Inc., et. al. the Puerto Rico Court of First Instance entered partial summary judgment in favor of plaintiff. The Company filed a request for reconsideration that is pending adjudication, and intends to continue defending this case vigorously in an appeal stage if necessary.

In Vera Sanchez, et al, v. Triple-S, Inc., the Puerto Rico Court of First Instance entered summary judgment in favor of the Company. Plaintiffs appealed before the Puerto Rico Court of Appeals. The Company filed its opposition on October 31, 2019.

In re Blue Cross Blue Shield Antitrust Litigation

TSS is a co-defendant with multiple Blue Plans and the Blue Cross Blue Shield Association (BCBSA) in a multi-district class action litigation filed by a group of providers and subscribers on July 24, 2012 and October 1, 2012, respectively, that has since been consolidated by the United States District Court for the Northern District of Alabama, Southern Division, in the case captioned *In re Blue Cross Blue Shield Association Antitrust Litigation*. Essentially, provider plaintiffs allege that the exclusive service area requirements of the Primary License Agreements with the Blue Plans constitute an illegal horizontal market allocation under federal antitrust laws. As per provider plaintiffs, the *quid pro quo* for said "market allocation" is a horizontal price fixing and boycott conspiracy implemented through BCBSA and whose benefits are allegedly derived through the BCBSA's BlueCard/National Accounts Program. Among the remedies sought, provider plaintiffs seek increased compensation rates and operational changes. In turn, subscriber plaintiffs allege that the alleged conspiracy to allocate markets have prevented subscribers from being offered competitive prices and resulted in higher premiums for Blue Plan subscribers. Subscribers seek damages for the amounts that the Blue Plan premiums allegedly have been artificially inflated as a result of the alleged antitrust violations. Both actions seek injunctive relief.

Prior to consolidation, motions to dismiss were filed by several plans, including TSS - whose request was ultimately denied by the court without prejudice. On April 6, 2015, plaintiffs filed suit in the United States District Court of Puerto Rico against TSS. Said complaint, nonetheless, is believed not to preclude TSS' jurisdictional arguments. Since inception, the Company has joined BCBSA and other Blue Plans in vigorously contesting these claims. On April 5, 2018, the United States District Court for the Northern District of Alabama, Southern Division, issued it's ruling on the parties' respective motions for partial summary judgment on the standard of review applicable to plaintiffs' claims under Section 1 of the Sherman Act and subscriber plaintiffs' motion for partial summary judgment on the Blue Plan's single entity defense. After considering the "undisputed" facts (for summary judgment purposes only) and evidence currently on record in the light most favorable to defendants, the court essentially found that: (a) the combination of Exclusive Service Areas and the National Best Efforts Rule are subject to the *Per Se* standard of review; (b) there remain genuine issues of material fact as to whether defendants' conduct can be shielded by the "single entity" defense; and (c) claims concerning the BlueCard Program and uncoupling rules are due to be analyzed under the *Rule of Reason* standard.

On April 16, 2018 Defendants moved the Federal District Court for the Northern District of Alabama to certify for immediate interlocutory appeal the court's April 5, 2018 Standard of Review Ruling. On June 12, 2018 Hon. Judge Proctor agreed to grant Defendant's motion for certification pursuant to 28 U.S.C. §1292(b). Defendants filed their Notice of Appeal on July 12, 2018. On December 12, 2018, the Court of Appeals for the Eleventh Circuit denied Defendants' petition to appeal the District Court's Standard of Review Ruling. The parties re-commenced mediation with subscribers on April 2019 and with providers on September 2019.

Joint Underwriting Association Litigation

On August 19, 2011, plaintiffs, purportedly a class of motor vehicle owners, filed an action in the United States District Court for the District of Puerto Rico against the JUA and TSP, alleging violations under the Puerto Rico Insurance Code, the Puerto Rico Civil Code, the Racketeer Influenced and Corrupt Organizations Act (RICO) and the local statute against organized crime and money laundering. JUA is a private association created by law to administer a compulsory public liability insurance program for motor vehicles in Puerto Rico (CLI). As required by its enabling act, JUA is composed of all the insurers that underwrite private motor vehicle insurance in Puerto Rico and exceed the minimum underwriting percentage established in such act. TSP is a member of JUA.

In this lawsuit, entitled Noemí Torres Ronda, et al v. JUA et al., plaintiffs allege that the defendants illegally charged and misappropriated a portion of the CLI premiums paid by motor vehicle owners in violation of the Puerto Rico Insurance Code. Specifically, they claim that because the defendants did not incur in acquisition or administration costs allegedly totaling 12% of the premium dollar, charging for such costs constitutes the illegal traffic of premiums. Plaintiffs also claim that the defendants, as members of JUA, violated RICO through various inappropriate actions designed to defraud motor vehicle owners located in Puerto Rico and embezzle a portion of the CLI premiums for their benefit.

Plaintiffs seek the reimbursement of funds for the class amounting to $406,600 treble damages under RICO, and equitable relief, including a permanent injunction and declaratory judgment barring defendants from their alleged conduct and practices, along with costs and attorneys' fees.

Since 2011, TSP has been defending this claim and, jointly with other defendants, has filed several pleas in connection with the certification of the class and the dismissal of the claim. On October 7, 2019, defendants' petition for summary judgment was granted.

(Dollar amounts in thousands, except per share data)

(16) Segment Information

The Company's operations are conducted principally through three business segments: Managed Care, Life Insurance, and Property and Casualty Insurance. The Company evaluates performance based primarily on the operating revenues and operating income of each segment. Operating revenues include premiums earned, net, administrative service fees, net investment income, and revenues derived from other segments. Operating costs include claims incurred and operating expenses. The Company calculates operating income or loss as operating revenues less operating costs.

The following tables summarize the operations by reportable segment for the three months and nine months ended September 30, 2019 and 2018:

	Three months ended September 30,		Nine months ended September 30,	
	2019	**2018**	**2019**	**2018**
Operating revenues:				
Managed Care:				
Premiums earned, net	$ 746,043	$ 680,393	$ 2,244,448	$ 2,044,989
Administrative service fees	2,607	3,802	7,695	11,216
Intersegment premiums/service fees	1,483	1,390	4,612	4,061
Net investment income	5,624	6,776	16,981	17,547
Total managed care	755,757	692,361	2,273,736	2,077,813
Life Insurance:				
Premiums earned, net	45,365	42,049	133,598	124,318
Intersegment premiums	471	235	1,457	832
Net investment income	6,709	6,428	20,091	19,105
Total life insurance	52,545	48,712	155,146	144,255
Property and Casualty Insurance:				
Premiums earned, net	23,613	20,003	64,470	66,662
Intersegment premiums	153	153	460	460
Net investment income	2,533	2,518	7,404	7,724
Total property and casualty insurance	26,299	22,674	72,334	74,846
Other segments: *				
Intersegment service revenues	2,076	(5)	6,049	283
Operating revenues from external sources	3,167	1,575	6,335	4,234
Total other segments	5,243	1,570	12,384	4,517
Total business segments	839,844	765,317	2,513,600	2,301,431
TSM operating revenues from external sources	310	446	1,138	1,254
Elimination of intersegment premiums/service fees	(2,107)	(1,778)	(6,529)	(5,073)
Elimination of intersegment service revenues	(2,076)	5	(6,049)	(283)
Consolidated operating revenues	$ 835,971	$ 763,990	$ 2,502,160	$ 2,297,329

* Includes segments that are not required to be reported separately, primarily the health clinics.

Triple-S Management Corporation
Notes to Condensed Consolidated Financial Statements
(Dollar amounts in thousands, except per share data)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Operating income (loss):				
Managed care	$ 5,393	$ 14,229	$ 56,805	$ 26,264
Life insurance	6,686	5,681	17,541	14,637
Property and casualty insurance	6,620	(46,880)	14,958	(114,820)
Other segments *	(690)	288	(1,812)	890
Total business segments	18,009	(26,682)	87,492	(73,029)
TSM operating revenues from external sources	310	446	1,138	1,254
TSM unallocated operating expenses	(1,643)	(1,780)	(6,812)	(6,575)
Elimination of TSM intersegment charges	2,403	2,400	7,209	7,200
Consolidated operating income (loss)	19,079	(25,616)	89,027	(71,150)
Consolidated net realized investment gains (losses)	1,087	(956)	4,766	1,065
Consolidated net unrealized investment gains (losses) on equity investments	1,267	5,632	24,259	(11,343)
Consolidated interest expense	(2,062)	(2,000)	(5,681)	(5,515)
Consolidated other income, net	485	1,943	3,359	3,600
Consolidated income (loss) before taxes	$ 19,856	$ (20,997)	$ 115,730	$ (83,343)
Depreciation and amortization expense:				
Managed care	$ 2,931	$ 2,214	$ 8,480	$ 7,659
Life insurance	268	272	813	868
Property and casualty insurance	86	89	266	301
Other segments*	249	175	627	515
Total business segments	3,534	2,750	10,186	9,343
TSM depreciation expense	150	197	543	590
Consolidated depreciation and amortization expense	$ 3,684	$ 2,947	$ 10,729	$ 9,933

* Includes segments that are not required to be reported separately, primarily the health clinics.

	September 30, 2019	December 31, 2018
Assets:		
Managed care	$ 1,225,511	$ 1,078,262
Life insurance	946,378	863,470
Property and casualty insurance	627,058	747,583
Other segments *	26,403	20,705
Total business segments	2,825,350	2,710,020
Unallocated amounts related to TSM:		
Cash, cash equivalents, and investments	34,601	57,818
Property and equipment, net	23,776	21,733
Other assets	33,421	22,521
	91,798	102,072
Elimination entries-intersegment receivables and others	(86,782)	(51,844)
Consolidated total assets	$ 2,830,366	$ 2,760,248

* Includes segments that are not required to be reported separately, primarily the health clinics.

(17) Subsequent Events

In October 2019, the Company’s Board of Directors authorized an expansion of the existing Class B share repurchase program, authorizing up to $25,000 in repurchases, effective forty-eight hours after the publication of the press release issued on November 7, 2019 announcing the commencement of such program.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

In this Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), the "Corporation", the "Company", "TSM", "we", "us" and "our" refers to Triple-S Management Corporation and its subsidiaries. The MD&A included in this Quarterly Report on Form 10-Q is intended to update the reader on matters affecting the financial condition and results of operations for the three months and nine months ended September 30, 2019. Therefore, the following discussion should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Annual Report on Form 10-K filed with the United States Securities and Exchange Commission as of and for the year ended December 31, 2018 and the MD&A included therein, and our condensed consolidated financial statements and accompanying notes as of and for the three months and nine months ended September 30, 2019 included in this Quarterly Report on Form 10-Q.

Cautionary Statement Regarding Forward-Looking Information

This Quarterly Report on Form 10-Q and other of our publicly available documents may include statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including, among other things: statements concerning our business and our financial condition and results of operations. These statements are not historical, but instead represent our belief regarding future events, any of which, by their nature, are inherently uncertain and outside of our control. These statements may address, among other things, future financial results, strategy for growth, and market position. It is possible that our actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements. The factors that could cause actual results to differ from those in the forward-looking statements are discussed throughout this form. We are not under any obligation to update or alter any forward-looking statement (and expressly disclaim any such obligations), whether as a result of new information, future events or otherwise. Factors that may cause actual results to differ materially from those contemplated by such forward looking statements include, but are not limited to, rising healthcare costs, business conditions and competition in the different insurance segments, government action and other regulatory issues.

Overview

We are one of the most significant players in the managed care industry in Puerto Rico and have 60 years of experience in this industry. We offer a broad portfolio of managed care and related products in the Commercial, Medicaid and Medicare Advantage markets. In the Commercial market, we offer products to corporate accounts, U.S. federal government employees, local government employees, individual accounts and Medicare Supplement. We also participate in the Government of Puerto Rico Health Insurance Plan (a government of Puerto Rico-funded managed care program for the medically indigent that is similar to the Medicaid program in the U.S.) (Medicaid), by administering the provision of health benefits. See details of the Medicaid contract in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2018 under the sub-caption "*We are dependent on a small number of government contracts to generate a significant amount of the revenues of our managed care business.*"

We have the exclusive right to use the Blue Cross Blue Shield (BCBS) name and mark throughout Puerto Rico, the U.S. Virgin Islands (USVI), Costa Rica, the British Virgin Islands (BVI) and Anguilla. As of September 30, 2019, we served approximately 925,000 managed care members across all regions of Puerto Rico. For the nine months ended September 30, 2019 and 2018, our managed care segment represented approximately 92% of our total consolidated premiums earned. We also have significant positions in the life insurance and property and casualty insurance markets.

We participate in the managed care market through our subsidiaries, Triple-S Salud, Inc. (TSS); Triple-S Advantage, Inc. (TSA), and Triple-S Blue, Inc. I.I. (TSB). TSS, TSA and TSB are Blue Cross Blue Shield Association (BCBSA) licensees, which provides us with exclusive use of the Blue Cross and Blue Shield name and mark throughout Puerto Rico, the USVI, Costa Rica, the BVI, and Anguilla.

We participate in the life insurance market through our subsidiary, Triple-S Vida, Inc., and in the property and casualty insurance market through our subsidiary, Triple-S Propiedad, Inc. (TSP).

Intersegment revenues and expenses are reported on a gross basis in each of the operating segments but eliminated in the consolidated results. Except as otherwise indicated, the numbers for each segment presented in this Quarterly Report on Form 10-Q do not reflect intersegment eliminations. These intersegment revenues and expenses affect the amounts reported on the financial statement line items for each segment, but are eliminated in consolidation and do not change net income. See Note 16 of the unaudited Condensed Consolidated Financial Statements included in Quarterly Report on Form 10-Q.

Our revenues primarily consist of premiums earned, net and administrative service fees. These revenues are derived from the sale of managed care products in the Commercial market to employer groups, individuals, and government-sponsored programs, principally Medicare and Medicaid. Premiums are derived from insurance contracts and administrative service fees are derived from self-funded contracts, under which we provide a range of services, including claims administration, billing and membership services, among others. Revenues also include premiums earned from the sale of property and casualty and life insurance contracts, investment income, and revenues derived from other non-reportable segments. Substantially all our earnings are generated in Puerto Rico.

Claims incurred include the payment of benefits and losses, mostly to physicians, hospitals and other service providers, and policyholders. Each segment's results of operations depend to a significant extent on their ability to accurately predict and effectively manage claims. A portion of the claims incurred for each period consists of claims reported but not paid during the period, as well as a management and actuarial estimate of claims incurred but not reported during the period. Operating expenses consist primarily of compensation, commission payments to brokers and other overhead business expenses.

We use operating income as a measure of performance of the underwriting and investment functions of our segments. We also use the loss ratio and the operating expense ratio as measures of performance. The loss ratio is claims incurred divided by premiums earned, net, multiplied by 100. The operating expense ratio is operating expenses divided by premiums earned; net and administrative service fees, multiplied by 100.

Recent Developments

Puerto Rico Economy

PROMESA and the Oversight Board

The Commonwealth has been enduring a fiscal and economic crisis for several years. Such crisis prompted the U.S. Congress to enact the Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA") in June 2016. PROMESA, among other things, created a federal fiscal oversight board (the "Oversight Board") with broad powers over the Commonwealth's fiscal affairs and established two mechanisms for the restructuring of the obligations of the Commonwealth, its instrumentalities and municipalities, contained in Titles III and VI of PROMESA. The Commonwealth and several of its instrumentalities are currently in the process of restructuring their debts through the mechanisms provided by PROMESA.

In August 2016, President Obama appointed the seven voting members of the Oversight Board through the process established in PROMESA, which authorized the President to select the members from several lists required to be submitted by congressional leaders. On February 15, 2019, the First Circuit of the U.S. Court of Appeals (the "First Circuit") declared such appointments unconstitutional upon concluding that they did not comply with the Appointments Clause of the U.S. Constitution, which requires that principal federal officers be appointed by the President, with the advice and consent of the U.S. Senate. The First Circuit, however, validated the Oversight Board's past acts and did not dismiss the petitions under Title III of PROMESA, as the plaintiffs had requested. In doing so, the First Circuit relied on a doctrine known as the "de facto officer doctrine," which provides that acts performed by an officer that has assumed official duties without having been properly appointed to an office are valid even though it is later discovered that the officer's appointment is legally deficient. The parties challenging the constitutionality of PROMESA appealed the First Circuit's decision to the U.S. Supreme Court and the First Circuit stayed its decision pending the appeal. The U.S. Supreme Court held oral arguments on this case on October 15, 2019 and is expected to issue a decision before the end of its current term (June 2020). Given the lack of precedents interpreting the provisions of PROMESA, no assurances can be given as to the outcome of the appeal. Any outcome that results in the voidance of the Oversight Board's past actions could create further fiscal instability and adversely affect the Puerto Rico economy.

Commonwealth Fiscal Plan and Plan of Adjustment

The Oversight Board has certified several fiscal plans for the Commonwealth since 2017. The most recent fiscal plan for the Commonwealth certified by the Oversight Board is dated May 9, 2019 (the Commonwealth Fiscal Plan). The Commonwealth Fiscal Plan estimates a 4.7% contraction in real GNP in fiscal year 2018, after accounting for the impact of disaster relief funding and the measures and structural reforms contemplated by the plan. It also projects that disaster relief spending will have a short-term stimulative effect on the economy, which, combined with the estimated effects of the proposed fiscal measures and structural reforms, will result in real GNP growth of approximately 4% and 1.5% in fiscal years 2019 and 2020, respectively. The Commonwealth Fiscal Plan estimates that the Commonwealth's population will continue to decline at rates of approximately 1% to 2% annually through fiscal year 2024.

On September 27, 2019, the Oversight Board filed a plan of adjustment for the Commonwealth, the Employees Retirement System of the Government of the Commonwealth and the Puerto Rico Public Buildings Authority in the pending debt restructuring proceedings under Title III of PROMESA. The proposed plan of adjustment, which has not yet been confirmed by the Title III court and may suffer significant changes before confirmation, provides a framework for the Commonwealth to exit bankruptcy.

Recent Political Developments

The indictment of two former senior Puerto Rico government officials on fraud and related charges in July 2019, as well as other scandals involving former Puerto Rico Governor, Ricardo Rosselló Nevares, and other senior government officials led to massive protests and, ultimately, Rosselló's resignation. Then Secretary of Justice, Wanda Vázquez Garced, was sworn in as Governor on August 7, 2019 in accordance with the successorship provisions of the Puerto Rico Constitution.

See Item 1A. Risk Factors – Risks Related to our Business – "Our business is geographically concentrated in Puerto Rico and weakness in the economy and the fiscal health of the government has adversely impacted and may continue to adversely impact us." included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Medicaid Cliff

The U.S. House of Representatives' Committee on Energy and Commerce recently approved the "Territories Health Care Improvement Act" as part of H.R. 2328 and forwarded it to the full House for consideration. The bill provides for approximately $12 billion in funding over four years for the Puerto Rico Medicaid program. The U.S. Congress, particularly the US Senate, have requested the inclusion of accountability measures to ensure the proper use of funds in the bill and have requested additional information concerning Puerto Rico's Medicaid program to the U.S. Department of Health and Human Services. Conversations between the House and the Senate regarding the Medicaid spending cliff are ongoing. Our expectation is that a final agreement will be included in an 'extenders' package, likely to be enacted in the first quarter of 2020.

The Continuing Resolution (CR) approved by Congress that included the extension of temporary Medicaid funding in Puerto Rico is set to expire on November 21, 2019. A CR extending funding for an additional term is expected to be approved in the following weeks, until Congress can reach a final agreement on federal government spending.

Government Health Plan Negotiations

The agreement for the administration of the Government Health Plan with ASES provides for an annual review of per member per month (PMPM) payment rates. The rating period for CY 2018-2019 expired on October 31, 2019. On October 31, 2019, we entered into an amendment to the agreement which provides, among other matters, for a 15-day extension of the CY 2018-2019 PMPM rates while the parties reach an agreement on applicable PMPM rates for CY 2019-2020. Once the parties agree on the new rates, these rates shall be effective as of November 1, 2019.

Share Repurchase Program

In October 2019, the Board of Directors authorized an expansion of the existing Class B share repurchase program, authorizing up to $25.0 million in repurchases, effective forty-eight hours after the publication of the press release issued on November 7, 2019 announcing the commencement of such program.

Property & Casualty Litigation

As of September 30, 2019, our Property and Casualty subsidiary had been served in a total of 270 cases relating to Hurricane Maria. Of those, 218 remained open as of September 30, 2019. In addition, based on our review of the publicly available Puerto Rico court system's electronic docket, as of September 30, 2019, an additional 178 cases had been filed, but not served, against our Property and Casualty subsidiary. The Puerto Rico court system's electronic docket is entirely outside our control and we are not able to verify its accuracy or completeness. The Company performed additional analysis of case reserves for claims in which lawsuits have been filed against TSP but not served. Following this analysis, as well as the customary review of the reserves, the Company determined that there is no need to increase its estimate of gross losses nor adjust reserves related to Hurricane Maria. The Company will continue to closely monitor all claims made and lawsuits properly served and will adjust reserves if and when any new material information emerges. See Item 1A. Risk Factors – Risks Related to our Business – "Large-scale natural disasters may have a material adverse effect on our business, financial condition and results of operations" See also "We face risks related to litigation." included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Medicare STARS Rating

On October 9, 2019, the Centers for Medicare and Medicaid Services (CMS) announced STARS Ratings for year 2020. Triple-S Advantage received a 4-star rating in its HMO contract and 4.5 stars in its Part D (Pharmacy) offering. The new ratings reflect a half-star reduction from current ratings of 4.5 stars (HMO) and 5 stars (Part D), respectively, and will apply in payment year 2021. STARS Ratings for plans are calculated based on the results achieved by the plan on a contract in terms of measures spanning four categories: Healthcare Effectiveness Data and Information Set (HEDIS) measures, Consumer Assessment of Healthcare Providers and Systems (CAHPS) and Health Outcomes Survey (HOS) measures, Administrative measures, and Part D measures. The reduction in the ratings is due to a combination of the adjustment in CMS thresholds for 4 and 5 stars and lower scores on CAHPS and HOS measures, which were offset in part by an improvement in HEDIS measures.

Conversion of Remaining Class A Shares into Class B Shares and Elimination of Dual Class Equity Structure

On July 16, 2019, the Company announced that its Board of Directors authorized the conversion (Conversion) of the Company's remaining issued and outstanding Class A common shares into Class B common shares, effective August 7, 2019.

As the result of a recent litigation settlement, the Company issued 48,602 Class A shares to the heirs of a former shareholder preceding the Conversion. The issuance of these new Class A shares entitled all Class B shareholders to certain anti-dilution rights; therefore, all holders of Class B shares at the close of business on July 26, 2019 (Record Date) received a share dividend of 0.051107 Class B shares for every Class B share they owned as of that time, as determined by the anti-dilution formula in the Company's articles of incorporation. The Class B share dividend became payable on August 6, 2019; cash was paid in lieu of fractional shares so that shareholders receive a whole number of shares of common stock.

Effective upon the Company's public announcement on August 7, 2019, all Class A holders of record received one Class B share for each Class A share held. Upon the Conversion, all remaining outstanding Class A shares were automatically cancelled and extinguished, and the Company will maintain a single class of common shares. See Note 11 of the unaudited Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Recent Accounting Standards

For a description of recent accounting standards, see Note 2 to the unaudited condensed consolidated financial statements included in this quarterly report on Form 10-Q.

Managed Care Membership

	As of September 30,	
	2019	**2018**
Managed care enrollment:		
Commercial [1]	**442,069**	453,823
Medicare	**128,660**	111,389
Medicaid	**354,230**	394,149
Total	**924,959**	959,361
Managed care enrollment by funding arrangement:		
Fully-insured	**805,882**	819,267
Self-insured	**119,077**	140,094
Total	**924,959**	959,361

([1]) Commercial membership includes corporate accounts, self-funded employers, individual accounts, Medicare Supplement, Federal government employees and local government employees.

Consolidated Operating Results

The following table sets forth the Corporation's consolidated operating results. Further details of the results of operations of each reportable segment are included in the analysis of operating results for the respective segments.

	Three months ended September 30,		Nine months ended September 30,	
(dollar amounts in millions)	**2019**	2018	**2019**	2018
Revenues:				
Premiums earned, net	**$ 815.0**	$ 742.4	**$ 2,442.5**	$ 2,236.3
Administrative service fees	**2.6**	3.8	**7.7**	11.2
Net investment income	**15.2**	16.2	**45.6**	45.6
Other operating revenues	**3.1**	1.6	**6.3**	4.2
Total operating revenues	**835.9**	764.0	**2,502.1**	2,297.3
Net realized investment gains (losses)	**1.1**	(0.9)	**4.8**	1.1
Net unrealized investment gains (losses) on equity investments	**1.3**	5.6	**24.3**	(11.3)
Other income, net	**0.5**	1.9	**3.4**	3.6
Total revenues	**838.8**	770.6	**2,534.6**	2,290.7
Benefits and expenses:				
Claims incurred	**680.0**	648.6	**2,009.5**	1,959.7
Operating expenses	**136.9**	141.0	**403.6**	408.8
Total operating expenses	**816.9**	789.6	**2,413.1**	2,368.5
Interest expense	**2.1**	2.0	**5.7**	5.5
Total benefits and expenses	**819.0**	791.6	**2,418.8**	2,374.0
Income (loss) before taxes	**19.8**	(21.0)	**115.8**	(83.3)
Income tax expense (benefit)	**5.9**	(3.4)	**36.1**	(30.9)
Net income (loss) attributable to TSM	**$ 13.9**	$ (17.6)	**$ 79.7**	$ (52.4)

Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018

Operating Revenues

Consolidated premiums earned, net increased by $72.6 million, or 9.8%, to $815.0 million. This increase primarily reflects higher premiums in the Managed Care segment by $65.8 million primarily due to higher average premiums rates and an increase in membership in the Medicare and fully-insured Commercial businesses. The increase was partially offset by lower Medicaid membership.

Claims Incurred

Consolidated claims incurred increased by $31.4 million, or 4.8%, to $680.0 million mostly due a $79.1 million increase in claims incurred in the Managed Care segment, partially offset by $52.3 million of unfavorable prior period reserve development related to Hurricane Maria recognized by the Property and Casualty segment during prior year quarter. The increase in Managed Care claims primarily reflects higher Medicare and Commercial fully-insured enrollment, offset in part by the decrease in Medicaid membership. The consolidated loss ratio decreased by 400 basis points to 83.4%.

Operating Expenses

Consolidated operating expenses decreased by $4.1 million, or 2.9%, to $136.9 million. The decrease in operating expenses mostly results from the suspension in 2019 of the Health Insurance Providers Fee (HIP fee) of $13.1 million, offset in part by higher personnel cost and commission expense. For the three months ended September 30, 2019, the consolidated operating expense ratio decreased 220 basis points to 16.7%.

Income Taxes

Consolidated income tax expense for the three months ended September 30, 2019 was $5.9 million, compared to a benefit of $3.4 million during the three months ended September 30, 2018. The year over year change in income taxes mostly reflects the loss before taxes in the 2018 period in the Property and Casualty segment.

Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018

Operating Revenues

Consolidated premiums earned, net increased by $206.2 million, or 9.2%, to $2,442.5 million. This increase primarily reflects higher premiums in the Managed Care segment by $199.8 million due to higher average premiums rates across all Managed Care lines of business and an increase in Medicare and fully-insured Commercial membership. The increase was partially offset by lower Medicaid membership.

Net unrealized investment gains (losses) on equity investments

The $24.3 million in consolidated net unrealized investment gains reflects the impact of changes in equity markets.

Claims Incurred

Consolidated claims incurred increased by $49.8 million, or 2.5%, to $2,009.5 million due to a $172.3 million increase in claims incurred in the Managed Care segment, partially offset by $128.7 million of unfavorable prior period reserve development related to Hurricane Maria recognized by the Property and Casualty segment during the prior year. The increase in Managed Care claims primarily reflects higher Medicare and Commercial fully-insured enrollment, offset in part by the decrease in Medicaid membership. The consolidated loss ratio decreased by 530 basis points to 82.3%.

Operating Expenses

Consolidated operating expenses decreased by $5.2 million, or 1.3%, to $403.6 million. The decrease in operating expenses mostly result from the suspension of the HIP fee of $37.0 million, offset in part by higher personnel costs and commission expense. For the nine months ended September 30, 2019, the consolidated operating expense ratio decreased 170 basis points to 16.5%.

Income Taxes

Consolidated income tax expense for the nine months ended September 30, 2019 was $36.1 million, compared to a benefit of $30.9 million during the nine months ended September 30, 2018. The year over year change in income taxes mainly reflects the loss before taxes in the 2018 period in the Property and Casualty segment.

Managed Care Operating Results

(dollar amounts in millions)	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Operating revenues:				
Medical premiums earned, net:				
Commercial	**$ 203.1**	$ 197.3	**$ 602.4**	$ 590.8
Medicare	**367.1**	283.6	**1,065.7**	851.3
Medicaid	**176.3**	199.8	**577.7**	603.9
Medical premiums earned, net	**746.5**	680.7	**2,245.8**	2,046.0
Administrative service fees	**3.6**	4.9	**10.9**	14.3
Net investment income	**5.7**	6.8	**17.0**	17.5
Total operating revenues	**755.8**	692.4	**2,273.7**	2,077.8
Medical operating costs:				
Medical claims incurred	**645.2**	566.1	**1,905.9**	1,733.6
Medical operating expenses	**105.2**	112.1	**311.0**	317.9
Total medical operating costs	**750.4**	678.2	**2,216.9**	2,051.5
Medical operating income	**$ 5.4**	$ 14.2	**$ 56.8**	$ 26.3
Additional data:				
Member months enrollment:				
Commercial:				
Fully-insured	**964,321**	939,110	**2,872,836**	2,840,884
Self-funded	**356,059**	427,791	**1,072,510**	1,317,244
Total commercial	**1,320,380**	1,366,901	**3,945,346**	4,158,128
Medicare	**386,995**	334,836	**1,156,438**	1,008,063
Medicaid	**1,065,885**	1,191,681	**3,187,753**	3,564,769
Total member months	**2,773,260**	2,893,418	**8,289,537**	8,730,960
Medical loss ratio	**86.4%**	83.2%	**84.9%**	84.7%
Operating expense ratio	**14.0%**	16.4%	**13.8%**	15.4%

Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018

Medical Operating Revenues

Medical premiums earned increased by $65.8 million, or 9.7%, to $746.5 million. This increase is principally the result of the following:

- Medical premiums generated by the Medicare business increased by $83.5 million, or 29.4% to $367.1 million, primarily reflecting an increase in enrollment by approximately 52,000 member months, and higher average premium rates reflecting an increase in the average membership risk score.

- Medical premiums generated by the Commercial business increased by $5.8 million, or 2.9%, to $203.1 million. This fluctuation primarily reflects higher fully-insured enrollment during the quarter by approximately 25,000 member months, and higher average premium rates, offset in part by $2.9 million related to the suspension of the HIP fee pass-through in 2019.

- Medical premiums generated by the Medicaid business decreased by $23.5 million, or 11.8% to $176.3 million, primarily reflecting a decrease in membership of approximately 126,000 member months, and $3.6 million related to the suspension of the HIP fee pass-through in 2019. The premiums for the quarter were also lowered by a retroactive adjustment done by ASES following the reclassification of a portion of the High Cost High Need (HCHN) population into lower premium rates. The decrease in membership follows the lower membership assigned to us by ASES when implementing the new contract effective November 1, 2018.

Medical Claims Incurred

Medical claims incurred increased by $79.1 million, or 14.0%, to $645.2 million when compared to the three months ended September 30, 2018. The medical loss ratio (MLR) of the segment increased 320 basis points during the 2019 period, to 86.4%. This fluctuation is primarily attributed to the net effect of the following:

- The medical claims incurred in the Medicare business increased by $69.7 million, or 30.6%, during the 2019 period. The MLR, at 81.1% was 80 basis points higher than the same period last year. The higher MLR mostly reflects lower favorable prior period reserve development in 2019 when compared to the prior year and improved benefits in the 2019 product offerings.

- The medical claims incurred in the Commercial business increased by $5.4 million, or 3.3%, during the 2019 period. The MLR, at 84.7% was 20 basis points higher than the same period last year, mostly reflecting the impact of the elimination of the HIP fee pass-through in 2019, offset in part by favorable prior period reserve developments.

- The medical claims incurred in the Medicaid business increased by $4.0 million, or 2.3%, during the 2019 period. The MLR, at 99.6%, was 1,370 basis point higher than the same period last year, the increased MLR reflects required target MLR of the current Medicaid contract, the impact of the elimination in 2019 of the HIP fee pass-through, and a timing difference in the recognition of member acuity in premiums. The current Medicaid contract requires a minimum MLR of 92%, including allocation of healthcare quality improvement expenses.

Medical Operating Expenses

Medical operating expenses decreased by $6.9 million, or 6.2%, to $105.2 million. The operating expense ratio decreased by 240 basis points to 14.0% in 2019. The lower operating expenses are mostly driven by a $13.1 million decrease in the HIP Fee due to the moratorium of the fee in 2019, offset in part by higher personnel costs and commission expense.

Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018

Medical Operating Revenues

Medical premiums earned increased by $199.8 million, or 9.8%, to $2,245.8 million. This increase is principally the result of the following:

- Medical premiums generated by the Medicare business increased by $214.4 million, or 25.2%, to $1,065.7 million, primarily reflecting an increase in member months enrollment by approximately 148,000 and higher average premium rates, mainly reflecting higher membership risk score in 2019.

- Medical premiums generated by the Commercial business increased by $11.6 million, or 2.0%, to $602.4 million. This fluctuation primarily reflects higher fully-insured member enrollment during the year by approximately 32,000 member months and higher average premium rates, offset in part by $9.0 million related to the suspension of the HIP fee pass-through in 2019.

- Medical premiums generated by the Medicaid business decreased by $26.2 million or 4.3% to $577.7 million. This decrease primarily reflects lower enrollment by approximately 377,000 member months, the $6.3 million impact of the profit sharing accrual, and $10.9 million related to the suspension of the HIP fee pass-through in 2019. The decrease in membership follows the lower membership assigned to us by ASES when implementing the new Medicaid contract effective November 1, 2018. The increase in average premium rates is due to the change in model brought by the new contract, where we now insure members across Puerto Rico which have higher average premium rates per member, compared to the previous contract where we covered only two service regions with lower premium rates per member.

Medical Claims Incurred

Medical claims incurred increased by $172.3 million, or 9.9%, to $1,905.9 million when compared to the nine months ended September 30, 2018. The MLR of the segment increased 20 basis points during the 2019 period, to 84.9%. The fluctuation in claims incurred is primarily attributed to the net effect of the following:

- The medical claims incurred in the Medicare business increased by $148.5 million, or 20.7%, during the 2019 period mostly driven by higher enrollment. The MLR, at 81.4% was 300 basis points lower than the same period last year, driven by favorable prior period reserve developments in 2019 and the impact of cost containment initiatives. These decreases were offset in part by improved benefits in the 2019 product offerings.

- The medical claims incurred in the Commercial business increased by $14.6 million, or 3.0%, during the 2019 period. The MLR, at 82.8%, was 80 basis point higher than the same period last year, mostly reflecting the elimination of the HIP fee pass through in 2019.

- The medical claims incurred in the Medicaid business increased by $9.2 million, or 1.7%, during the 2019 period. The MLR, at 93.4%, was 550 basis point higher than the same period last year. The increased MLR reflects the higher required target MLR of the current Medicaid contract, the impact of the elimination in 2019 of the HIP fee pass-through, and a timing difference in the recognition of member acuity in premiums. The current Medicaid contract requires a minimum MLR of 92%, including allocation of healthcare quality improvements expenses.

Medical Operating Expenses

Total medical operating expenses decreased by $6.9 million, or 2.2%, to $311.0 million. The operating expense ratio decreased by 160 basis points to 13.8% in 2019. The lower operating expense ratio reflects the suspension of the HIP fee in 2019, resulting in a decrease of $37.0 million, and a higher volume of business, offset by increases in personnel costs and commission expense.

Life Insurance Operating Results

(dollar amounts in millions)	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Operating revenues:				
Premiums earned, net:				
Premiums earned	**$ 47.3**	$ 43.7	**$ 139.7**	$ 129.7
Assumed earned premiums	**0.6**	0.7	**1.6**	2.0
Ceded premiums earned	**(2.1)**	(2.1)	**(6.2)**	(6.6)
Premiums earned, net	**45.8**	42.3	**135.1**	125.1
Net investment income	**6.7**	6.4	**20.0**	19.1
Total operating revenues	**52.5**	48.7	**155.1**	144.2
Operating costs:				
Policy benefits and claims incurred	**25.9**	25.3	**79.2**	73.8
Underwriting and other expenses	**20.0**	17.7	**58.4**	55.8
Total operating costs	**45.9**	43.0	**137.6**	129.6
Operating income	**$ 6.6**	$ 5.7	**$ 17.5**	$ 14.6
Additional data:				
Loss ratio	**56.6%**	59.8%	**58.6%**	59.0%
Operating expense ratio	**43.7%**	41.8%	**43.2%**	44.6%

Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018

Operating Revenues

Premiums earned, net increased by $3.5 million, or 8.3%, to $45.8 million, mainly as the result of higher sales and improved policy retention in the Individual Life and Cancer lines of business.

Policy Benefits and Claims Incurred

Policy benefits and claims incurred increased by $0.6 million, or 2.4%, to $25.9 million, mostly as the result of higher actuarial reserves following improved portfolio persistency during the period and higher volume of business. The segment’s loss ratio decreased 320 basis point to 56.6%.

Underwriting and Other Expenses

Underwriting and other expenses increased by $2.3 million, or 13.0%, to $20.0 million, mainly as the result of higher commission expense reflecting the segment’s higher volume of business and improved portfolio persistency. The segment’s operating expense ratio increased 190 basis points to 43.7%.

Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018

Operating Revenues

Premiums earned, net increased by $10.0 million, or 8.0%, to $135.1 million, mainly as the result of higher sales and improved policy retention in the Individual Life and Cancer lines of business.

Policy Benefits and Claims Incurred

Policy benefits and claims incurred increased by $5.4 million, or 7.3%, to $79.2 million, mostly as the result of higher actuarial reserves following improved portfolio persistency during the period and higher volume of business. The segment’s loss ratio decreased by 40 basis point to 58.6%.

Underwriting and Other Expenses

Underwriting and other expenses increased $2.6 million, or 4.7%, to $58.4 million mainly due to higher commissions and personnel costs, partly offset by a decrease in DAC & VOBA amortization reflecting the segment’s higher volume of business and improved portfolio persistency. The segment’s operating expense ratio improved 140 basis points to 43.2%.

Property and Casualty Insurance Operating Results

(dollar amounts in millions)	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Operating revenues:				
Premiums earned, net:				
Premiums written	**$ 40.0**	$ 33.3	**$ 107.4**	$ 99.7
Premiums ceded	**(12.3)**	(12.6)	**(36.0)**	(40.1)
Change in unearned premiums	**(4.0)**	(0.5)	**(6.5)**	7.5
Premiums earned, net	**23.7**	20.2	**64.9**	67.1
Net investment income	**2.5**	2.5	**7.4**	7.7
Total operating revenues	**26.2**	22.7	**72.3**	74.8
Operating costs:				
Claims incurred	**10.2**	58.2	**28.3**	155.1
Underwriting and other expenses	**9.4**	11.4	**29.1**	34.5
Total operating costs	**19.6**	69.6	**57.4**	189.6
Operating income (loss)	**$ 6.6**	$ (46.9)	**$ 14.9**	$ (114.8)
Additional data:				
Loss ratio	**43.0%**	288.1%	**43.6%**	231.1%
Operating expense ratio	**39.7%**	56.4%	**44.8%**	51.4%

Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018

Operating Revenues

Total premiums written increased by $6.7 million, or 20.1%, to $40.0 million, mainly driven by higher sales of Commercial and Personal Package products and in Commercial Liabilities products.

Premiums ceded to reinsurers decreased by $0.3 million, or 2.4%, mostly reflecting a decrease in non-proportional reinsurance costs, mainly for the property catastrophe coverage, as well as the impact of the decrease in cessions in the Commercial quota share agreement from 35% in 2018 to 25% in 2019. This fluctuation was offset in part by higher catastrophe non-proportional reinsurance costs.

Claims Incurred

Claims incurred decreased by $48.0 million, or 82.5%, to $10.2 million, primarily driven by $52.3 million of unfavorable prior period reserve development in claims in the prior year quarter related to Hurricane Maria. As a result, the loss ratio decreased to 43.0% during this period.

Underwriting and Other Expenses

Underwriting and other operating expenses decreased by $2.0 million, or 17.5%, to $9.4 million mostly due to lower net commission expense. The operating expense ratio was 39.7%, 1,670 basis points lower than prior year.

Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018

Operating Revenues

Total premiums written increased by $7.7 million, or 7.7%, to $107.4 million, driven by higher volume of Commercial and Personal Package, Commercial Liability, and Commercial Auto products, offset by lower sales of Commercial Property products, mostly resulting from the selective and disciplined underwriting of Commercial risks.

The premiums ceded to reinsurers decreased by $4.1 million, or 10.2%, mostly reflecting a decrease in cessions in the Commercial quota share agreement from 35% in 2018 to 25% since April 2019, as well as the impact of the related incoming portfolio transfer. These decreases were offset in part by higher non-proportional reinsurance costs, mostly in property catastrophe reinsurance.

Claims Incurred

Claims incurred decreased by $126.8 million, or 81.8%, to $28.3 million driven by a $128.7 million unfavorable prior period reserve development in claims in prior year related to Hurricane Maria. As a result, the loss ratio decreased to 43.6% during this period.

Underwriting and Other Expenses

Underwriting and other operating expenses decreased by $5.4 million, or 15.7%, to $29.1 million mostly due to lower net commission expense following the decrease in net premiums earned. The operating expense ratio was 44.8%, 660 basis points lower than prior year.

Liquidity and Capital Resources

Cash Flows

A summary of our major sources and uses of cash for the periods indicated is presented in the following table:

	Nine months ended September 30,	
(dollar amounts in millions)	**2019**	**2018**
Sources (uses) of cash:		
Cash used in operating activities	**$ (3.5)**	$ (3.9)
Net sales (purchases) of investment securities	**0.7**	(52.5)
Net capital expenditures	**(14.7)**	(12.3)
Payments of long-term borrowings	**(2.4)**	(2.4)
Proceeds from policyholder deposits	**15.1**	14.7
Surrenders of policyholder deposits	**(16.5)**	(21.4)
Repurchase and retirement of common stock	**-**	(22.4)
Other	**2.7**	8.3
Net decrease in cash and cash equivalents	**$ (18.6)**	$ (91.9)

Net sales (proceeds) from investments in securities are part our asset/liability management strategy.

In August 2017, the Company's Board of Directors authorized a $30.0 million repurchase program of its Class B common stock and in February 2018 the Company's Board of Directors authorized a $25.0 million expansion of this program. Repurchases were conducted through open-market purchases of Class B shares only, in accordance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended. During the nine months ended September 30, 2018, the Company repurchased and retired under this program 903,888 of our Class B Common Stock shares at an average per share price of $24.23, for an aggregate cost of $22.4 million. No share repurchases were made during the nine months ended September 30, 2019.

The fluctuation in the other sources of cash is attributed to changes in the amount of outstanding checks over bank balances.

Financing and Financing Capacity

Short-term facilities

We have several short-term facilities available to address timing differences between cash receipts and disbursements, which are advances from the Federal Home Loan Bank of New York ("FHLBNY"), repurchase agreements and a revolving credit facility.

- In August 2019, TSS and TSV became members of the FHLBNY, which provides access to collateralized advances. The borrowing capacity of TSS and TSV is up to 30% of their admitted assets as disclosed in the most recent filing to the Commissioner of Insurance but is constrained by the amount of collateral held at the FHLBNY. As of September 30, 2019, the borrowing capacity is $83.2 million for TSS and $49.2 million for TSV.

- As of September 30, 2019, TSS has $60.0 million of available credit under repurchase agreements with broker-dealers, which are short term borrowing facilities using securities as collateral.

- TSA has a $10.0 million revolving loan agreement with a commercial bank in Puerto Rico. This line of credit has an interest rate of 30-day LIBOR plus 25 basis points and contains certain financial and non-financial covenants that are customary for this type of facility. This line of credit matured on April 30, 2019 and was renewed for an additional year.

There are no outstanding short-term borrowings under any of these facilities as of September 30, 2019.

Long-term loan

On December 28, 2016, TSM entered into a $35.5 million credit agreement with a commercial bank in Puerto Rico. The agreement consists of three term loans: (i) Term Loan A in the principal amount of $11.2 million, (ii) Term Loan B in the principal amount of $20.2 million and (iii) Term Loan C in the principal amount of $4.1 million. Term Loan A matures in October 2023 while the Term Loans B and C mature in January 2024. Term Loan A was used to refinance a previous $41.0 million secured loan payable with the same commercial bank. Pursuant to the credit agreement, interest is payable on the outstanding balance of the Loan at the following annual rate: (i) 1% over LIBOR for Term Loan A, (ii) 2.75% over LIBOR for Term Loan B, and (iii) 3.25% over LIBOR for Term Loan C. The loan includes certain financial and non-financial covenants, which are customary for this type of facility, including but not limited to, restrictions on the granting of certain liens, limitations on acquisitions and limitations on changes in control and dividends. Failure to meet these covenants may trigger the accelerated payment of the outstanding balance. As of September 30, 2019, we are in compliance with these covenants.

We anticipate that we will have sufficient liquidity to support our currently expected needs.

Further details regarding the senior unsecured notes and the credit agreements are incorporated by reference to "Item 7.—Management Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to certain market risks that are inherent in our financial instruments, which arise from transactions entered into in the normal course of business. We have exposure to market risk mostly in our investment activities. For purposes of this disclosure, "market risk" is defined as the risk of loss resulting from changes in interest rates and equity prices. No material changes have occurred in our exposure to financial market risks since December 31, 2018. A discussion of our market risk is incorporated by reference to "Item 7A. Quantitative and Qualitative Disclosures about Market Risk" included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

In connection with the preparation of this Quarterly Report on Form 10-Q, management, under the supervision and with the participation of the chief executive officer and chief financial officer, conducted an evaluation of the effectiveness of the "disclosure controls and procedures" (as such term is defined under Exchange Act Rule 13a-15(e)) of the Corporation and its subsidiaries. Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and that such information is accumulated and communicated to management, including the chief executive officer and chief financial officer, to allow timely decisions regarding required disclosures. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility that judgments in decision-making can be faulty, and breakdowns as a result of simple errors or mistake. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on this evaluation, our chief executive officer and chief financial officer have concluded that as of September 30, 2019, which is the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures are effective to a reasonable level of assurance.

There were no significant changes in our disclosure controls and procedures, or in factors that could significantly affect internal controls, subsequent to the date the chief executive officer and chief financial officer completed the evaluation referred to above.

Changes in Internal Controls Over Financial Reporting

No changes in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) occurred during the fiscal quarter ended September 30, 2019 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II – Other Information

Item 1. Legal Proceedings

For a description of legal proceedings that have experienced significant developments during this quarter, see Note 15 to the unaudited condensed consolidated financial statements included in this quarterly report on Form 10-Q.

Item 1A. Risk Factors

For a description of our risk factors, see Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2018. The following text updates disclosures included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Under the sub-caption "Certain of our current and former providers may bring materially dilutive claims against us.", the fourth paragraph was amended to read as follows:

We believe that we should prevail in any litigation with respect to these matters; however, we cannot predict the outcome of any such litigation, including with respect to the magnitude of any claims that may be asserted by any plaintiff, and the interests of our shareholders could be materially diluted to the extent that claims under the share acquisition agreements are successful. In addition, all remaining shares of our Class A common stock were converted into Class B common stock on August 7, 2019, at which point we ceased to have a dual-class structure and the remaining antidilution protection afforded to holders of Class B shares by that structure ceased.

Under the sub-caption “Heirs of certain of our former shareholders may bring materially dilutive claims against us.”, the second paragraph was amended to read as follows:

We believe that we should prevail in litigation with respect to these matters; however, we cannot predict the outcome of any such litigation regarding these non-medical heirs. The interests of our existing shareholders could be materially diluted to the extent that any such claims are successful. In addition, all remaining shares of our Class A common stock were converted into Class B common stock on August 7, 2019, at which point we ceased to have a dual-class structure and the remaining antidilution protection afforded to holders of Class B shares by that structure ceased.

The risk described under the sub-caption “The dual class structure may not successfully protect against significant dilution of your shares of Class B common stock.” was eliminated.

The sub-caption “Future sales of our Class B common stock, or the perception that such future sales may occur, may have an adverse impact of its market price.”, was amended to read as follows:

Sales of a substantial number of shares of our common stock in the public market, or the perception that large sales could occur, could cause the market price of our Class B common stock to decline. Either of these limits our future ability to raise capital through an offering of equity securities. As of December 31, 2018, there were 21,980,168 shares of Class B common stock and 950,968 shares of Class A common stock. Our Class A common stock is no longer subject to contractual lockup; thus, such shares are freely tradable without restriction or further registration under the Securities Act by persons other than our ‘‘affiliates’’ within the meaning of Rule 144 under the Securities Act, although such shares will continue not to be listed on the NYSE and will not be fungible with our listed shares of Class B common stock until conversion of all remaining Class A common stock to Class B common stock, which occurred on August 7, 2019.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibits	*Description*
10.1*	Amendment to the contract between Administración de Seguros de Salud de Puerto Rico (ASES) and Triple-S Salud, Inc. to administer the provision of physical & behavioral health services under the Government Health Plan Program.
11	Statement re computation of per share earnings; an exhibit describing the computation of the earnings per share for the three and nine months ended September 30, 2019 and 2018 has been omitted as the detail necessary to determine the computation of earnings per share can be clearly determined from the material contained in Part I of this Quarterly Report on Form 10-Q.
31.1*	Certification of the President and Chief Executive Officer required by Rule 13a-14(a)/15d-14(a).
31.2*	Certification of the Executive Vice President and Chief Financial Officer required by Rule 13a-14 (a)/15d-14(a).
32.1*	Certification of the President and Chief Executive Officer required pursuant to 18 U.S.C Section 1350.
32.2*	Certification of the Executive Vice President and Chief Financial Officer required pursuant to 18 U.S.C Section 1350.

All other exhibits for which provision is made in the applicable accounting regulation of the United States Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

* Filed herein.

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SIGNATURES

Pursuant to the requirements of the United States Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

			Triple-S Management Corporation Registrant
Date:	November 7, 2019	By:	/s/ Roberto García-Rodríguez Roberto García-Rodríguez *President and Chief Executive Officer*
Date:	November 7, 2019	By:	/s/ Juan J. Román-Jiménez Juan J. Román-Jiménez *Executive Vice President and Chief Financial Officer*

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Section 2: EX-10.1 (EXHIBIT 10.1)

CONTRACT NUMBER: 2019-000052D

AMENDMENT TO THE CONTRACT BETWEEN
ADMINISTRACIÓN DE SEGUROS DE SALUD DE PUERTO RICO (ASES)
and
TRIPLE-S SALUD, INC.
to
ADMINISTER THE PROVISION OF PHYSICAL AND BEHAVIORAL HEALTH SERVICES UNDER THE GOVERNMENT HEALTH PLAN

THIS AMENDMENT TO THE CONTRACT BETWEEN ADMINISTRACIÓN DE SEGUROS DE SALUD DE PUERTO RICO (ASES) AND **TRIPLE-S SALUD, INC**., FOR THE PROVISION OF PHYSICAL AND BEHAVIORAL HEALTH SERVICES UNDER THE GOVERNMENT HEALTH PLAN (the “Amendment”) is by and between **Triple-S Salud, Inc.** (“the Contractor”), a managed care organization duly organized and authorized to do business under the laws of the Government of Puerto Rico, with employer identification number **66-0555677** represented by **President, Ms. Madeline Hernández Urquiza**, of legal age, single, resident of San Juan, Puerto Rico, and the **Puerto Rico Health Insurance Administration** (Administración de Seguros de Salud de Puerto Rico, hereinafter referred to as “**ASES**” or “**the Administration**”), a public corporation of the Commonwealth of Puerto Rico, with employer identification number 66-0500678, represented by its Board of Directors’ Chairman, Mr. Rafael Rodríguez Mercado, of legal age, married and resident of Guaynabo, Puerto Rico.

WHEREAS, the Contractor and ASES executed a Contract for the provision of Physical Health and Behavioral Health Services under the Government Health Plan for the Commonwealth of Puerto Rico, on September 21, 2018, (hereinafter referred to as the “**Contract**”);

WHEREAS, the Contract provides, pursuant to Article 55, that the Parties may amend such Contract by mutual written consent; and

WHEREAS, all provisions of the Contract will remain in full force and effect as described therein, except as otherwise provided in this Amendment.

NOW, THEREFORE, and in consideration of the mutual promises herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree to clarify and/or amend the Contract as follows:

I. AMENDMENTS

1. **Article II Definition of “Annual Open Enrollment Period” shall be amended and replaced in its entirety as follows:**

Annual Open Enrollment Period: The annual period of forty-five (45) Calendar Days from November 1 through December 15 during which Enrollees have one (1) opportunity to select a different Contractor, without cause.

2. Immediately following Section 5.3.10, a new Section 5.3.11 shall be inserted stating as follows:

5.3.11 If an Enrollee's Effective Date of Disenrollment occurs during an inpatient hospital admission, the Contractor the Enrollee was enrolled with on the date of admission (for purposes of this section, the "**disenrolling Contractor**") is responsible for covered inpatient facility and professional services associated with the inpatient hospital admission. This responsibility continues from the date of admission until the date the Enrollee is discharged from the inpatient stay. The disenrolling Contractor shall not request and/or require that the disenrolled Enrollee be discharged from the inpatient facility for transfer to another inpatient facility. Should a discharge and transfer to another inpatient facility be medically necessary, the disenrolling Contractor shall notify the treating providers to work with the Enrollee's new Contractor to facilitate the discharge, transfer, and authorization of services as needed. The Enrollee's new Contractor is responsible for coordinating delivery of care pursuant to this Contract once discharge has occurred, including any subsequent professional services and shall work with the inpatient facility to facilitate discharge planning and authorize services as necessary.

3. Immediately following Section 7.7.11.8, a new Section 7.7.11.9 shall be inserted stating as follows:

7.7.11.9 Nutritional supplements for adults with PKU when medically necessary;

4. Section 7.7.11.9 shall be redesignated as section 7.7.11.10 and all subsections are redesignated accordingly in sequential order (i.e., subsection 7.7.11.9.1 shall be redesignated as 7.7.11.10.1., et seq). Section 7.7.11.10 shall be redesignated as section 7.7.11.11. Section 7.7.11.11 shall be redesignated as section 7.7.11.12. Section 7.7.11.12 shall be redesignated as section 7.7.11.13. Section 7.7.11.13 shall be resdesignated as section 7.7.11.14. Section 7.7.11.14 shall be redesignated as section 7.7.11.15 and all subsections are redesignated accordingly in sequential order (i.e., subsection 7.7.11.14.1 shall be redesignated as 7.7.11.15.1., et seq).

5. Section 7.7.11.14.15, redesignated as section 7.7.11.15.15 shall be amended and replaced in its entirety as follows:

7.7.11.15.15 Multiple Sclerosis and Amiotrophic Lateral Sclerosis (ALS);

6. Immediately following section 7.7.11.14.16, redesignated as 7.7.11.15.16, a new Section 7.7.11.15.17 shall be inserted stating as follows:

7.7.11.15.17 Effective upon issuance of mandated and uniform protocol, Albinism.

7. Section 7.7.11.15 shall be redesignated as 7.7.11.16.

8. Immediately following Section 10.1.5., a new Section 10.1.5.1 shall be inserted stating as follows:

10.1.5.1 The Contractor shall ensure that facilities subject to the federal emergency preparedness requirements as conditions of participation in Medicare and Medicaid are compliant with such requirements. A facilities' certification of compliance for Medicare participation is sufficient for purposes of Medicaid participation. The impacted facilities and requirements are specified in Appendix Z of CMS' State Operations Manual, available at https://www.cms.gov/Medicare/Provider-Enrollment-and-Certification/SurveyCertEmergPrep/Downloads/Advanced-Copy-SOM-Appendix-Z-EP-IGs.pdf.

9. Section 10.2.2.1 shall be amended and replaced in its entirety as follows:

10.2.2.1 The Contractor shall develop a training curriculum for Providers consisting of twenty (20) hours per year divided into five (5) hours per quarter. The curriculum shall be submitted to ASES for review and prior written approval according to the timeframe specified in Attachment 12 to this Contract. ASES shall have the right to make recommendations or request coverage of specific topics for inclusion in the curriculum. The Contractor is obligated to offer twenty (20) hours per year of Provider training of which fifteen (15) hours shall be considered mandatory at least every two (2) years. Trainings may be coordinated and provided jointly with other Plan Vital contractors. Provider participation lists shall be shared with other Plan Vital contractors, and all mandatory training hours taken by Providers with other Plan Vital contractors shall be accepted by Contractor as meeting the requirements of this section. The curriculum will focus on topics of importance to professional practice and Plan Vital requirements and participating Providers should be encouraged to attend trainings. The curriculum shall include a description of how the Contractor will educate Providers on Contract requirements and shall also include, at a minimum:

10. Section 13.6.2 shall be amended and replaced in its entirety as follows:

The Contractor shall employ a methodology and sampling process prior approved by ASES to verify with its Enrollees on a monthly basis whether services billed to the Contractor by Providers were actually received. The methodology and sampling process shall include criteria for identifying "high-risk" services and Provider types. A methodology and sampling process that must be employed by the Contractor on a monthly basis is the use of explanation of benefits for the sample of enrollees within forty-five (45) Calendar Days of payment of claims. Verification that services were received based on explanation of benefits may occur by mail or by phone.

11. Section 18.1.11 shall be amended as follows:

18.1.11 Unless otherwise specified in the Reporting Guide issued by ASES or this Contract, the Contractor shall submit all reports to ASES, according to the schedule below:

12. The table in Section 18.1.11 pertaining to the due date for Annual Report deliverables is amended and replaced in its entirety as follows:

Ninety (90) Calendar Days after the end of Puerto Rico's Fiscal Year.

13. Section 21.4 shall be amended and replaced in its entirety as follows:

21.4 The PMPM Payments shall be negotiated for every rating period covered by the Contract (namely from November 1, 2018 to October 31, 2019, November 1, 2019 to June 30, 2020, and July 1, 2020 to September 30, 2021). Any increase in the PMPM Payment shall be subject to ASES's determination that the proposed new amount if actuarially sound.

14. A new Section 21.4.1 shall be inserted under the existing Section 21.4 as follows:

21.4.1 Notwithstanding anything to the contrary in this Agreement, because the parties have not completed the revision of the PMPM Payments by the expiration of the current rating period which ends on October 31, 2019 (the "**Expired Rating Period**") such that the new rating period must commence without updated PMPM Payments, then the following shall occur:

(a) ASES shall continue to pay Contractors at the PMPM Payment rates that existed during the Expired Rating Period;

(b) As soon as practicable, but in no event more than fifteen (15) days following the expiration of the Expired Rating Period, the parties shall complete in good faith the review of updated PMPM Payments (the "**Updated PMPM Payments**").

(c) Following agreement upon Updated PMPM Payments, the parties shall execute an amendment to Attachment 11 of the Contract setting forth the Updated PMPM Payments. Such amendment and the Updated PMPM Payments shall be effective as of November 1st 2019 as if the Updated PMPM Payments had been agreed upon at the expiration of the Expired Rating Period, ***provided that,***

(1) Notwithstanding the foregoing, because Updated PMPM Payment rates are subject to CMS and FOMB approval, ASES will continue to pay Contractors at the PMPM Payment rates that existed during the Expired

Rating Period until such time as CMS and the FOMB have approved the Updated PMPM Payments, and;

(2) within thirty (30) calendar days following CMS' and the FOMB's approval of Updated PMPM Payment rates, the Parties shall begin to reconcile any difference between (i) PMPM Payments that ASES made to Contractors after the Expired Rating Period and (ii) Updated PMPM Payment rates.

15. Section 22.2.1 shall be amended and replaced in its entirety as follows:

22.2.1 The Contractor shall report a Medical Loss Ratio (MLR) and related data, including the data on the basis of which ASES will determine the compliance of the Contractor with the Medical Loss Ratio Requirement, as required under 42 CFR 438.8(k) for each MLR reporting year. Such reporting shall be provided to ASES no later than ten (10) months following the close of the MLR reporting year.

16. Section 23.3.4 shall be amended and replaced in its entirety as follows:

23.3.4 The Contractor's stop-loss responsibility shall not be transferred to a PMG unless the PMG and the Contractor expressly agree in writing to the PMG's assuming this risk. In this event, Contractor shall accept stop-loss insurance and reinsurance obtained from a third party, and shall not obligate the PMG to utilize insurance provided by the Contractor.

II. RATIFICATION

All other terms and provisions of the original Contract, as amended by Contracts Number 2019- 000052A,B and C, and of any and all documents incorporated by reference therein, not specifically deleted or modified herein shall remain in full force and effect. The Parties hereby affirm their respective undertakings and representations as set forth therein, as of the date thereof. Capitalized terms used in this Amendment, if any, shall have the same meaning assigned to such terms in the Contract.

III. EFFECT; CMS APPROVAL

The Parties agree and acknowledge that:

A. This Amendment, including any attachments, is subject to approval by the United States Department of Health and Human Services Centers for Medicare and Medicaid Services ("**CMS**"), and ASES shall submit this Amendment for CMS approval.

IV. AMENDMENT EFFECTIVE DATE

Contingent upon approval of CMS, this Amendment shall become effective **November 1, 2019** (the "**Amendment Effective Date**"), and remain in effect throughout the term of the Contract.

V. ENTIRE AGREEMENT

This Amendment constitutes the entire understanding and agreement of the Parties with regards to the subject matter hereof, and the parties by their execution and delivery of this Second Amendment to the Contract hereby ratify all of the terms and conditions of the Contract, as amended by Contract Number 2019-000052A, B and C, and as supplemented by this Agreement.

The Parties agree that ASES will be responsible for the submission and registration of this Amendments in the Office of the Comptroller General of the Commonwealth, as required under law and applicable regulations.

ACKNOWLEDGED BY THE PARTIES by their duly authorized representatives on this 31 day of October, 2019.

ADMINISTRACIÓN DE SEGUROS DE SALUD DE PUERTO RICO (ASES)

/s/ Rafael Rodríguez Mercado	10/31/2019
Mr. Rafael Rodríguez Mercado, Board of Directors' Chairman EIN: 66-0500678	Date

TRIPLE-S SALUD, INC.

/s/__ Madeline Hernández Urquiza	10/31/2019
Ms. Madeline Hernández Urquiza, President EIN: 66-0555677	Date

Account No. 256-5325 to 5330

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Section 3: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

CERTIFICATION

I, Roberto García-Rodríguez, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Triple-S Management Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	November 7, 2019	By:	/s/ Roberto García-Rodríguez
			Roberto García-Rodríguez *President and Chief Executive*

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Section 4: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

CERTIFICATION

I, Juan J. Román-Jiménez, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Triple-S Management Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	November 7, 2019	By:	/s/ Juan J. Román-Jiménez
			Juan J. Román-Jiménez Executive Vice President and Chief Financial Officer

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Section 5: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

CERTIFICATION

PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Triple-S Management Corporation (the Company) on Form 10-Q for the period ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Roberto García-Rodríguez, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

a) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	November 7, 2019	By:	/s/ Roberto García-Rodríguez
			Roberto García-Rodríguez President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Corporation and will be retained by the Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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Section 6: EX-32.2 (EXHIBIT 32.2)

Exhibit 32.2

CERTIFICATION

PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Triple-S Management Corporation (the Company) on Form 10-Q for the period ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Juan J. Román-Jiménez, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

a) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	November 7, 2019	By:	/s/ Juan J. Román-Jiménez
			Juan J. Román-Jiménez Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Corporation and will be retained by the Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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