



**ANNUAL STATEMENT**  
FOR THE YEAR ENDED DECEMBER 31, 2009  
OF THE CONDITION AND AFFAIRS OF THE

**Triple-S Salud, Inc.**

NAIC Group Code 0000 ,                      NAIC Company Code 55816 Employer's ID Number 660555677  
(Current Period) (Prior Period)

Organized under the Laws of Puerto Rico , State of Domicile or Port of Entry Puerto Rico

Country of Domicile US

Licensed as business type:

Life, Accident and Health [  ] Property/Casualty [  ] Hospital, Medical and Dental Service or Indemnity [  ]  
Dental Service Corporation [  ] Vision Service Corporation [  ] Other [  ]  
Health Maintenance Organization [  ] Is HMO Federally Qualified? Yes (  ) No (  )

Incorporated/Organized July 31, 1959 Commenced Business March 1, 1960

Statutory Home Office F.D. Roosevelt Ave. 1441, San Juan, Puerto Rico 00920  
(Street and Number, City or Town, State and Zip Code)

Main Administrative Office F.D. Roosevelt Ave. 1441, San Juan, Puerto Rico 00920 787-749-4949-4557  
(Street and Number, City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address P.O. Box 363628, San Juan, Puerto Rico 00936-3628  
(Street and Number, City or Town, State and Zip Code)

Primary Location of Books and Records F.D. Roosevelt Ave. 1441, San Juan, Puerto Rico 00920  
(Street and Number, City or Town, State and Zip Code)  
787-749-4949-4572  
(Area Code) (Telephone Number)

Internet Website Address www.ssspr.com

Statutory Statement Contact Pedro E Rosario 787-749-4949-4572  
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(E-Mail Address) (Fax Number)

**OFFICERS**

Socorro Rivas, CPA (President)  
Pablo Almodovar (Executive Vice President)  
Carlos Torres (Senior Operation Vice President)

**OTHER OFFICERS**

Francisco Joglar, MD  
Iraida Ojeda  
Carlos Vivaldi, CPA  
Carmen L. Sandin  
Gloria Lebron, ESQ  
Hector Rodriguez  
John P. Wagner  
Luis Rodriguez, Eng  
Rosa Silva  
Mayra Plumey  
Vivian Lopez  
Juan Espinosa  
Elena Diaz

**DIRECTORS OR TRUSTEES**

Jesus R. Sanchez, MD  
Jose Hawayek Alemany, MD  
Jaime Morgan Stubbe  
Luis A. Clavell Rodriguez, MD  
Roberto Munoz Zayas, MD  
Antonio F. Faria Soto  
Manuel Figueroa Collazo, Eng  
Jorge Fuentes Benejam  
Socorro Rivas, CPA  
Juan E. Rodriguez, ESQ  
Ramon M. Ruiz Comas, CPA

State of Puerto Rico }  
County of Puerto Rico } SS

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

Socorro Rivas, CPA  
President

Pablo Almodovar  
Executive Vice President

Subscribed and sworn to before me this  
day of

- a. Is this an original filing? Yes (X) No ( )  
b. If no: 1. State the amendment number \_\_\_\_\_  
2. Date filed \_\_\_\_\_  
3. Number of pages attached \_\_\_\_\_

## ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Column 1 minus Column 2)	4 Net Admitted Assets
1. Bonds (Schedule D) .....	374,780,432		374,780,432	375,759,972
2. Stocks (Schedule D):				
2.1 Preferred stocks .....	180,320		180,320	243,027
2.2 Common stocks .....	53,297,002		53,297,002	45,124,094
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....				
3.2 Other than first liens .....				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ ..... encumbrances) .....				
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....				
4.3 Properties held for sale (less \$ ..... encumbrances) .....				
5. Cash (\$ ..... 14,156,224, Schedule E - Part 1), cash equivalents (\$ ....., Schedule E - Part 2) and short-term investments (\$ ....., Schedule DA) .....	14,156,224		14,156,224	4,502,529
6. Contract loans (including \$ ..... premium notes) .....				
7. Other invested assets (Schedule BA) .....				
8. Receivables for securities .....				1,500,226
9. Aggregate write-ins for invested assets .....				
10. Subtotals, cash and invested assets (Line 1 through Line 9) .....	442,413,978		442,413,978	427,129,848
11. Title plants less \$ ..... charged off (for Title insurers only) .....				
12. Investment income due and accrued .....	3,920,151		3,920,151	5,192,051
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection .....	86,615,124	2,099,436	84,515,688	85,794,638
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... earned but unbilled premiums) .....				
13.3 Accrued retrospective premiums .....	730,029		730,029	1,151,573
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers .....	10,006,197		10,006,197	1,790,948
14.2 Funds held by or deposited with reinsured companies .....				
14.3 Other amounts receivable under reinsurance contracts .....				
15. Amounts receivable relating to uninsured plans .....	69,538,413	11,315,713	58,222,700	31,922,516
16.1 Current federal and foreign income tax recoverable and interest thereon .....	3,700,104		3,700,104	4,623,794
16.2 Net deferred tax asset .....	42,067,455	29,614,000	12,453,455	12,102,604
17. Guaranty funds receivable or on deposit .....				
18. Electronic data processing equipment and software .....	4,365,264		4,365,264	3,007,797
19. Furniture and equipment, including health care delivery assets (\$ ..... ) .....	28,926,741	28,926,741		
20. Net adjustment in assets and liabilities due to foreign exchange rates .....				
21. Receivables from parent, subsidiaries and affiliates .....	6,043,392		6,043,392	2,960,647
22. Health care (\$ ..... 10,896,299 ) and other amounts receivable .....	11,092,667	196,368	10,896,299	9,287,021
23. Aggregate write-ins for other than invested assets .....	46,707,805	22,222,843	24,484,962	10,767,867
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 10 to Line 23) .....	756,127,320	94,375,101	661,752,219	595,731,304
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
26. Total (Line 24 and Line 25) .....	756,127,320	94,375,101	661,752,219	595,731,304
<b>DETAILS OF WRITE-INS</b>				
0901. ....				
0902. ....				
0903. ....				
0998. Summary of remaining write-ins for Line 9 from overflow page .....				
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above) .....				
2301. Other assets .....	46,707,805	22,222,843	24,484,962	10,767,867
2302. ....				
2303. ....				
2398. Summary of remaining write-ins for Line 23 from overflow page .....				
2399. Totals (Line 2301 through Line 2303 plus Line 2398) (Line 23 above) .....	46,707,805	22,222,843	24,484,962	10,767,867

**LIABILITIES, CAPITAL AND SURPLUS**

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ ..... reinsurance ceded) .....	244,126,119		244,126,119	206,260,139
2. Accrued medical incentive pool and bonus amounts .....				
3. Unpaid claims adjustment expenses .....	4,768,567		4,768,567	4,376,924
4. Aggregate health policy reserves .....	931,504		931,504	770,430
5. Aggregate life policy reserves .....				
6. Property/casualty unearned premium reserve .....				
7. Aggregate health claim reserves .....				
8. Premiums received in advance .....	6,064,169		6,064,169	4,814,162
9. General expenses due or accrued .....	37,470,878		37,470,878	56,897,089
10.1 Current federal and foreign income tax payable and interest thereon (including \$ ..... on realized capital gains (losses)) .....				
10.2 Net deferred tax liability .....				
11. Ceded reinsurance premiums payable .....	8,934,564		8,934,564	4,813,215
12. Amounts withheld or retained for the account of others .....	13,887,355		13,887,355	12,011,541
13. Remittances and items not allocated .....	524,401		524,401	554,302
14. Borrowed money (including \$ ..... current) and interest thereon \$ ..... (including \$ ..... current) .....	51,944,761		51,944,761	52,050,731
15. Amounts due to parent, subsidiaries and affiliates .....	10,484,930		10,484,930	22,571,235
16. Payable for securities .....				
17. Funds held under reinsurance treaties with (\$ ..... authorized reinsurers and \$ ..... unauthorized reinsurers) .....				
18. Reinsurance in unauthorized companies .....				
19. Net adjustments in assets and liabilities due to foreign exchange rates .....				
20. Liability for amounts held under uninsured plans .....	12,354,205		12,354,205	10,415,996
21. Aggregate write-ins for other liabilities (including \$ ..... current) .....	13,001,974		13,001,974	11,156,502
22. Total liabilities (Line 1 to Line 21) .....	404,493,427		404,493,427	386,692,266
23. Aggregate write-ins for special surplus funds .....	X X X	X X X		
24. Common capital stock .....	X X X	X X X	150,000,000	150,000,000
25. Preferred capital stock .....	X X X	X X X		
26. Gross paid in and contributed surplus .....	X X X	X X X		
27. Surplus notes .....	X X X	X X X		
28. Aggregate write-ins for other than special surplus funds .....	X X X	X X X		
29. Unassigned funds (surplus) .....	X X X	X X X	107,258,796	59,039,038
30. Less treasury stock, at cost:				
30.1 ..... shares common (value included in Line 24 \$ ..... ) .....	X X X	X X X		
30.2 ..... shares preferred (value included in Line 25 \$ ..... ) .....	X X X	X X X		
31. Total capital and surplus (Line 23 to Line 29 minus Line 30) .....	X X X	X X X	257,258,796	209,039,038
32. Total liabilities, capital and surplus (Line 22 and Line 31) .....	X X X	X X X	661,752,223	595,731,304
<b>DETAILS OF WRITE-INS</b>				
2101. Federal Employees Health Benefit Program .....	13,001,974		13,001,974	11,156,502
2102. ....				
2103. ....				
2198. Summary of remaining write-ins for Line 21 from overflow page .....				
2199. Totals (Line 2101 through Line 2103 plus Line 2198) (Line 21 above) .....	13,001,974		13,001,974	11,156,502
2301. ....	X X X	X X X		
2302. ....	X X X	X X X		
2303. ....	X X X	X X X		
2398. Summary of remaining write-ins for Line 23 from overflow page .....	X X X	X X X		
2399. Totals (Line 2301 through Line 2303 plus Line 2398) (Line 23 above) .....	X X X	X X X		
2801. ....	X X X	X X X		
2802. ....	X X X	X X X		
2803. ....	X X X	X X X		
2898. Summary of remaining write-ins for Line 28 from overflow page .....	X X X	X X X		
2899. Totals (Line 2801 through Line 2803 plus Line 2898) (Line 28 above) .....	X X X	X X X		

**STATEMENT OF REVENUE AND EXPENSES**

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	15,050,252	12,321,575
2. Net premium income (including \$ ..... non-health premium income)	X X X	1,678,288,691	1,512,999,362
3. Change in unearned premium reserves and reserve for rate credits	X X X	(161,074)	24,800
4. Fee-for-service (net of \$ ..... medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X		
7. Aggregate write-ins for other non-health revenues	X X X		
8. Total revenues (Line 2 to Line 7)	X X X	1,678,127,617	1,513,024,162
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits		1,007,329,418	872,794,390
10. Other professional services			
11. Outside referrals			
12. Emergency room and out-of-area		107,061,383	99,040,972
13. Prescription drugs		397,660,793	381,941,661
14. Aggregate write-ins for other hospital and medical			
15. Incentive pool, withhold adjustments, and bonus amounts			
16. Subtotal (Line 9 to Line 15)		1,512,051,594	1,353,777,023
<b>Less:</b>			
17. Net reinsurance recoveries		2,820,044	8,406,641
18. Total hospital and medical (Line 16 minus Line 17)		1,509,231,550	1,345,370,382
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$ ..... 4,904,719 cost containment expenses		22,341,277	23,289,986
21. General administrative expenses		106,064,500	119,971,398
22. Increase in reserves for life and accident and health contracts (including \$ ..... increase in reserves for life only)			
23. Total underwriting deductions (Line 18 through Line 22)		1,637,637,327	1,488,631,766
24. Net underwriting gain or (loss) (Line 8 minus Line 23)	X X X	40,490,290	24,392,396
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		17,861,910	18,661,028
26. Net realized capital gains (losses) less capital gains tax of \$		(213,247)	(12,038,681)
27. Net investment gains (losses) (Line 25 plus Line 26)		17,648,663	6,622,347
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ ..... ) (amount charged off \$ ..... )]			
29. Aggregate write-ins for other income or expenses		3,809,782	1,227,796
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Line 24 plus Line 27 plus Line 28 plus Line 29)	X X X	61,948,735	32,242,539
31. Federal and foreign income taxes incurred	X X X	28,286,210	10,404,535
32. Net income (loss) (Line 30 minus Line 31)	X X X	33,662,525	21,838,004
<b>DETAILS OF WRITE-INS</b>			
0601. ....	X X X		
0602. ....	X X X		
0603. ....	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. Totals (Line 0601 through Line 0603 plus Line 0698) (Line 6 above)	X X X		
0701. ....	X X X		
0702. ....	X X X		
0703. ....	X X X		
0798. Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799. Totals (Line 0701 through Line 0703 plus Line 0798) (Line 7 above)	X X X		
1401. ....			
1402. ....			
1403. ....			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Line 1401 through Line 1403 plus Line 1498) (Line 14 above)			
2901. Other income		3,809,782	1,227,796
2902. ....			
2903. ....			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. Totals (Line 2901 through Line 2903 plus Line 2998) (Line 29 above)		3,809,782	1,227,796

**STATEMENT OF REVENUE AND EXPENSES (continued)**

CAPITAL AND SURPLUS ACCOUNT	1	2
	Current Year	Prior Year
33. Capital and surplus prior reporting year .....	209,039,038	217,774,553
34. Net income or (loss) from Line 32 .....	33,662,526	21,838,004
35. Change in valuation basis of aggregate policy and claims reserves .....		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ .....	8,110,765	(12,232,161)
37. Change in net unrealized foreign exchange capital gain or (loss) .....		
38. Change in net deferred income tax .....	9,526,000	13,882,000
39. Change in nonadmitted assets .....	(14,692,092)	(25,709,345)
40. Change in unauthorized reinsurance .....		
41. Change in treasury stock .....		
42. Change in surplus notes .....		
43. Cumulative effect of changes in accounting principles .....		
44. Capital Changes:		
44.1 Paid in .....		
44.2 Transferred from surplus (Stock Dividend) .....		
44.3 Transferred to surplus .....		
45. Surplus adjustments:		
45.1 Paid in .....		
45.2 Transferred to capital (Stock Dividend) .....		
45.3 Transferred from capital .....		
46. Dividends to stockholders .....		
47. Aggregate write-ins for gains or (losses) in surplus .....	11,612,559	(6,515,013)
48. Net change in capital and surplus (Line 34 to Line 47) .....	48,219,758	(8,736,515)
49. Capital and surplus end of reporting year (Line 33 plus Line 48) .....	257,258,796	209,038,038
<b>DETAILS OF WRITE-INS</b>		
4701. Minimum Pension Liability .....	3,362,300	(7,668,205)
4702. Tax Credits .....	8,090,000	
4703. Other .....	160,259	1,153,192
4798. Summary of remaining write-ins for Line 47 from overflow page .....		
4799. Totals (Line 4701 through Line 4703 plus Line 4798) (Line 47 above) .....	11,612,559	(6,515,013)

**CASH FLOW**

	1	2
	Current Year	Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance	1,684,071,782	1,455,205,873
2. Net investment income	20,575,068	14,801,996
3. Miscellaneous income		
4. Total (Line 1 through Line 3)	1,704,646,850	1,470,007,869
5. Benefit and loss related payments	1,474,185,614	1,340,699,433
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	116,854,270	127,735,694
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)	34,737,520	23,928,890
10. Total (Line 5 through Line 9)	1,625,777,404	1,492,364,017
11. Net cash from operations (Line 4 minus Line 10)	78,869,446	(22,356,148)
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	234,095,538	171,886,993
12.2 Stocks	3,690,729	29,465,449
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Line 12.1 through Line 12.7)	237,786,267	201,352,442
13. Cost of investments acquired (long-term only):		
13.1 Bonds	234,265,163	315,588,060
13.2 Stocks	4,051,092	12,778,083
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		
13.7 Total investments acquired (Line 13.1 through Line 13.6)	238,316,255	328,366,143
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(529,988)	(127,013,701)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds	(18,573,969)	18,470,070
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(50,111,790)	(37,983,277)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(68,685,759)	(19,513,207)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	9,653,699	(168,883,056)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	4,502,530	173,385,586
19.2 End of year (Line 18 plus Line 19.1)	14,156,229	4,502,530
Note: Supplemental disclosures of cash flow information for non-cash transactions:		
20.0001		
20.0002		
20.0003		
20.0004		
20.0005		
20.0006		
20.0007		
20.0008		
20.0009		
20.0010		

**ANALYSIS OF OPERATIONS BY LINES OF BUSINESS**

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	1,678,288,691	681,094,817	15,221,306			125,993,553	495,085,816	348,096,953	12,796,246	
2. Change in unearned premium reserves and reserve for rate credit	(161,074)	(168,199)	7,380				(255)			
3. Fee-for-service (net of \$ medical expenses)										XXX
4. Risk revenue										XXX
5. Aggregate write-ins for other health care related revenues										XXX
6. Aggregate write-ins for other non-health care related revenues		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
7. Total revenues (Line 1 through Line 6)	1,678,127,617	680,926,618	15,228,686			125,993,553	495,085,561	348,096,953	12,796,246	
8. Hospital/medical benefits	1,007,329,418	365,209,521	14,470,445			69,273,656	331,072,941	227,302,855		XXX
9. Other professional services										XXX
10. Outside referrals										XXX
11. Emergency room and out-of-area	107,061,383	66,190,756	290,041			2,215,764	7,554,719	30,810,103		XXX
12. Prescription drugs	397,660,793	178,362,618				47,001,425	99,815,357	61,423,476	11,057,917	XXX
13. Aggregate write-ins for other hospital and medical										XXX
14. Incentive pool, withhold adjustments, and bonus amounts										XXX
15. Subtotal (Line 8 through Line 14)	1,512,051,594	609,762,895	14,760,486			118,490,845	438,443,017	319,536,434	11,057,917	XXX
16. Net reinsurance recoveries	2,820,044	200,397					2,619,647			XXX
17. Total hospital and medical (Line 15 minus Line 16)	1,509,231,550	609,562,498	14,760,486			118,490,845	435,823,370	319,536,434	11,057,917	XXX
18. Non-health claims (net)		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including \$ cost containment expenses	22,341,277	9,404,976	227,740			1,136,796	5,213,517	5,943,631	414,617	
20. General administrative expenses	106,064,500	44,649,822	1,081,190			5,396,904	24,751,004	28,217,197	1,968,383	
21. Increase in reserves for accident and health contracts										XXX
22. Increase in reserves for life contracts		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Line 17 through Line 22)	1,637,637,327	663,617,296	16,069,416			125,024,545	465,787,891	353,697,262	13,440,917	
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	40,490,290	17,309,322	(840,730)			969,008	29,297,670	(5,600,309)	(644,671)	
<b>DETAILS OF WRITE-INS</b>										
0501.										XXX
0502.										XXX
0503.										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page										XXX
0599. Total (Line 0501 through Line 0503 plus Line 0598) (Line 5 above)										XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0699. Total (Line 0601 through Line 0603 plus Line 0698) (Line 6 above)		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
1301.										XXX
1302.										XXX
1303.										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page										XXX
1399. Total (Line 1301 through Line 1303 plus Line 1398) (Line 13 above)										XXX

**UNDERWRITING AND INVESTMENT EXHIBIT**

**Part 1 - Premiums**

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Column 1 plus Column 2 minus Column 3)
1. Comprehensive (hospital and medical) .....	685,697,295	155,073	4,757,551	681,094,817
2. Medicare Supplement .....	15,221,306			15,221,306
3. Dental only .....				
4. Vision only .....				
5. Federal Employees Health Benefits Plan .....	125,993,553			125,993,553
6. Title XVIII - Medicare .....	497,669,294		2,583,478	495,085,816
7. Title XIX - Medicaid .....	348,096,953			348,096,953
8. Other health .....	12,796,246			12,796,246
9. Health subtotal (Line 1 through Line 8) .....	1,685,474,647	155,073	7,341,029	1,678,288,691
10. Life .....				
11. Property/casualty .....				
12. Totals (Line 9 to Line 11) .....	1,685,474,647	155,073	7,341,029	1,678,288,691

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2 - Claims Incurred During the Year**

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	1,474,185,614	592,131,751	14,210,486			117,032,900	422,971,110	316,797,650	11,041,717	
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net	1,474,185,614	592,131,751	14,210,486			117,032,900	422,971,110	316,797,650	11,041,717	
2. Paid medical incentive pools and bonuses										
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	244,126,120	94,638,072	10,188,000			14,588,585	64,441,055	59,957,208	313,200	
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net	244,126,120	94,638,072	10,188,000			14,588,585	64,441,055	59,957,208	313,200	
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										
5. Accrued medical incentive pools and bonuses, current year										
6. Net healthcare receivables (a)										
7. Amounts recoverable from reinsurers December 31, current year	10,006,196	3,487,967					6,518,229			
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	206,260,139	77,006,930	9,638,000			13,130,639	48,969,146	57,218,424	297,000	
8.2 Reinsurance assumed										
8.3 Reinsurance ceded										
8.4 Net	206,260,139	77,006,930	9,638,000			13,130,639	48,969,146	57,218,424	297,000	
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct										
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net										
10. Accrued medical incentive pools and bonuses, prior year										
11. Amounts recoverable from reinsurers December 31, prior year	7,186,152	3,287,570					3,898,582			
12. Incurred benefits:										
12.1 Direct	1,512,051,595	609,762,893	14,760,486			118,490,846	438,443,019	319,536,434	11,057,917	
12.2 Reinsurance assumed										
12.3 Reinsurance ceded	2,820,044	200,397					2,619,647			
12.4 Net	1,509,231,551	609,562,496	14,760,486			118,490,846	435,823,372	319,536,434	11,057,917	
13. Incurred medical incentive pools and bonuses										

(a) Excludes \$ . . . . . loans or advances to providers not yet expensed

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2A - Claims Liability End of Current Year**

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct .....	105,956,653	43,268,295	4,657,929			8,804,013	31,675,376	17,397,090	153,950	
1.2 Reinsurance assumed .....										
1.3 Reinsurance ceded .....										
1.4 Net .....	105,956,653	43,268,295	4,657,929			8,804,013	31,675,376	17,397,090	153,950	
2. Incurred but Unreported:										
2.1 Direct .....	138,169,465	51,369,777	5,530,071			5,784,571	32,765,679	42,560,117	159,250	
2.2 Reinsurance assumed .....										
2.3 Reinsurance ceded .....										
2.4 Net .....	138,169,465	51,369,777	5,530,071			5,784,571	32,765,679	42,560,117	159,250	
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct .....										
3.2 Reinsurance assumed .....										
3.3 Reinsurance ceded .....										
3.4 Net .....										
4. TOTALS:										
4.1 Direct .....	244,126,120	94,638,072	10,188,000			14,588,585	64,441,055	59,957,208	313,200	
4.2 Reinsurance assumed .....										
4.3 Reinsurance ceded .....										
4.4 Net .....	244,126,120	94,638,072	10,188,000			14,588,585	64,441,055	59,957,208	313,200	

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE**

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Column 1 plus Column 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical) .....	69,832,056	522,099,298	4,847,518	89,790,554	74,679,574	77,006,930
2. Medicare Supplement .....	7,917,145	6,293,341	647,073	9,540,927	8,564,218	9,638,000
3. Dental Only .....						
4. Vision Only .....						
5. Federal Employees Health Benefits Plan .....	11,872,027	105,160,873	560,000	14,028,585	12,432,027	13,130,639
6. Title XVIII - Medicare .....	70,483,153	349,868,310	2,429,000	62,012,055	72,912,153	48,969,146
7. Title XIX - Medicaid .....	52,386,359	264,411,291	2,040,000	57,917,208	54,426,359	57,218,424
8. Other health .....	337,384	10,704,333		313,200	337,384	297,000
9. Health subtotal (Line 1 through Line 8) .....	212,828,124	1,258,537,446	10,523,591	233,602,529	223,351,715	206,260,139
10. Healthcare receivables (a) .....						
11. Other non-health .....						
12. Medical incentive pools and bonus amounts .....						
13. Totals (Line 9 minus Line 10 plus Line 11 plus Line 12) .....	212,828,124	1,258,537,446	10,523,591	233,602,529	223,351,715	206,260,139

(a) Excludes \$ ..... loans or advances to providers not yet expensed.

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Triple-S Salud, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**

(000 Omitted)

**Section A - Paid Health Claims - Comprehensive (Hospital and Medical)**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior .....	81,146	5,315			
2. 2005 .....	410,003	61,793	3,530		
3. 2006 .....	X X X	425,992	70,163	4,926	
4. 2007 .....	X X X	X X X	516,581	97,908	5,581
5. 2008 .....	X X X	X X X	X X X	428,678	110,940
6. 2009 .....	X X X	X X X	X X X	X X X	475,410

**Section B - Incurred Health Claims - Comprehensive (Hospital and Medical)**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior .....	86,207	5,315			
2. 2005 .....	474,785	68,527	3,530		
3. 2006 .....	X X X	495,052	74,769	4,926	
4. 2007 .....	X X X	X X X	505,543	102,501	5,581
5. 2008 .....	X X X	X X X	X X X	501,092	115,787
6. 2009 .....	X X X	X X X	X X X	X X X	565,201

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Comprehensive (Hospital and Medical)**

Years in Which Premiums Were Earned and Claims Were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Column 3 divided by Column 2) Percent	5 Claim and Claim Adjustment Expense Payments (Columns 2 + 3)	6 (Column 5 divided by Column 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Columns 5 + 7 + 8)	10 (Column 9 divided by Column 1) Percent
1. 2005 .....	552,792	475,326	12,800	2.693	488,126	88.302			488,126	88.302
2. 2006 .....	546,268	496,155	12,096	2.438	508,251	93.041			508,251	93.041
3. 2007 .....	579,662	516,581	14,037	2.717	530,618	91.539			530,618	91.539
4. 2008 .....	594,823	428,678	11,977	2.794	440,655	74.082	4,848	124	445,627	74.918
5. 2009 .....	680,927	475,410	10,605	2.231	486,015	71.375	89,791	2,300	578,106	84.900

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**

(000 Omitted)

**Section A - Paid Health Claims - Medicare Supplement**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior .....	13,211	1,021			
2. 2005 .....	47,771	11,871	547		
3. 2006 .....	XXX		10,875	3	
4. 2007 .....	XXX	XXX	5,699	69	3
5. 2008 .....	XXX	XXX	XXX	14,205	64
6. 2009 .....	XXX	XXX	XXX	XXX	14,144

**Section B - Incurred Health Claims - Medicare Supplement**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior .....	9,607	1,021			
2. 2005 .....	64,434	12,879	547		
3. 2006 .....	XXX	42,099	11,535	3	
4. 2007 .....	XXX	XXX	15,670	664	3
5. 2008 .....	XXX	XXX	XXX	23,249	711
6. 2009 .....	XXX	XXX	XXX	XXX	23,684

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Medicare Supplement**

Years in Which Premiums Were Earned and Claims Were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Column 3 divided by Column 2) Percent	5 Claim and Claim Adjustment Expense Payments (Columns 2 + 3)	6 (Column 5 divided by Column 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Columns 5 + 7 + 8)	10 (Column 9 divided by Column 1) Percent
1. 2005 .....	66,523	60,189	1,397	2.321	61,586	92.579		61,586	92.579	
2. 2006 .....	53,587	41,068	942	2.294	42,010	78.396		42,010	78.396	
3. 2007 .....	17,890	5,699	410	7.194	6,109	34.148		6,109	34.148	
4. 2008 .....	15,116	14,205	335	2.358	14,540	96.189	647	5	15,192	100.503
5. 2009 .....	15,229	14,144	257	1.817	14,401	94.563	9,541	66	24,008	157.647

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**

(000 Omitted)

**Section A - Paid Health Claims - Federal Employees Health Benefit Plan**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior .....	10,545	8,205			
2. 2005 .....	97,154	706	507		
3. 2006 .....	X X X	96,988	10,079	532	
4. 2007 .....	X X X	X X X	114,670	10,569	509
5. 2008 .....	X X X	X X X	X X X	104,925	10,257
6. 2009 .....	X X X	X X X	X X X	X X X	106,260

**Section B - Incurred Health Claims - Federal Employees Health Benefit Plan**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior .....	11,345	8,205			
2. 2005 .....	105,913	1,266	507		
3. 2006 .....	X X X	107,113	10,579	532	
4. 2007 .....	X X X	X X X	114,884	12,039	509
5. 2008 .....	X X X	X X X	X X X	117,373	10,817
6. 2009 .....	X X X	X X X	X X X	X X X	106,274

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Federal Employees Health Benefit Plan**

Years in Which Premiums Were Earned and Claims Were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Column 3 divided by Column 2) Percent	5 Claim and Claim Adjustment Expense Payments (Columns 2 + 3)	6 (Column 5 divided by Column 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Columns 5 + 7 + 8)	10 (Column 9 divided by Column 1) Percent
1. 2005 .....	113,228	98,369	1,076	1.094	99,445	87.827		99,445	87.827	
2. 2006 .....	113,241	107,067	1,064	0.994	108,131	95.488		108,131	95.488	
3. 2007 .....	121,126	114,670	1,243	1.084	115,913	95.696		115,913	95.696	
4. 2008 .....	124,239	105,712	977	0.924	106,689	85.874	560	281	107,530	86.551
5. 2009 .....	125,994	106,260	1,282	1.206	107,542	85.355	14,029	7	121,578	96.495

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**

(000 Omitted)

**Section A - Paid Health Claims - Title XVIII Medicare**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior .....					
2. 2005 .....	15,453	4,383	795		
3. 2006 .....	X X X	81,048	15,805	1,348	
4. 2007 .....	X X X	X X X	207,995	26,785	1,392
5. 2008 .....	X X X	X X X	X X X	332,379	27,668
6. 2009 .....	X X X	X X X	X X X	X X X	391,292

**Section B - Incurred Health Claims - Title XVIII Medicare**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior .....					
2. 2005 .....	25,191	4,589	795		
3. 2006 .....	X X X	111,027	16,357	1,348	
4. 2007 .....	X X X	X X X	206,968	27,777	1,392
5. 2008 .....	X X X	X X X	X X X	380,356	30,097
6. 2009 .....	X X X	X X X	X X X	X X X	453,304

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Title XVIII Medicare**

Years in Which Premiums Were Earned and Claims Were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Column 3 divided by Column 2) Percent	5 Claim and Claim Adjustment Expense Payments (Columns 2 + 3)	6 (Column 5 divided by Column 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Columns 5 + 7 + 8)	10 (Column 9 divided by Column 1) Percent
1. 2005 .....	34,236	20,631	1,877	9.098	22,508	65.744		22,508	65.744	
2. 2006 .....	155,739	96,853	2,792	2.883	99,645	63.982		99,645	63.982	
3. 2007 .....	243,910	207,995	3,370	1.620	211,365	86.657		211,365	86.657	
4. 2008 .....	427,698	332,379	5,433	1.635	337,812	78.984	2,249	43	340,104	79.520
5. 2009 .....	495,086	391,292	5,879	1.502	397,171	80.223	62,012	1,093	460,276	92.969

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**

(000 Omitted)

**Section A - Paid Health Claims - Title XIX Medicaid**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior .....	10,697	4,187			
2. 2005 .....	413,297	48,681	1,963		
3. 2006 .....	X X X	379,316	39,009	2,507	2,278
4. 2007 .....	X X X	X X X	301,346	49,831	45,275
5. 2008 .....	X X X	X X X	X X X	248,660	269,244
6. 2009 .....	X X X	X X X	X X X	X X X	

**Section B - Incurred Health Claims - Title XIX Medicaid**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior .....	75,790	4,187			
2. 2005 .....	468,435	54,537	1,963		
3. 2006 .....	X X X	422,043	42,370	2,507	2,278
4. 2007 .....	X X X	X X X	295,616	55,989	47,315
5. 2008 .....	X X X	X X X	X X X	299,721	327,162
6. 2009 .....	X X X	X X X	X X X	X X X	

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Title XIX Medicaid**

Years in Which Premiums Were Earned and Claims Were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Column 3 divided by Column 2) Percent	5 Claim and Claim Adjustment Expense Payments (Columns 2 + 3)	6 (Column 5 divided by Column 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Columns 5 + 7 + 8)	10 (Column 9 divided by Column 1) Percent
1. 2005 .....	510,839	463,941	7,315	1.577	471,256	92.251		471,256	92.251	
2. 2006 .....	455,891	418,325	6,513	1.557	424,838	93.189		424,838	93.189	
3. 2007 .....	327,544	301,346	5,040	1.672	306,386	93.540		306,386	93.540	
4. 2008 .....	340,123	248,660	4,489	1.805	253,149	74.429	2,040	29	255,218	75.037
5. 2009 .....	348,097	269,244	6,702	2.489	275,946	79.273	57,917	821	334,684	96.147

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**

(000 Omitted)

**Section A - Paid Health Claims - Other**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006	X X X				
4. 2007	X X X				
5. 2008	X X X	X X X	X X X	X X X	
6. 2009	X X X	X X X	X X X	X X X	
		10,171	293	235	258
			11,438	11,557	10,783

**Section B - Incurred Health Claims - Other**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006	X X X				
4. 2007	X X X				
5. 2008	X X X	X X X	X X X	X X X	
6. 2009	X X X	X X X	X X X	X X X	
		12,143	293	235	258
			11,452	11,854	11,097

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Other**

Years in Which Premiums Were Earned and Claims Were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Column 3 divided by Column 2) Percent	5 Claim and Claim Adjustment Expense Payments (Columns 2 + 3)	6 (Column 5 divided by Column 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Columns 5 + 7 + 8)	10 (Column 9 divided by Column 1) Percent
1. 2005										
2. 2006	15,080	10,464	513	4.903	10,977	72.792			10,977	72.792
3. 2007	11,660	11,438	1,093	9.556	12,531	107.470	248		12,779	109.597
4. 2008	11,025	11,557	512	4.430	12,069	109.469	297		12,366	112.163
5. 2009	12,796	10,783	468	4.340	11,251	87.926	313		11,564	90.372

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**

(000 Omitted)

**Section A - Paid Health Claims - Grand Total**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior .....	162,190	18,728			
2. 2005 .....	983,679	127,433	7,342		
3. 2006 .....	X X X	1,023,707	146,224	9,315	
4. 2007 .....	X X X	X X X	1,194,712	185,397	9,763
5. 2008 .....	X X X	X X X	X X X	1,141,191	194,462
6. 2009 .....	X X X	X X X	X X X	X X X	1,267,133

**Section B - Incurred Health Claims - Grand Total**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior .....	182,949	18,728			
2. 2005 .....	1,138,758	141,798	7,342		
3. 2006 .....	X X X	1,189,477	155,902	9,315	
4. 2007 .....	X X X	X X X	1,150,133	199,205	9,763
5. 2008 .....	X X X	X X X	X X X	1,333,644	204,348
6. 2009 .....	X X X	X X X	X X X	X X X	1,487,702

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Grand Total**

Years in Which Premiums Were Earned and Claims Were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Column 3 divided by Column 2) Percent	5 Claim and Claim Adjustment Expense Payments (Columns 2 + 3)	6 (Column 5 divided by Column 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Columns 5 + 7 + 8)	10 (Column 9 divided by Column 1) Percent
1. 2005 .....	1,277,618	1,118,456	24,465	2.187	1,142,921	89.457			1,142,921	89.457
2. 2006 .....	1,339,806	1,169,932	23,920	2.045	1,193,852	89.106			1,193,852	89.106
3. 2007 .....	1,301,792	1,157,729	25,193	2.176	1,182,922	90.869			1,182,922	90.869
4. 2008 .....	1,513,024	1,141,191	23,723	2.079	1,164,914	76.992	10,524	482	1,175,920	77.720
5. 2009 .....	1,678,129	1,267,133	25,193	1.988	1,292,326	77.010	233,602	4,287	1,530,215	91.186

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY**

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
<b>POLICY RESERVE</b>									
1. Unearned premium reserves .....	931,504	909,521	21,983						
2. Additional policy reserves (a) .....									
3. Reserve for future contingent benefits .....									
4. Reserve for rate credits or experience rating refunds (including \$ ..... for investment income) .....									
5. Aggregate write-ins for other policy reserves .....									
6. Totals (gross) .....	931,504	909,521	21,983						
7. Reinsurance ceded .....									
8. Totals (Net) (Page 3, Line 4) .....	931,504	909,521	21,983						
<b>CLAIM RESERVE</b>									
9. Present value of amounts not yet due on claims .....									
10. Reserve for future contingent benefits .....									
11. Aggregate write-ins for other claim reserves .....									
12. Totals (gross) .....									
13. Reinsurance ceded .....									
14. Totals (Net) (Page 3, Line 7) .....									
<b>DETAILS OF WRITE-INS</b>									
0501. ....									
0502. ....									
0503. ....									
0598. Summary of remaining write-ins for Line 5 from overflow page .....									
0599. Totals (Line 0501 through Line 0503 plus Line 0598) (Line 5 above) .....									
1101. ....									
1102. ....									
1103. ....									
1198. Summary of remaining write-ins for Line 11 from overflow page .....									
1199. Totals (Line 1101 through Line 1103 plus Line 1198) (Line 11 above) .....									

(a) Includes \$ ..... premium deficiency reserve.

**UNDERWRITING AND INVESTMENT EXHIBIT****PART 3 - ANALYSIS OF EXPENSES**

	Claim Adjustment Expenses		3	4	5
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent (\$ ..... for occupancy of own building) .....	571,549	516,108	6,124,989		7,212,646
2. Salaries, wages and other benefits .....	2,000,791	8,654,936	58,976,370	225,440	69,857,537
3. Commissions (less \$ ..... ceded plus \$ ..... assumed) .....			19,187,711		19,187,711
4. Legal fees and expenses .....		19,486	(2,454,688)		(2,435,202)
5. Certifications and accreditation fees .....					
6. Auditing, actuarial and other consulting services .....	609,384	4,797,565	22,630,405	287,140	28,324,494
7. Traveling expenses .....	50,102	126,921	2,127,265	1,517	2,305,805
8. Marketing and advertising .....	80	159,335	8,305,369		8,464,784
9. Postage, express, and telephone .....	28,706	800,071	3,871,099		4,699,876
10. Printing and office supplies .....	7,727	229,989	2,523,816		2,761,532
11. Occupancy, depreciation and amortization .....	340,799	494,265	4,476,900		5,311,964
12. Equipment .....	1,266	286,702	438,836	(18)	726,786
13. Cost or depreciation of EDP equipment and software .....	78,184	817,393	2,071,799		2,967,376
14. Outsourced services including EDP, claims, and other services .....	1,813,433	3,831,087	5,992,518		11,637,038
15. Boards, bureaus and association fees .....		145,766	2,227,451	825	2,374,042
16. Insurance, except on real estate .....	51,431	45,129	1,574,726		1,671,286
17. Collection and bank service charges .....		2,922	1,120,619		1,123,541
18. Group service and administration fees .....			788,147		788,147
19. Reimbursements by uninsured accident and health plans .....	(1,960,259)	(6,968,837)	(42,390,597)		(51,319,693)
20. Reimbursements from fiscal intermediaries .....					
21. Real estate expenses .....					
22. Real estate taxes .....					
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes .....			3,140,157		3,140,157
23.2 State premium taxes .....					
23.3 Regulator authority licenses and fees .....			162,617		162,617
23.4 Payroll taxes .....	130,704	509,089	3,674,161	16,639	4,330,593
23.5 Other (excluding federal income and real estate taxes) .....					
24. Investment expenses not included elsewhere .....					
25. Aggregate write-ins for expenses .....	1,180,822	2,968,634	1,494,830	10,667	5,654,953
26. Total expenses incurred (Line 1 to Line 25) .....	4,904,719	17,436,561	106,064,500	542,210	(a) 128,947,990
27. Less expenses unpaid December 31, current year .....		4,768,567	37,470,878		42,239,445
28. Add expenses unpaid December 31, prior year .....		4,376,924	56,897,089		61,274,013
29. Amounts receivable relating to uninsured accident and health plans, prior year .....					
30. Amounts receivable relating to uninsured accident and health plans, current year .....					
31. Total expenses paid (Line 26 minus Line 27 plus Line 28 minus Line 29 plus Line 30) .....	4,904,719	17,044,918	125,490,711	542,210	147,982,558
<b>DETAILS OF WRITE-INS</b>					
2501. Software and hardware expense .....	1,177,319	2,478,294			3,655,613
2502. Other .....	3,503	490,340	1,494,830	10,667	1,999,340
2503. ....					
2598. Summary of remaining write-ins for Line 25 from overflow page .....					
2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above) .....	1,180,822	2,968,634	1,494,830	10,667	5,654,953

(a) Includes management fees of \$ ..... to affiliates and \$ ..... to non-affiliates.

**EXHIBIT OF NET INVESTMENT INCOME**

	1	2
	Collected During Year	Earned During Year
1. U.S. Government bonds	(a) 22,407,998	19,728,241
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a)	
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 15,563	15,563
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates	1,645,002	1,620,292
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans	(d)	
6. Cash, cash equivalents and short-term investments	(e) 212,223	258,098
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		18,877
10. Total gross investment income	24,280,786	21,641,071
11. Investment expenses		(g) 542,210
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 3,236,950
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Totals deductions (Line 11 through Line 15)		3,779,160
17. Net investment income (Line 10 minus Line 16)		17,861,911

**DETAILS OF WRITE-INS**

0901. FEHBP Investment Income		18,877
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)		18,877

1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Line 1501 through Line 1503 plus Line 1598) (Line 15 above)		

(a) Includes \$ ..... accrual of discount less \$ ..... amortization of premium and less \$ ..... paid for accrued interest on purchases.  
 (b) Includes \$ ..... accrual of discount less \$ ..... amortization of premium and less \$ ..... paid for accrued dividends on purchases.  
 (c) Includes \$ ..... accrual of discount less \$ ..... amortization of premium and less \$ ..... paid for accrued interest on purchases.  
 (d) Includes \$ ..... for company's occupancy of its own buildings; and excludes \$ ..... interest on encumbrances.  
 (e) Includes \$ ..... accrual of discount less \$ ..... amortization of premium and less \$ ..... paid for accrued interest on purchases.

(f) Includes \$ ..... accrual of discount less \$ ..... amortization of premium.  
 (g) Includes \$ ..... investment expenses and \$ ..... investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.  
 (h) Includes \$ ..... interest on surplus notes and \$ ..... interest on capital notes.  
 (i) Includes \$ ..... depreciation on real estate and \$ ..... depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

	1	2	3	4	5
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Cols. 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	1,156,223	(1,569,265)	(413,042)		
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)					
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)		(187,680)	(187,680)	124,973	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	560,723	(173,248)	387,475	7,985,792	
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	1,716,946	(1,930,193)	(213,247)	8,110,765	
<b>DETAILS OF WRITE-INS</b>					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)					

## EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivable for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Line 1 to Line 9)			
11. Title plants (for Title insurers only)			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	2,099,435	649,603	(1,449,832)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3 Accrued retrospective premiums			
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers		5,395,204	5,395,204
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans	11,315,713	3,204,179	(8,111,534)
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	29,614,000	28,372,000	(1,242,000)
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets	28,926,742	18,404,896	(10,521,846)
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivable from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable	196,368	4,653,305	4,456,937
23. Aggregate write-ins for other than invested assets	22,222,843	19,003,822	(3,219,021)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 10 to Line 23)	94,375,101	79,683,009	(14,692,092)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Line 24 and Line 25)	94,375,101	79,683,009	(14,692,092)
<b>DETAILS OF WRITE-INS</b>			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page			
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)			
2301. Other non admitted assets	22,222,843	19,003,822	(3,219,021)
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Line 2301 through Line 2303 plus Line 2398) (Line 23 above)	22,222,843	19,003,822	(3,219,021)

**EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY**

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations .....						
2. Provider Service Organizations .....						
3. Preferred Provider Organizations .....	668,003	687,802	685,636	815,223	806,954	8,599,103
4. Point of Service .....						
5. Indemnity Only .....						
6. Aggregate write-ins for other lines of business .....	527,447	521,731	529,539	537,414	540,142	6,451,149
7. Total .....	1,195,450	1,209,533	1,215,175	1,352,637	1,347,096	15,050,252
<b>DETAILS OF WRITE-INS</b>						
0601. Medicaid .....	527,447	521,731	529,539	537,414	540,142	6,451,149
0602. ....						
0603. ....						
0698. Summary of remaining write-ins for Line 6 from overflow page .....						
0699. Totals (Line 0601 through Line 0603 plus Line 0698) (Line 6 above) .....	527,447	521,731	529,539	537,414	540,142	6,451,149

**NOTES TO FINANCIAL STATEMENTS**Annual Statement for the Year 2009 of the Triple-S, Inc.  
Notes to the Financial Statements**(1) Significant Accounting Policies and Practices**

The following are significant statutory accounting practices followed by the Company:

**(a) Basis of Presentation**

The accompanying statutory financial statements of the Company have been prepared in accordance with accounting practices prescribed or permitted by the Commissioner of Insurance, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. The Company adopted the National Association of Insurance Commissioners' Statutory Accounting Practices (NAIC SAP) as the basis of its statutory accounting practices, as long as they do not contradict the provisions of the Puerto Rico Insurance Code or the Circular Letters issued by the Commissioner of Insurance.

The Commissioner of Insurance has the right to permit other specific practices that may deviate from prescribed practices. Prescribed statutory accounting practices include a variety of publications of the National Association of Insurance Commissioners (NAIC) including its codification initiative contained in its accounting practices and procedures manual, as well as state laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. The Commissioner of Insurance has adopted certain prescribed accounting practices that differ from those found in NAIC SAP; however, differences adopted by the Commissioner of Insurance do not have a significant effect on the net income and statutory capital and surplus of the Company.

**(b) Nonadmitted Assets**

Certain assets designated as "nonadmitted assets" have been excluded from the admitted assets by a charge to surplus.

The nonadmitted assets charged to surplus during 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Deferred tax assets	29,614,000	28,372,000
Accounts receivable	13,158,846	15,483,284
Due from affiliates	—	—
Furniture and equipment	38,177,368	28,502,902
Other	13,424,887	7,324,823
	<u>\$ 94,375,101</u>	<u>79,683,009</u>

Depreciation expense on the related furniture and equipment designated as nonadmitted assets amounted to \$3,167,064 and \$2,765,617 for the years ended December 31, 2008 and 2007, respectively. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets.

**(c) Short-Term Investments**

Short-term investments amounting to \$497,533 at December 31, 2008 consist primarily of obligations of U.S. government instrumentalities with an initial term of less than one year. Short-term investments which have maturities of less than one year are stated at cost. There are no short-term investments at December 31, 2009.

**(d) Investments**

Debt and equity securities are valued in accordance with rules promulgated by the NAIC. Bonds eligible for amortization under such rules and nonredeemable preferred stocks are stated at amortized cost. Common and redeemable preferred stocks are carried at estimated fair value. Adjustments reflecting the unrealized appreciation or depreciation of common stocks are shown as a component of surplus, and are not included in the determination of the net gain from operations.

Realized gains or losses on the sale of investments are included in operations and are derived using the specific-identification method for determining the cost of securities sold. Interest and dividend income is recognized when earned. Premiums and discounts are amortized or accreted over the life of the investment as an adjustment to yield using the effective-interest method.

The Company regularly invests in mortgaged-backed securities and other securities subject to prepayment and call risk. Significant changes in prevailing interest rates may adversely affect the

## NOTES TO FINANCIAL STATEMENTS

timing and amount of cash flows on such securities. In addition, the amortization of market premium and accretion of market discount for mortgaged-backed securities is based on historical experience and estimates of future payment speeds on the underlying mortgage loans. Actual prepayment speeds will differ from original estimates and may result in material adjustments to amortization or accretion recorded in future periods.

A decline in the fair value of any security below cost that is deemed to be other than temporary results in a reduction in the carrying amount to fair value. The impairment is charged to earnings and a new net cost basis for the security is established. To determine whether an impairment is other than temporary, the Company considers whether evidence indicating that the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in the value subsequent to year-end, and forecasted performance of the investee.

**(e) Revenue Recognition**

Subscriber premiums on the managed care business are billed in advance of their respective coverage period and the related revenue is recorded as earned during the coverage period. Managed care premiums are billed in the month prior to the effective date of the policy with a grace period of up to two months. If the insured fails to pay, the policy can be canceled at the end of the grace period at the option of the Company. Managed care premiums are reported as earned when due.

Premiums for the Medicare Advantage (MA) business are based on a bid contract with the Centers for Medicare and Medicaid Services (CMS) and collected in advance of the coverage period. MA contracts provide for a risk factor to adjust premiums paid for members that represent a higher or lower risk to the Company. Retroactive rate adjustments are made periodically based on the aggregate health status and risk scores of the Company's MA membership. These risk adjustments are evaluated quarterly based on actuarial estimates. Actual results could differ from these estimates. As additional information becomes available, the recorded estimate are revised and reflected in operating results.

The Company offers prescription drug coverage to Medicare eligible beneficiaries as part of its MA plans (MA-PD) and on a stand-alone basis (stand-alone PDP). Premiums are based on a bid contract with CMS that considers the estimated costs of providing prescription drug benefits to enrolled participants. MA-PD and stand-alone PDP premiums are subject to adjustment, positive or negative, based upon the application of risk corridors that compare the estimate prescription drug costs included in the bids to CMS to actual prescription drug costs. Variances exceeding certain thresholds may result in CMS making additional payments to the Company or in the Company refunding CMS a portion of the premiums collected. The Company estimates and records adjustments to earned premiums related to estimated risk corridor payments based upon actual prescription drug costs for each reporting period as if the annual contract were to end at the end of each reporting period. CMS pays the Company an estimated amount for the Part D-Catastrophic Reinsurance Subsidy to fund the CMS obligation to pay approximately the 80% of the costs incurred by individual members in excess of the individual annual out-of-pocket maximum. The Company accounts for these subsidies as a liability for amounts held under uninsured plans in the statutory statements of admitted assets, liabilities, capital, and surplus. The Company does not recognize premium revenue or claims expense for these CMS subsidies.

Amounts are subject to future settlements which may differ from original estimate. Any difference between the settlement and the estimated amount is recorded in the period in which they become known.

**(f) Concentration of Credit Risk and Financial Instruments**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of uncollected premiums, interest, and other investment income due and accrued, and miscellaneous receivables. A substantial majority of the Company's business activity is with insureds located throughout Puerto Rico, and as such, the Company is subject to the risks associated with the Puerto Rico economy.

**(g) Electronic Data Processing Equipment**

Electronic data processing equipment is stated at cost. Maintenance and repairs are expensed as incurred. Depreciation is computed on the straight-line method over the estimated useful life of the asset.

Cost of electronic data processing equipment is capitalized and amortized over the lesser of the estimated useful lives of the assets or three years. Depreciation expense on electronic data processing equipment amounted to \$2,405,392 and \$1,668,167 for the years ended December 31, 2009 and 2008, respectively.

**(h) Claim Liabilities**

## NOTES TO FINANCIAL STATEMENTS

Claims processed and, incomplete and unreported losses for health insurance policies represent the estimated amounts paid to providers based on experience and accumulated statistical data. Unpaid claims adjustment expenses related to such claims are accrued currently based on estimated future expenses necessary to process such claims.

The Company contracts with various Independent Practice Associations (IPAs) for certain medical care services provided to the Reform's subscribers. The IPAs are compensated based on a capitation basis. The Company retains a portion of the capitation payments to provide for incurred but not reported losses. At December 31, 2009 and 2008, total withholdings and capitation payable amounted to \$13,663,028 and \$16,134,347, respectively, which are recorded as part of the liability for claims processed and incomplete in the accompanying statements of admitted assets, liabilities, and capital and surplus. The Company also contracts with IPAs to provide healthcare services to MA beneficiaries. The amount of capitation payable at December 31, 2009 and 2008 related to the MA program amounted to \$3,876,232 and \$8,328,451, respectively.

The above liabilities are necessarily based on estimates, and while management believes that the amounts are adequate, the ultimate liability may be in excess of or less than the amounts provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in the statutory statements of revenue and expenses in the period determined.

**(i) *Operating Expenses Reimbursed***

The Company allocates its operating expenses by various lines of business to determine the expense reimbursement due from the Medicare – Part B Program, where the Company acts as a fiscal carrier, the FEHBP, and the Company's affiliates.

**(j) *Derivative Instruments and Hedging Activities***

The Company accounts for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities in accordance with the provisions of Statement of Statutory Accounting Principles (SSAP) No. 86, *Accounting for Derivative Instruments and Hedging Activities*.

On the date the derivative contract designated as a hedging instrument is entered into, the Company designates the instrument as either a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge), a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge), a foreign currency fair value or cash flow hedge (foreign currency hedge), or a hedge of a net investment in a foreign operation. For all hedging relationships, the Company formally documents the hedging relationship and its risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed, and a description of the method of measuring ineffectiveness. This process includes linking all derivatives that are designated as fair value, cash flow, or foreign currency hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Company has invested in other derivative instruments in order to diversify its investment in securities and participate in the foreign stock market. The Company invested in structured notes in which the interest income earned is linked to the performance of a foreign stock index. Due to the link to a foreign stock index, the structured note is considered to have an embedded derivative component.

In accordance with SSAP No. 86, embedded derivatives are neither separated from the host contract nor accounted for separately as a derivative instrument. Thus, for statutory purposes, the structured note is accounted for as an investment and carried at its amortized cost in the accompanying statutory statements of admitted assets, liabilities, and capital and surplus.

**(k) *Fair Value of Financial Instruments***

The estimated fair value information for financial instruments in the accompanying statutory financial statements was determined as follows:

- **Cash and Short-Term Investments** – The carrying amount approximates estimated fair value because of the short-term nature of those instruments.
- **Investment in Securities** – The estimated fair value of investment in securities is 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.

## NOTES TO FINANCIAL STATEMENTS

- **Receivables, Other Expenses Due and Accrued, and Other Liabilities** – The carrying amounts of uncollected premiums, interest, and other investment income due and accrued, due from affiliates and other receivables, other expenses due and accrued, and other liabilities approximate their estimated fair value because they mature and should be collected or paid within 12 months after December 31.
- **Long-Term Borrowings** – The carrying amounts and fair value of the Company's long-term borrowings are as follows (in thousands):

	2009		2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Senior unsecured notes payable	\$ 50,000	48,000	50,000	46,250

The fair value of the senior unsecured notes payable was estimated using market quotations provided by market makers. Additional information pertinent to long-term borrowings is included in note 10.

- **Short-term borrowing** - The carrying amount approximates fair value because of the short-term nature of these notes payable and their interest rate structure.

**(l) Income Taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in surplus in the period that includes the enactment date. Gross deferred income tax assets are admitted assets in accordance with the provisions of NAIC SAP No. 10, *Income Taxes*. Deferred tax assets are limited to the sum of those deferred tax assets expected to be realized within one year plus the amount of gross deferred tax assets that can be offset against existing gross deferred tax liabilities..

**(m) Insurance-Related Assessments**

The Company accounts for insurance-related assessments in accordance with the provisions of NAIC Statutory Accounting Principles No. 35, *Guaranty Fund and Other Assessments*. This SAP prescribes liability recognition when the following two conditions are met: (1) the assessment has been imposed or the information available prior to the issuance of the statutory financial statements indicates it is probable that an assessment will be imposed; and (2) the amount of the assessment can be reasonably estimated. Also, this SAP provides for the recognition of an admitted asset when the paid or accrued assessment is recoverable through either premium taxes or policy surcharges.

**(n) Reinsurance**

In the normal course of business, the Company seeks to reduce the loss that may arise from events that cause unfavorable underwriting results by reinsuring certain levels of risk with reinsurers. Premiums ceded and recoveries of losses have been reported as a reduction of premiums and claims incurred, respectively.

**(o) Use of Estimates**

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities, revenue and expenses, and the disclosure of contingent assets and liabilities to prepare these statutory financial statements in conformity with the accounting practices prescribed or permitted by the Commissioner of Insurance. Actual results could differ from those estimates. The most significant items on the statutory statement of admitted assets, liabilities, and capital and surplus that involve a greater degree of accounting estimates and actuarial determinations subject to change in the future are the claims liabilities, additional minimum pension liability, risk adjustments, Part D reinsurance, risk corridor accrual related to Medicare Advantage, and deferred tax assets. As additional information becomes available (or actual amounts are determinable), the recorded estimates are be revised and reflected in operating results. Although some variability is inherent in these estimates in the near future, the Company believes the amounts provided are adequate.

**(2) Accounting Changes and Corrections of Errors**

*Not Applicable*

**(3) Business Combinations and Goodwill**

**NOTES TO FINANCIAL STATEMENTS***Not Applicable***(4) Discontinued Operations***Not Applicable***(5) Investment***Not Applicable***(6) Joint Ventures, Partnerships and Limited Liability Companies***Not Applicable***(7) Net Investment Income Earned**

Components of net investment income earned for the years ended December 31, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Debt securities:		
Bonds and notes	\$ 16,761,289	17,023,012
Mortgage-backed securities	94,967	108,425
Zero coupons and certificates of accrual	364,725	350,047
Collateralized mortgage obligations	2,507,259	2,473,384
Cash and short-term investments	258,180	530,975
Other	18,877	512,650
Subtotal	<u>20,005,297</u>	<u>20,998,493</u>
Equity securities:		
Common stocks	1,620,292	2,012,608
Preferred stocks	15,563	80,117
Subtotal	<u>1,635,855</u>	<u>2,092,725</u>
	21,641,152	23,091,218
Less investment expenses incurred	<u>542,210</u>	<u>553,059</u>
Total	<u>\$ 21,098,942</u>	<u>22,538,159</u>

**(8) Derivative Instruments and Hedging Activities**

The Company has invested in other derivative instruments in order to diversify its investment in securities and participate in the foreign stock market.

During 2005, the Company invested in two structured note agreements amounting to \$5 million each, where the interest income received is linked to the performance of the Dow Jones Euro STOXX 50 and Nikkei 225 Equity Indexes (the Indexes). Under these agreements, the principal invested by the Company is protected; the only amount that varies according to the performance of the Indexes is the interest to be received upon the maturity of the instruments. Should the Indexes experience a negative performance during the holding period of the structured notes, no interest will be received and no amount will be paid to the issuer of the structured notes. The contingent interest payment component within the structured note agreements meets the definition of an embedded derivative. The Company accounts for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities in accordance with the provisions of SSAP No. 86, *Accounting for Derivative Instruments and Hedging Activities*.

In accordance with the provisions of SSAP No. 86, this embedded derivative instrument shall be neither separated from the host contract nor accounted for separately as a derivative instrument. Accordingly, it is recorded as an investment at its amortized cost in the accompanying statutory financials statements. As of December 31, 2009 and 2008, the amortized cost of the investment component of both structured notes amounted to \$9,063,000 and \$8,698,000, respectively.

**(9) Income Taxes**

The Company is subject to Puerto Rico income taxes as an other than life insurance entity, as defined in the Puerto Rico Internal Revenue Code, as amended. The Company also is subject to federal income taxes for foreign source dividend income.

During the years ended December 31, 2009 and 2007, income tax expense differs from the amount computed by applying the Puerto Rico statutory income tax rate to the income before income taxes as a

**NOTES TO FINANCIAL STATEMENTS**

result of the following (in thousands):

	<u>2009</u>	<u>2008</u>
Income before taxes	\$ 61,949	32,243
Statutory tax rate	40.95%	39%
Income tax expense at statutory rate of 39%	\$ 25,368	12,575
Increase (decrease) in taxes resulting from:		
Exempt interest income	(8,278)	(7,929)
Effect of taxing capital gains at a preferential rate	(133)	(237)
Bond interest disallowance	730	1,014
Nonadmitted assets	(6,571)	(5,631)
Deferred tax on minimum pension liability	1,347	(3,278)
Deferred tax on unrealized gain or losses of investment securities	1,394	(3,282)
Tax Credits	7,375	(8,090)
Other	(2,631)	3,291
Total	\$ 18,601	(11,567)
Income taxes incurred	\$ 28,286	10,405
Change in net deferred income tax	(9,685)	(21,972)
Total statutory income tax (benefit) expense	\$ 18,601	(11,567)

Deferred income taxes reflect the tax effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and income tax purposes. The net deferred tax liability at December 31, 2009 and 2008 of the Company is composed of the following (in thousands):

	<u>2009</u>	<u>2008</u>
Deferred tax assets:		
Employee benefits plan	\$ 1,992	2,810
Postretirement medical plan accrual	1,344	1,280
Deferred compensation	1,156	1,006
Contingency reserves	210	1,950
Additional minimum pension liability	1,931	3,278
Other-than-temporary impairment of securities	1,299	948
Shared based compensation	383	215
Tax credits	7,375	8,090
Unrealized losses on investment securities	—	1,251
Nonadmitted assets	26,520	19,949
Total gross deferred tax assets	42,210	40,777
Less nonadmitted deferred tax assets	(29,614)	(28,372)
Admitted deferred tax assets	12,596	12,405
Deferred tax liability:		
Insurance claims receivables	143	302
Unrealized gain on investment securities	—	—
Total deferred tax liabilities	143	302
Net deferred tax assets	\$ 12,453	12,103

**(10) Transactions with Related Parties**

Effective December 31, 2007, the Company accounts transactions with related parties in accordance with SSAP No. 96, *Settlement Requirements for Intercompany Transactions, An amendment to SSAP No. 25 – Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties*. In accordance with the provisions of SSAP No. 96, transactions between related parties must be in the form of a written agreement and the agreement must provide for a timely settlement of amounts owed with a specific due date. Amounts owed that are more than 90 days from the due date are nonadmitted. If the agreement does not contain a due date, the uncollected receivable amounts are nonadmitted. No intercompany receivables were recorded as nonadmitted assets as of December 31, 2009 and 2008.

The Company has the following net balances due from (to) the Parent Company and affiliates at December 31, 2009, which are recorded as due from Parent Company and affiliates and other receivables or as other expenses due and accrued and other liabilities, as applicable, in the accompanying statutory

**NOTES TO FINANCIAL STATEMENTS**

statements of admitted assets, liabilities, and capital and surplus:

	2009				
	Triple-S Vida, Inc.	Seguros Triple-S, Inc.	Interactive Systems, Inc.	Triple-C Inc.	Triple-S Management Corporation
Net balances due from (to) Parent Company and affiliates	\$ 736,000	967,167	(5,919,447)	(4,565,482)	4,334,952

On December 31, 2008 the Company borrowed funds from affiliates amounting to \$18,470,070 due on January 2, 2009. The loans bearded interest from to 1.17% to 1.90% annual rate. No borrowed funds from affiliates were outstanding at December 31, 2009.

The following are other related-party transactions during the years ended December 31, 2009 and 2008:

	2009	2008
Rent charges from Parent Company and an affiliate	\$ 6,351,829	6,233,243
Data processing charges from an affiliate of approximately \$1,005,000 and \$1,042,000 in 2009 and 2008, respectively	11,059,126	11,456,572
Administrative charges to affiliates	10,990,447	11,426,062
Subscribers premiums billed to affiliates under rated and self-funded arrangements	3,927,869	3,779,182
Insurance premiums paid to affiliates	941,927	708,737

**(11) Long-Term Borrowings**

On September 30, 2004, the Company issued and sold \$50 million in 6.30% senior unsecured notes due September 2019 (the notes). The notes are unconditionally guaranteed by the Company as to payment of principal; premium, if any; and interest. The notes were privately placed to various institutional investors under a note purchase agreement between the Company and the investors. The notes contain certain covenants with which the Company has complied at December 31, 2009.

Interest expense on the above long-term borrowings amounted to \$3,176,000 and \$3,150,000 for the years ended December 31, 2009 and 2008, respectively.

**(12) Pension Plan**

Substantially all of the Company's employees are covered under the noncontributory defined benefit pension plan sponsored by the Parent Company (the Plan). Pension benefits begin to vest after five years of vesting service, as defined, and are based on years of service and final average salary, as defined. The funding policy is to contribute to the Plan as necessary to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, as amended, plus such additional amounts as the Parent Company may determine to be appropriate from time to time. Pension expense allocated to the Company amounted to approximately \$5,589,000 and \$4,806,000 in 2009 and 2008, respectively. Pension obligation for nonvested employees allocated to the Company amounted to approximately \$803,000 and \$1,114,000 in 2009 and 2008, respectively.

At December 31, 2009, the Company recognized its proportionate share of a minimum pension liability aggregating \$4,951,532 in order to bring the accrued pension liability up to the level of the Plan's unfunded accumulated benefit obligation. This amount is offset by an intangible asset amounting to \$645,627 as of December 31, 2009. The net amount of the additional minimum pension liability and the intangible asset was recorded through a charge to unassigned surplus.

It is not practicable to determine the amounts of plan assets related to the Company, as required by accounting practices prescribed or permitted by the Commissioner of Insurance. However, the following information is provided at the plan level as it relates to all employees of the Parent Company and its subsidiaries.

The following table sets forth the Plan's benefit obligations, fair value of plan assets, and funded status as of December 31, 2009 and 2008 (in thousands):

**NOTES TO FINANCIAL STATEMENTS**

	<u>2009</u>	<u>2008</u>
Change in benefit obligation:		
Projected benefit obligation at beginning of year	\$ 83,129	87,900
Service cost	5,679	5,620
Interest cost	5,585	5,326
Benefit payments	(7,005)	(7,926)
Actuarial losses (gains)	2,261	(7,790)
Plan amendments	—	—
Projected benefit obligation at end of year	<u>\$ 89,649</u>	<u>83,130</u>
Accumulated benefit obligation at end of year	\$ 67,138	61,486
	<u>2009</u>	<u>2008</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 44,100	63,614
Actual return on assets (net of expenses)	8,337	(16,588)
Employer contributions	8,000	5,000
Benefit payments	(7,005)	(7,926)
Fair value of plan assets at end of year	<u>\$ 53,432</u>	<u>44,100</u>
Reconciliation of funded status:		
Funded status	(36,216)	(39,028)
Unrecognized transition obligation	997	1,088
Unrecognized prior service credit	(4,788)	(5,251)
Unrecognized actuarial loss	33,949	38,233
Accrued pension cost	<u>\$ (6,058)</u>	<u>(4,958)</u>

The components of net periodic benefit cost for 2009 and 2008 were as follows (in thousands):

	<u>2009</u>	<u>2008</u>
Components of net periodic benefit cost:		
Service cost	\$ 5,679	5,620
Interest cost	5,585	5,326
Expected return on assets	(4,017)	(5,027)
Amortization of transition obligation	90	90
Amortization of prior service cost (credit)	(463)	(463)
Amortization of actuarial loss	2,226	1,498
Net periodic benefit cost	<u>\$ 9,100</u>	<u>7,044</u>

Net periodic pension expense may include settlement charges as a result of retirees selecting lump-sum distributions. Settlement charges may increase in the future if the number of eligible participants deciding to receive distributions and the amount of their benefits increases.

The following assumptions were used on a weighted average basis to determine benefit obligations of the Plan as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Discount rate	6.75%	6.75%
Expected return on plan assets	8.00	8.00
Rate of compensation increase	Graded; 3.50 to 8.00	Graded; 3.50 to 8.00

The assumptions used in computing net periodic benefit expense for the years ended December 31, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Assumptions used in computing net periodic benefit cost:		
Discount rate	6.75%	6.25%
Expected return on plan assets	8.00	8.00
Rate of compensation increase	Graded; 3.50 to 8.00	Graded; 3.50 to 8.00

The basis used to determine the overall expected long-term rate of return on assets assumption is a

**NOTES TO FINANCIAL STATEMENTS**

forward-looking approach based on the current long term capital market outlook assumptions of the asset categories the trust invests in and the trust's target asset allocation. The assumed target asset allocation for the Plan is as follows: 44% – 56% equity securities, 35% – 45% debt securities, and 6% – 14% other securities.

Using a mean-variance model to project returns over 15 years horizon under the target asset allocation, the 35<sup>th</sup> to 65<sup>th</sup> percentile range of annual rates of return is 6.4%-8.4%.

**(a) Plan Assets**

The Parent Company's weighted average asset allocations at December 31, 2009 and 2008 by asset category were as follows:

	<u>2009</u>	<u>2008</u>
Asset category:		
Equity securities	53%	58%
Debt securities	41	31
Real estate	6	9
Other	—	2
Total	<u>100%</u>	<u>100%</u>

The Parent Company's plan assets are invested in the National Retirement Trust. The National Retirement Trust was formed to provide financial and legal resources to help members of the BCBSA offer retirement benefits to their employees.

The investment program for the National Retirement Trust is based on the precepts of capital market theory that are generally followed by institutional investors and who, by definition, are long-term-oriented investors. This philosophy holds that:

- Increasing risk is rewarded with compensating returns over time, and therefore, prudent risk-taking is justifiable for long-term investors.
- Risk can be controlled through diversification of assets classes and investment approaches, as well as diversification of individual securities.
- Risk is reduced by time, and over time, the relative performance of different asset classes is reasonably consistent. Over the long-term, equity investments have provided and should continue to provide superior returns over other security types. Fixed income securities can dampen volatility and provide liquidity in periods of depressed economic activity.
- The strategic or long-term allocation of assets among various asset classes is an important driver of long-term returns.
- Relative performance of various asset classes is unpredictable in the short-term, and attempts to shift tactically between asset classes are unlikely to be rewarded.

Investments will be made for the sole interest of the participants and beneficiaries of the programs participating in the National Retirement Trust. Accordingly, the assets of the National Retirement Trust are invested in accordance with these objectives:

- Ensure assets are available to meet current and future obligations of the participating programs when due.
- Earn a minimum rate of return no less than the actuarial interest rate.
- Earn the maximum return that can be realistically achieved in the markets over the long-term at a specified and controlled level of risk in order to minimize future contributions.
- Invest the assets with the care, skill, and diligence that a prudent person acting in a like capacity would undertake. The committee acknowledges that, in the process, it has the objective of controlling the costs involved with administering and managing the investments of the National Retirement Trust.

The target asset allocation for the Parent Company is as follows: 44% – 56% equity securities, 35% – 45% debt securities, and 6% – 14% other securities.

**(b) Cash Flows**

The Parent Company expects to contribute \$10,000,000 to its pension program in 2009.

The following benefit payments, which reflect expected future service, as appropriate, are expected

**NOTES TO FINANCIAL STATEMENTS**

to be paid:

2010	\$	3,809,000
2011		4,145,000
2012		4,770,000
2013		5,641,000
2014		6,236,000
2015 – 2019		46,530,000

**(13) Capital and Surplus**

As a member of the BCBSA, the Company is required by membership standards of the association to maintain liquidity as defined by BCBSA. That is, to maintain net worth exceeding the Company action level as defined in the NAIC's *Risk-Based Capital for Insurers Model Act*. The Company is in compliance with this requirement. On March 18, 2008, the Puerto Rico Insurance Code was amended to require that Insurance companies must comply with the requirements established by the NAIC's *Risk-Based Capital for Insurers Model Act* commencing on December 31, 2009.

Common stock included as a component of stockholder's equity has a par value of \$40 per share and consists of 3,750,000 shares issued, authorized and outstanding at December 31, 2009 and 2008, respectively.

The accumulated earnings of the Company are restricted as to the payment of dividends by statutory limitations applicable to domestic insurance companies. Such limitations restrict the payment of dividends by insurance companies generally to unrestricted unassigned surplus reported for statutory purposes, which is estimated at \$157 million at December 31, 2009.

**(14) Contingencies****(a) Legal Proceedings***Hau et al Litigation (formerly known as Jordan et al)*

On April 24, 2002, Octavio Jordán, Agripino Lugo, Ramón Vidal, and others filed a suit against the Company, TSS and others in the Court of First Instance for San Juan, Superior Section (the "Court"), alleging, among other things, violations by the defendants of provisions of the Puerto Rico Insurance Code, antitrust violations, unfair business practices, RICO violations, breach of contract with providers, and damages in the amount of \$12 million. Following years of complaint amendments, motions practice and interim appeals up to the level of the Puerto Rico Supreme Court, the plaintiffs amended their complaint on June 20, 2008 to allege with particularity the same claims initially asserted but on behalf of a more limited group of plaintiffs, and increase their claim for damages to approximately \$207 million. Discovery is expected to conclude by March 2010. The Company intends to vigorously defend this claim.

*Puerto Rico Center for Municipal Revenue Collection*

On March 1, 2006 and March 3, 2006, respectively, the Puerto Rico Center for Municipal Revenue Collection (CRIM) imposed a real property tax assessment of approximately \$1.3 million and a personal property tax assessment of approximately \$4.0 million upon TSS for fiscal years 1992-1993 through 2002-2003. During that time, TSS qualified as a tax-exempt entity under Puerto Rico law pursuant to rulings issued by the Puerto Rico tax authorities. In imposing the tax assessments, CRIM revoked the tax rulings retroactively, based on its contention that a for-profit corporation such as TSS is not entitled to such an exemption. On March 28, 2006 and March 29, 2006, respectively, TSS challenged the real and personal property tax assessments in the Court of First Instance. The court granted summary judgment affirming the real property and personal property tax assessments on October 29, 2007 and December 5, 2007, respectively.

After unsuccessfully filing motions for reconsideration in both cases, TSS appealed the court's decisions before the Puerto Rico Court of Appeals on November 29, 2007 and February 21, 2008, respectively. TSS also requested a consolidation of both cases, which the Court of Appeals approved on April 17, 2008. On June 30, 2008 the Court of Appeals confirmed the summary judgment issued by the Court of First Instance in both property tax cases. On September 29, 2008, TSS timely filed a certiorari petition with the Puerto Rico Supreme Court. The court denied the petition on March 13, 2009. TSS filed a request for reconsideration before the Puerto Rico Supreme Court on March 30, 2009, which was denied on April 29, 2009. TSS filed a second request for reconsideration, which was denied on May 22, 2009. The Company recorded an accrual which is included within accounts payable and accrued liabilities in the accompanying financial statements.

The Company submitted a petition for certiorari to the U.S. Supreme Court on August 26, 2009, based on its strong belief that CRIM's retroactive revocation of applicable tax rulings and its

## NOTES TO FINANCIAL STATEMENTS

imposition of a tax liability reaching back over ten years constituted a violation of the Company's due process rights. The U.S. Supreme Court has requested that CRIM filed a response on December 2, 2009. On January 11, 2010, the U.S. Supreme Court invited the Solicitor General of the U.S. to file a brief in this case expressing the views of the United States.

### *Dentists Association Litigation*

On February 11, 2009, the Puerto Rico Dentists Association (Colegio de Cirujanos Dentistas de Puerto Rico) filed a complaint in the Court of First Instance against 24 health plans operating in Puerto Rico that offer dental health coverage. The Corporation and two of its subsidiaries, TSS and TC were included as defendants. This litigation purports to be a class action filed on behalf of Puerto Rico dentists who are similarly situated; however, the complaint does not include a single dentist as a class representative nor a definition of the intended class.

The complaint alleges that the defendants, on their own and as part of a common scheme, systematically deny, delay and diminish the payments due to dentists so that they are not paid in a timely and complete manner for the covered medically necessary services they render. The complaint also alleges, among other things, violations to the Puerto Rico Insurance Code, antitrust laws, the Puerto Rico racketeering statute, unfair business practices, breach of contract with providers, and total damages in the amount of \$150 million. In addition, the complaint claims that the Puerto Rico Insurance Companies Association is the hub of an alleged conspiracy concocted by the member plans to defraud dentists.

There are numerous available defenses to oppose both the request for class certification and the merits. The Company intends to vigorously defend this claim.

Two codefendant plans removed the case to federal court, which the plaintiffs and the other codefendants, including the Company, opposed. The federal District Court decided that it lacked jurisdiction under the Class Action Fairness Act ("CAFA") and remanded the case to state court. The removing defendants petitioned to appeal to the First Circuit Court of Appeals. Having accepted the appeal, the First Circuit Court of Appeals issued an order in late October 2009 which found the lower court's decision premature. The Court of Appeals remanded the case to the federal District Court and allowed limited discovery to determine whether the case should be heard in federal court pursuant to CAFA.

### *Claims by Heirs of Former Shareholders*

The Company and TSS are defending four individual lawsuits, all filed in state court, from persons who claim to have inherited a total of 90 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, 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. Discovery is underway in each case. Management believes all these claims are time barred under one or more statutes of limitations and is vigorously defending them.

### **(b) *Guarantee Associations***

The Company is a member of the Asociación de Garantía de Seguros de Vida, Incapacidad y Salud. As a member, it is required to provide funds for the payment of claims and unearned premium reimbursements for policies issued by insurance companies declared insolvent. During 2009 and 2008 no assessments were attributable to the Company. The Company paid approximately \$33,000 and \$87,000 to this association during 2009 and 2008, respectively.

## **(15) Commitments**

The Company leases its office building, regional offices, certain equipment, and warehouse facilities under operating noncancelable leases. Minimum annual rental commitments at December 31, 2009 under existing agreements are summarized as follows:

**NOTES TO FINANCIAL STATEMENTS**

Years ending December 31:	
2010	\$ 7,181,000
2011	6,731,000
2012	6,510,000
2013	6,403,000
2014	6,346,000
Thereafter	<u>13,872,000</u>
Total	\$ <u>47,043,000</u>

Rental expense for 2009 and 2008 was approximately \$7,218,000 and \$7,216,000, respectively, after deducting approximately \$132,000 and \$265,000, respectively, related to amounts reimbursed by Medicare (see note 12).

**(16) Concentration of Credit Risk, Financial Instruments and Allowance for Doubtful Receivables**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of uncollected premiums, interest, and other investment income due and accrued, and miscellaneous receivables. A substantial majority of the Company's business activity is with insureds located throughout Puerto Rico, and as such, the Company is subject to the risks associated with the Puerto Rico economy.

**(17) Sale, Transfer and Servicing of Financial Assets and Extinguishment of Liabilities**

*Not Applicable*

**(18) Uninsured Accident and Health Plans**

The Company processes and pays claims as an Administrative Services Contract (ASC) plan for several private groups and as an Administrative Service Only (ASO) plan for the Reform Metro-North region. In accordance with SSAP No. 47, *Uninsured Plans*, the premiums earned and benefits incurred related to administrative service contracts are excluded from the accompanying statutory statements of revenue and expenses. Also, the administrative fees and related reimbursements from the uninsured plans are presented as a deduction of operating expenses in the accompanying statutory statements of revenue and expenses.

Following is a summary of the results from the operations of the uninsured accident and health plans during 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Gross reimbursement for medical costs incurred	\$ 291,251,579	254,679,368
Gross administrative fees earned	22,200,403	22,477,358
Gross claims and administrative expenses incurred	309,546,632	272,161,433
Net gain from operations	3,905,349	4,995,293

**(19) Direct Premium Written/Produced by Managing General agents/Thrid Party Administration**

*Not Applicable*

**(20) Other Items**

*Not Applicable*

**(21) Events Subsequent**

*Not Applicable*

**(22) Reinsurance****Section 1- General Interrogatories**

- (1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?

Yes ( )      No (X)

- (2) Have any policies issued by the company been reinsured with the company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a

**NOTES TO FINANCIAL STATEMENTS**

creditor or an insured or any person not primarily engaged in the insurance business?

Yes ( )          No (X)

**Section 2- Ceded Reinsurance Report**

(1) Does the company have any reinsurance agreements in effect under which the reinsurance may unilaterally cancel any reinsurance for reasons other than for nonpayment of premiums or other similar credit?

Yes ( )          No (X)

(1) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes ( )          No (X)

**(23) Retrospectively Rated Contracts & contracts Subject to Redetermination**

Premiums on retrospectively rated contracts are estimated based on experience and accumulated statistics data.

**(24) Claim Liabilities**

The activity in the claim liabilities during 2009 and 2008 is as follows (in thousands):

	<u>2009</u>	<u>2008</u>
Claim liabilities at beginning of year	\$ 210,637	201,604
Incurred claims:		
Current period insured events	1,506,164	1,348,892
Prior periods insured events	3,069	(3,522)
Total incurred	<u>1,509,233</u>	<u>1,345,370</u>
Payment for claims:		
Current period insured events	1,258,147	1,141,624
Prior periods insured events	212,828	194,713
Total paid	<u>1,470,975</u>	<u>1,336,337</u>
Claim liabilities at end of year	<u>\$ 248,895</u>	<u>210,637</u>

As a result of differences between actual amounts and estimates of insured events in prior years, the amounts included as incurred claims for prior period insured events differ from anticipated claims incurred. The amounts in the incurred claims for prior period insured events for the year 2009 reflect an unfavorable development of the claims liabilities attributed to higher than expected utilization. During 2008, prior period insured events caused a favorable development of the claims liability from lower utilization trends.

**(25) Intercompany Pooling Arrangements**

*Not Applicable*

**(26) Structured Settlements**

*Not Applicable*

**(27) Pharmaceutical Rebate Receivables**

Pharmaceutical rebates arrangements are administered by the Company's Pharmacy Benefit Manager (PBM). The PBM contracts directly with the pharmaceutical companies the terms and conditions applicable for rebatable drugs. Billings of rebates is then performed by the PBM on a quarterly basis. Once collected from the pharmaceutical companies the PBM remits to the Company the Company's share of rebates received. An estimate of quarterly billable rebates is recorded as a reduction of claims

**NOTES TO FINANCIAL STATEMENTS**

expenses in the accompanying statement of earnings. Subsequent adjustments to such estimates are recorded in the period they become known by the Company.

The following table sets forth the estimated rebates recorded for each quarter, the actual rebates as confirmed by the PBM in their most recent Rebate Confirmation schedule and the allocation of such rebate amount to the respective aging collections category, based in the date they were originally billed.

TOTAL								
Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Invoiced/Confirmed	Actual Rebates Collected Within 90 Days of Invoicing / Confirmation	Actual Rebates Collected Within 91 to 180 Days of Invoicing / Confirmation	Actual Rebates Collected More than 180 Days After Invoicing / Confirmation	Uncollected Rebates as of December 31, 2009	Admitted	Non-Admitted
12/31/09	\$ 3,786	\$ 4,268	\$ -	\$ -	\$ -	\$ 4,268	\$ 4,268	\$ -
09/30/09	4,973	4,025	(160)	-	-	4,184	4,184	-
06/30/09	5,116	4,782	2,390	-	-	2,392	2,392	-
03/31/09	4,037	4,839	3,812	975	-	52	52	-
	\$ 17,912	\$ 17,913	\$ 6,041	\$ 975	\$ -	\$ 10,896	\$ 10,896	\$ -
12/31/08	\$ 4,428	\$ 4,653	\$ 2,212	\$ 2,249	\$ 36	\$ 157	\$ -	\$ 157
09/30/08	4,490	4,411	1,592	2,812	7	(0)	-	(0)
06/30/08	4,855	4,401	3,728	673	-	0	-	0
03/31/08	3,572	4,340	1,673	2,657	11	0	-	0
	\$ 17,345	\$ 17,805	\$ 9,204	\$ 8,391	\$ 53	\$ 157	\$ -	\$ 157
12/31/07	\$ 3,173	\$ 3,369	\$ 1,129	\$ 2,451	\$ 128	\$ (339)	\$ -	\$ (339)
09/30/07	3,322	3,137	196	2,591	452	(102)	-	(102)
06/30/07	3,541	3,240	171	2,056	912	102	-	102
03/31/07	2,610	3,582	1,756	1,091	358	378	-	378
	\$ 12,646	\$ 13,329	\$ 3,252	\$ 8,188	\$ 1,850	\$ 39	\$ -	\$ 39
12/31/06	\$ 2,921	\$ 2,763	\$ 639	\$ 1,241	\$ 884	\$ 0	\$ -	\$ 0
09/30/06	2,496	2,611	-	965	1,646	0	-	0
06/30/06	1,669	2,288	224	-	2,065	(1)	-	(1)
03/30/06	1,563	1,959	556	1,404	(1)	0	-	0
	\$ 8,649	\$ 9,621	\$ 1,418	\$ 3,610	\$ 4,593	\$ (0)	\$ -	\$ (0)
12/31/05	\$ 1,689	\$ 1,686	\$ 453	\$ 889	\$ 344	\$ (0)	\$ -	\$ (0)

**NOTES TO FINANCIAL STATEMENTS**

09/30/05	1,587	1,584	563	1,021	-	(0)	-	(0)
06/30/05	1,555	1,546	-	1,019	527	-	-	-
03/30/05	1,498	1,481	-	-	1,481	-	-	-
	\$	\$	\$	\$	\$	\$	\$	\$
	6,329	6,297	1,016	2,929	2,352	(0)	-	(0)
12/31/04	\$	\$	\$	\$	\$	\$	\$	\$
	1,468	1,465	-	-	1,465	0	-	0
09/30/04	1,353	1,287	-	-	1,287	-	-	-
06/30/04	1,309	1,306	-	-	1,306	-	-	-
03/30/04	1,397	1,396	-	-	1,396	-	-	-
	\$	\$	\$	\$	\$	\$	\$	\$
	5,527	5,454	-	-	5,454	0	-	0
12/31/03	\$	\$	\$	\$	\$	\$	\$	\$
	1,271	1,283	-	-	1,283	0	-	0
09/30/03	1,127	1,122	-	-	-	-	-	-
06/30/03	1,092	1,087	-	-	-	-	-	-
03/30/03	906	902	-	-	-	-	-	-
	\$	\$	\$	\$	\$	\$	\$	\$
	4,395	4,394	-	-	1,283	0	-	0
	\$	\$	\$	\$	\$	\$	\$	\$
	72,804	74,814	20,931	24,093	15,585	11,093	10,896	196

**(28) Participating Policies***Not Applicable***(29) Premium Deficiency Reserves***Not Applicable***(30) Anticipated Salvage and Subrogation***Not Applicable*

**GENERAL INTERROGATORIES**  
**PART 1 - COMMON INTERROGATORIES**

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes (X) No ( )
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes (X) No ( ) N/A ( )
- 1.3 State Regulating? Puerto Rico
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes (X) No ( )
- 2.2 If yes, date of change: 02/17/2009
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2007
- 3.2 State the as of date of the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/1994
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). .....
- 3.4 By what department or departments? .....
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes ( ) No ( ) N/A (X)
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes ( ) No ( ) N/A (X)
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes ( ) No (X)
- 4.12 renewals? Yes ( ) No (X)
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes ( ) No (X)
- 4.22 renewals? Yes ( ) No (X)
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes ( ) No (X)
- 5.2 If yes, provide name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....	.....	.....
.....	.....	.....
.....	.....	.....

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes ( ) No (X)
- 6.2 If yes, give full information:  
.....  
.....
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes ( ) No (X)
- 7.2 If yes, ..... %
- 7.21 State the percentage of foreign control;
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g. individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity
.....	.....
.....	.....
.....	.....

**GENERAL INTERROGATORIES**

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes ( ) No (X)
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.  
 .....  
 .....
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes ( ) No (X)
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i. e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
 Price Waterhouse Cooper  
 .....
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
 John P. Wagner  
 9658 E. Walkabout Lane Traverse City, MI 496684
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes ( ) No (X)
- 11.11 Name of real estate holding company  
 .....  
 .....
- 11.12 Number of parcels involved .....
- 11.13 Total book/adjusted carrying value \$ .....  
 .....
- 11.2 If yes, provide explanation  
 .....  
 .....
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?  
 .....  
 .....
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States branch on risks wherever located? Yes ( ) No ( )
- 12.3 Have there been any changes made to any of the trust indentures during the year? Yes ( ) No ( )
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes ( ) No ( ) N/A (X)
- 13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?  
 (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;  
 (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;  
 (c) Compliance with applicable governmental laws, rules and regulations;  
 (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and  
 (e) Accountability for adherence to the code. Yes (X) No ( )
- 13.11 If the response to 13.1 is No, please explain:  
 .....  
 .....
- 13.2 Has the code of ethics for senior managers been amended? Yes ( ) No (X)
- 13.21 If the response to 13.2 is Yes, provide information related to amendment(s).  
 .....  
 .....
- 13.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes ( ) No (X)
- 13.31 If the response to 13.3 is Yes, provide the nature of any waiver(s).  
 .....  
 .....

**BOARD OF DIRECTORS**

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes (X) No ( )
15. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes (X) No ( )
16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees, or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes (X) No ( )

**GENERAL INTERROGATORIES**

**FINANCIAL**

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes ( ) No (X)
- 18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- |  |   |          |
|--|---|----------|
|  | 18.11 To directors or other officers              | \$ ..... |
|  | 18.12 To stockholders not officers                | \$ ..... |
|  | 18.13 Trustees, supreme or grand (Fraternal only) | \$ ..... |
- 18.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- |  |   |          |
|--|---|----------|
|  | 18.21 To directors or other officers              | \$ ..... |
|  | 18.22 To stockholders not officers                | \$ ..... |
|  | 18.23 Trustees, supreme or grand (Fraternal only) | \$ ..... |
- 19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes ( ) No (X)
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- |  |                            |          |
|--|----------------------------|----------|
|  | 19.21 Rented from others   | \$ ..... |
|  | 19.22 Borrowed from others | \$ ..... |
|  | 19.23 Leased from others   | \$ ..... |
|  | 19.24 Other                | \$ ..... |
- 20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes ( ) No (X)
- 20.2 If answer is yes:
- |  |  |          |
|--|--|----------|
|  | 20.21 Amount paid as losses or risk adjustment | \$ ..... |
|  | 20.22 Amount paid as expenses                  | \$ ..... |
|  | 20.23 Other amounts paid                       | \$ ..... |
- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes (X) No ( )
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ ..... 6,043,362

**INVESTMENT**

- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3) Yes (X) No ( )
- 22.2 If no, give full and complete information relating thereto:  
 .....
- 22.3 For the security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided)  
 .....
- 22.4 Does the Company's security lending program meet the requirements for a conforming program as outlined in Risk-Based Capital Instructions? Yes ( ) No (X) N/A ( )
- 22.5 If answer to 22.4 is YES, report amount of collateral for conforming programs. \$ .....
- 22.6 If answer to 22.4 is NO, report amount of collateral for other programs. \$ .....
- 23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3) Yes ( ) No (X)
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- |  |  |          |
|--|--|----------|
|  | 23.21 Subject to repurchase agreements                 | \$ ..... |
|  | 23.22 Subject to reverse repurchase agreements         | \$ ..... |
|  | 23.23 Subject to dollar repurchase agreements          | \$ ..... |
|  | 23.24 Subject to reverse dollar repurchase agreements  | \$ ..... |
|  | 23.25 Pledged as collateral                            | \$ ..... |
|  | 23.26 Placed under option agreements                   | \$ ..... |
|  | 23.27 Letter stock or securities restricted as to sale | \$ ..... |
|  | 23.28 On deposit with state or other regulatory body   | \$ ..... |
|  | 23.29 Other  | \$ ..... |

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....	.....	.....
.....	.....	.....
.....	.....	.....

- 24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes ( ) No (X)
- 24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? If no, attach a description with this statement. Yes ( ) No ( ) N/A (X)
- 25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes ( ) No (X)
- 25.2 If yes, state the amount thereof at December 31 of the current year. \$ .....

**GENERAL INTERROGATORIES**

**INVESTMENT**

26. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds, and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes ( ) No (X)

26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Bank of New York .....	One Mellon Center .....
.....	Room 151-1035 .....
.....	Pittsburgh, PA 15258-0001 .....

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....	.....	.....
.....	.....	.....
.....	.....	.....

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes ( ) No (X)

26.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

26.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
.....	.....	.....
.....	.....	.....
.....	.....	.....

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes (X) No ( )

27.2 If yes, complete the following schedule:

1 CUSIP#	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
464287-46-5 .....	Ishares MSCI EAFE Fund International .....	2,537,352
.....	.....	.....
.....	.....	.....
Line 27.2998 from Overflow page .....	.....	.....
Line 27.2999 TOTAL (9999999) .....	.....	2,537,352

27.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

**GENERAL INTERROGATORIES**

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds .....	\$ ..... 374,780,432	\$ ..... 375,787,983	\$ ..... 1,007,551
28.2 Preferred stocks .....	\$ ..... 180,320	\$ ..... 180,320	\$ .....
28.3 Totals .....	\$ ..... 374,960,752	\$ ..... 375,968,303	\$ ..... 1,007,551

28.4 Describe the sources or methods utilized in determining the fair values:  
 .....

29.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes (X) No ( )

29.2 If yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes (X) No ( )

29.3 If no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:  
 .....

30.1 Have all the filing requirements of the Purposes and Procedures manual of the NAIC Securities Valuation Office been followed? Yes (X) No ( )

30.2 If no, list exceptions:  
 .....

**OTHER**

31.1 Amount of payments to Trade Associations, service organizations and statistical or Rating Bureaus, if any? \$ .....

31.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
.....	\$ .....
.....	\$ .....
.....	\$ .....
.....	\$ .....

32.1 Amount of payments for legal expenses, if any? \$ .....

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....	\$ .....
.....	\$ .....
.....	\$ .....
.....	\$ .....

33.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ .....

33.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
.....	\$ .....
.....	\$ .....
.....	\$ .....
.....	\$ .....

**GENERAL INTERROGATORIES - Lines 26.01 (continued)**

1 Name of Custodian(s)	2 Custodian's Address
---------------------------	--------------------------

Agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook

26.01 - Agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook

**GENERAL INTERROGATORIES - Lines 26.02 (continued)**

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
--------------	------------------	------------------------------

**GENERAL INTERROGATORIES - Lines 26.04 (continued)**

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
--------------------	--------------------	---------------------	-------------

**GENERAL INTERROGATORIES - Lines 26.05 (continued)**

1 Central Registration Depository Number(s)	2 Name	3 Address
--	-----------	--------------

**GENERAL INTERROGATORIES - Lines 27.2 (continued)**

1 CUSIP Number	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
-------------------	--------------------------	-----------------------------------

**GENERAL INTERROGATORIES - Lines 27.3 (continued)**

1 Name of Mutual Fund (from question 27.2)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
--	--	---	------------------------

**GENERAL INTERROGATORIES**

**PART 2 - HEALTH INTERROGATORIES**

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes (X) No ( )
- 1.2 If yes, indicate premium earned on U.S. business only. \$ ..... 17,490,075
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ .....
- 1.31 Reason for excluding:  
 .....
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above \$ .....
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ ..... 14,838,159
- 1.6 Individual policies:
- |  |                         |                     |
|--|-------------------------|---------------------|
| Most current three years:                    |                         |                     |
| 1.61   | Total premium earned    | \$ ..... 17,490,075 |
| 1.62   | Total incurred claims   | \$ ..... 14,838,159 |
| 1.63   | Number of covered lives | ..... 36,085        |
| All years prior to most current three years: |                         |                     |
| 1.64   | Total premium earned    | \$ .....            |
| 1.65   | Total incurred claims   | \$ .....            |
| 1.66   | Number of covered lives | .....               |
- 1.7 Group policies:
- |  |                         |          |
|--|-------------------------|----------|
| Most current three years:                    |                         |          |
| 1.71   | Total premium earned    | \$ ..... |
| 1.72   | Total incurred claims   | \$ ..... |
| 1.73   | Number of covered lives | .....    |
| All years prior to most current three years: |                         |          |
| 1.74   | Total premium earned    | \$ ..... |
| 1.75   | Total incurred claims   | \$ ..... |
| 1.76   | Number of covered lives | .....    |
2. Health Test:
- |     | 1<br>Current Year         | 2<br>Prior Year        |
|-----|---------------------------|------------------------|
| 2.1 | Premium Numerator         | \$ ..... 1,665,492,445 |
| 2.2 | Premium Denominator       | \$ ..... 1,678,288,691 |
| 2.3 | Premium Ratio (2.1 / 2.2) | ..... 0.992            |
| 2.4 | Reserve Numerator         | \$ ..... 244,126,119   |
| 2.5 | Reserve Denominator       | \$ ..... 245,057,623   |
| 2.6 | Reserve Ratio (2.4 / 2.5) | ..... 0.996            |
- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes ( ) No (X)
- 3.2 If yes, give particulars:  
 .....
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes (X) No ( )
- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes ( ) No (X)
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes (X) No ( )
- 5.2 If no, explain:  
 .....
- 5.3 Maximum retained risk (see instructions)
- |      |                            |                    |
|------|----------------------------|--------------------|
| 5.31 | Comprehensive Medical      | \$ ..... 1,000,000 |
| 5.32 | Medical Only               | \$ .....           |
| 5.33 | Medicare Supplement        | \$ .....           |
| 5.34 | Dental & Vision            | \$ .....           |
| 5.35 | Other Limited Benefit Plan | \$ .....           |
| 5.36 | Other                      | \$ ..... 100,000   |
6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:  
 .....
- 7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes (X) No ( )
- 7.2 If no, give details:  
 .....
8. Provide the following information regarding participating providers:
- |     |  |              |
|-----|--|--------------|
| 8.1 | Number of providers at start of reporting year | ..... 11,555 |
| 8.2 | Number of providers at end of reporting year   | .....        |
- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes (X) No ( )
- 9.2 If yes, direct premium earned:
- |      |  |                  |
|------|--|------------------|
| 9.21 | Business with rate guarantees between 15-36 months | ..... 10,231,529 |
| 9.22 | Business with rate guarantees over 36 months       | .....            |

**GENERAL INTERROGATORIES (Continued)**

**PART 2 - HEALTH INTERROGATORIES**

- 10.1 Does the reporting entity have Incentive Pool, Withhold, or Bonus Arrangements in its provider contracts? Yes ( ) No (X)
- 10.2 If yes:
- |  |   |          |
|--|---|----------|
|  | 10.21 Maximum amount payable bonuses          | \$ ..... |
|  | 10.22 Amount actually paid for year bonuses   | \$ ..... |
|  | 10.23 Maximum amount payable withholds        | \$ ..... |
|  | 10.24 Amount actually paid for year withholds | \$ ..... |
- 11.1 Is the reporting entity organized as:
- |  |   |                |
|--|---|----------------|
|  | 11.12 A Medical Group / Staff Model,                | Yes ( ) No (X) |
|  | 11.13 An Individual Practice Association (IPA) , or | Yes ( ) No (X) |
|  | 11.14 A Mixed Model (combination of above)?         | Yes ( ) No (X) |
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes (X) No ( )
- 11.3 If yes, show the name of the state requiring such net worth. ..... Puerto Rico
- 11.4 If yes, show the amount required. \$ ..... 1,000,000
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes ( ) No (X)
- 11.6 If the amount is calculated, show the calculation
- .....
- .....

12.1 List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
Puerto Rico
Virgin Islands
.....

- 13.1 Do you act as a custodian for health savings accounts? Yes ( ) No (X)
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$ .....
- 13.3 Do you act as an administrator for health savings accounts? Yes (X) No ( )
- 13.4 If yes, please provide the balance of the funds administered as of the reporting date. \$ .....

**FIVE - YEAR HISTORICAL DATA**

	1	2	3	4	5
	2009	2008	2007	2006	2005
<b>BALANCE SHEET (Page 2 and Page 3)</b>					
1. Total admitted assets (Page 2, Line 26)	661,752,219	593,781,304	702,131,414	557,146,129	504,435,458
2. Total liabilities (Page 3, Line 22)	404,493,427	386,692,266	484,356,861	365,726,166	309,622,545
3. Statutory surplus	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
4. Total capital and surplus (Page 3, Line 31)	257,258,796	209,039,038	217,774,553	191,419,963	194,812,913
<b>INCOME STATEMENT (Page 4)</b>					
5. Total revenues (Line 8)	1,678,127,617	1,513,024,162	1,301,792,055	1,339,806,933	1,277,618,179
6. Total medical and hospital expenses (Line 18)	1,509,231,550	1,345,370,382	1,133,241,337	1,173,621,854	1,155,877,936
7. Claims adjustment expenses (Line 20)	22,341,277	23,289,986	24,888,807	25,894,299	24,418,376
8. Total administrative expenses (Line 21)	106,064,500	119,971,398	105,291,970	113,114,269	97,439,360
9. Net underwriting gain (loss) (Line 24)	40,490,290	24,392,396	38,369,941	27,176,511	(117,493)
10. Net investment gain (loss) (Line 27)	17,648,663	6,622,347	18,010,830	10,066,475	17,848,675
11. Total other income (Line 28 plus Line 29)	3,809,782	1,227,796	1,112,344	572,015	405,746
12. Net income or (loss) (Line 32)	33,662,525	21,838,004	41,742,896	24,723,110	16,126,083
<b>CASH FLOW (Page 6)</b>					
13. Net cash from operations (Line 11)	78,869,446	(22,356,148)	58,597,849	37,238,087	19,464,780
<b>RISK-BASED CAPITAL ANALYSIS</b>					
14. Total adjusted capital	257,258,796	209,039,038	217,774,553	191,419,963	194,812,913
15. Authorized control level risk-based capital	47,035,991	41,347,540	34,199,849	36,844,665	34,385,985
<b>ENROLLMENT (Exhibit 1)</b>					
16. Total members at end of period (Column 5, Line 7)	1,347,096	1,195,450	977,190	976,156	1,254,649
17. Total members months (Column 6, Line 7)	15,050,252	12,321,575	11,727,958	14,069,201	15,017,493
<b>OPERATING PERCENTAGE (Page 4)</b> (Item divided by Page 4, sum of Line 2, Line 3, and Line 5) X 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Line 3 plus Line 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19)	89.9	88.9	87.1	87.6	90.5
20. Cost containment expenses	0.3	0.4	0.5	0.6	0.4
21. Other claims adjustment expenses	1.0	1.1	1.4	1.9	1.5
22. Total underwriting deductions (Line 23)	97.6	98.3	97.1	98.0	100.0
23. Total underwriting gain (loss) (Line 24)	2.4	1.6	2.9	2.0	
<b>UNPAID CLAIMS ANALYSIS</b> (U and I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Column 5)	223,351,715	208,520,603	163,243,387	160,525,901	179,871,111
25. Estimated liability of unpaid claims of prior year (Line 13, Column 6)	206,260,139	196,794,041	180,134,905	175,837,393	165,770,122
<b>INVESTMENTS IN PARENT, SUBSIDIARIES, AND AFFILIATES</b>					
26. Affiliated bonds (Schedule D Summary, Line 12, Column 1)					
27. Affiliated preferred stocks (Schedule D Summary, Line 18, Column 1)					
28. Affiliated common stocks (Schedule D Summary, Line 24, Column 1)					
29. Affiliated short-term investments (subtotal included in Schedule DA Verification, Column 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. Total of above Line 26 to Line 31					

Note: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes ( ) No (X)

If no, please explain:  
Not a party to a merger

**SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS**

Allocated by States and Territories

States, Etc.	1		Direct Business Only Year to Date						
	Active Status		2 Accident and Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life and Annuity Premiums and Other Considerations	7 Property/Casualty Premiums	8 Total Column 2 Through Column 7
1. Alabama	AL	N							
2. Alaska	AK	N							
3. Arizona	AZ	N							
4. Arkansas	AR	N							
5. California	CA	N							
6. Colorado	CO	N							
7. Connecticut	CT	N							
8. Delaware	DE	N							
9. District of Columbia	DC	N							
10. Florida	FL	N							
11. Georgia	GA	N							
12. Hawaii	HI	N							
13. Idaho	ID	N							
14. Illinois	IL	N							
15. Indiana	IN	N							
16. Iowa	IA	N							
17. Kansas	KS	N							
18. Kentucky	KY	N							
19. Louisiana	LA	N							
20. Maine	ME	N							
21. Maryland	MD	N							
22. Massachusetts	MA	N							
23. Michigan	MI	N							
24. Minnesota	MN	N							
25. Mississippi	MS	N							
26. Missouri	MO	N							
27. Montana	MT	N							
28. Nebraska	NE	N							
29. Nevada	NV	N							
30. New Hampshire	NH	N							
31. New Jersey	NJ	N							
32. New Mexico	NM	N							
33. New York	NY	N							
34. North Carolina	NC	N							
35. North Dakota	ND	N							
36. Ohio	OH	N							
37. Oklahoma	OK	N							
38. Oregon	OR	N							
39. Pennsylvania	PA	N							
40. Rhode Island	RI	N							
41. South Carolina	SC	N							
42. South Dakota	SD	N							
43. Tennessee	TN	N							
44. Texas	TX	N							
45. Utah	UT	N							
46. Vermont	VT	N							
47. Virginia	VA	N							
48. Washington	WA	N							
49. West Virginia	WV	N							
50. Wisconsin	WI	N							
51. Wyoming	WY	N							
52. American Samoa	AS	N							
53. Guam	GU	N							
54. Puerto Rico	PR	N	713,714,847	497,669,294	348,096,953	124,155,242		1,683,636,336	
55. U.S. Virgin Islands	VI	N				1,838,311		1,838,311	
56. Northern Mariana Islands	MP	N							
57. Canada	CN	N							
58. Aggregate Other Alien	OT	X X X							
59. Subtotal		X X X	713,714,847	497,669,294	348,096,953	125,993,553		1,685,474,647	
60. Reporting entity contributions for Employee Benefit Plans		X X X							
61. Total (Direct Business)	(a)		713,714,847	497,669,294	348,096,953	125,993,553		1,685,474,647	

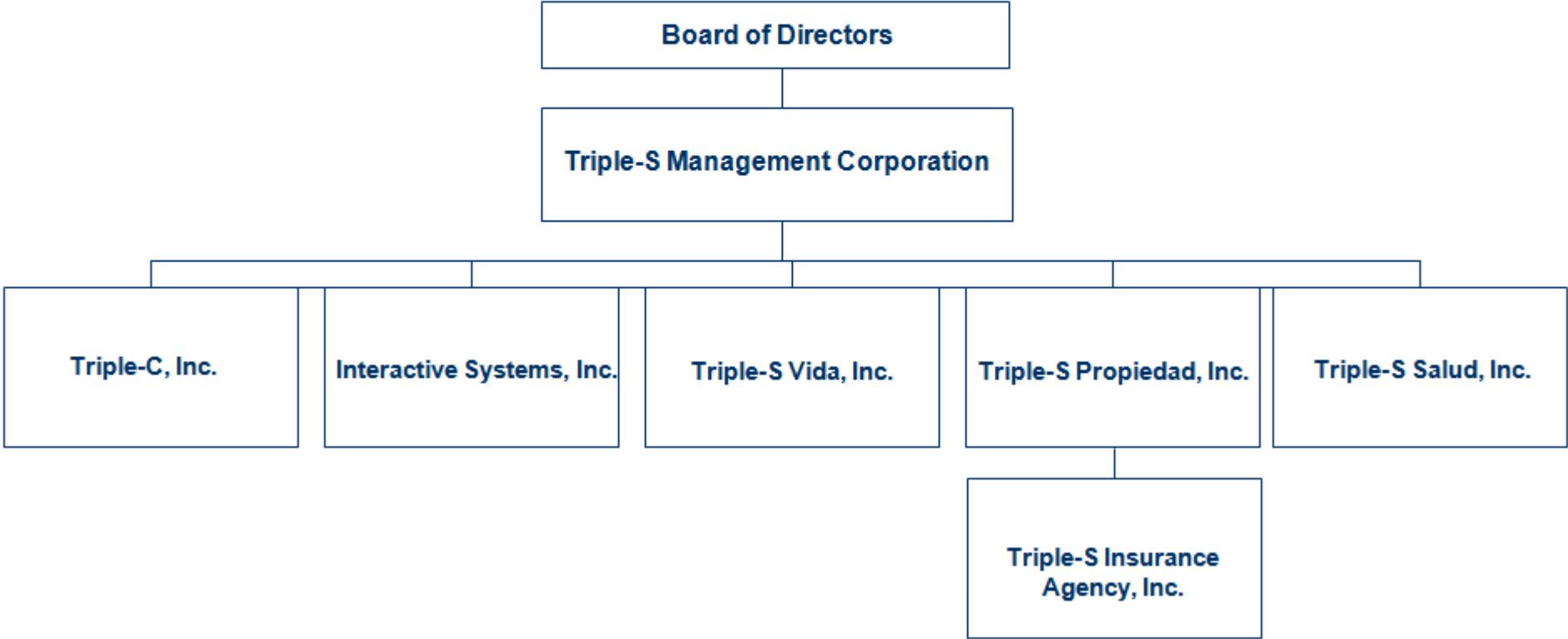
**DETAILS OF WRITE-INS**

5801.									
5802.									
5803.									
5898.	Summary of remaining write-ins for Line 58 from overflow page								
5899.	Total (Line 5801 through Line 5803 plus Line 5898) (Line 58 above)								

Explanation of basis of allocation by states, premiums by state, etc.

(a) Insert the number of "L" responses except for Canada and Other Alien.

# Triple-S Management Corporation Corporate Structure



# Health

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