

REPORT ON EXAMINATION

OF

TRIPLE-S VIDA, INC.

AS OF

DECEMBER 31, 2011

NAIC CODE 73814

AMENDED

BY THE

OFFICE OF THE COMMISSIONER OF INSURANCE

TABLE OF CONTENTS

Scope of Examination	1
Summary of Significant Findings	2
Current Examination Findings	2
Compliance with Prior Examination Findings	5
History	6
Capital Stock	7
Dividends to Stockholders.....	7
Surplus Note	7
Management and Control.....	8
Investment Plan.....	9
Corporate Governance	10
Conflict of Interest.....	10
Corporate Records	10
Articles of Incorporation and Bylaws	10
Board of Directors and Committee Minutes	11
Fidelity Bonds and Other Insurance	12
Pension and Insurance Plans.....	12
Employees' Retirement Plan	12
Intercompany Agreements	13
Growth of the Company	13
Insurance Products and Related Practices.....	14
Territory and Plan of Operations.....	14
Statutory Deposits.....	14
Unclaimed Funds	15
Reinsurance.....	16
Reinsurance Assumed	16
Reinsurance Ceded	16
Accounts and Records	18
Financial Statements	19
Comments on the Financial Statements.....	25
Subsequent Events	26
Summary of Examination Recommendations	27
Conclusion	29



COMMONWEALTH OF PUERTO RICO
OFFICE OF THE INSURANCE COMMISSIONER

June 24, 2013

Ms. Ángela Weyne Roig
Commissioner of Insurance
Office of the Commissioner of Insurance
B5 Tabonuco Street-Suite 216
PMB 356
Guaynabo, PR 00968-3029

Dear Commissioner:

In compliance with your instructions and pursuant to the Order Number EX-2012-20 dated October 1, 2012, and the Puerto Rico Insurance Laws and Regulations, a comprehensive risk focused examination and financial affairs examination was made of the books, records, and financial condition of

Triple-S Vida, Inc.,
1052 Muñoz Rivera
Rio Piedras, Puerto Rico 00927

hereinafter referred to as TSV or the Company.

Scope of Examination

The current examination was conducted at the home office of the Company located at Roosevelt Avenue 1441, San Juan, Puerto Rico. This examination covers the period of January 1, 2010 through December 31, 2011, including any material relevant transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

The examination was conducted in accordance with the *National Association of Insurance Commissioners Financial Condition Examiners Handbook* (Handbook). The Handbook requires that the examination be planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and Annual Statement instructions, as applicable to the Puerto Rico Insurance Laws and Regulations.

All accounts and activities of the Company were considered in accordance with the risk focused examination process.

Summary of Significant Findings

Current Examination Findings

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

Failure to Authorize Salaries and Other Compensation

A review of the minutes of the board of directors' (Board) meetings found no record of the prior authorization of salaries or other compensation over \$12,000 to directors, officers, and employees. The Company was not in compliance with Article 29.220 of the Insurance Code of Puerto Rico which requires prior approval by the board of directors of all compensation over \$12,000.

RAAIS - Late Filing

The Regulatory Asset Adequacy Issues Summary (RAAIS) was filed on October 23, 2012. The Company was not in compliance with Rule 95 of the Insurance Code of Puerto Rico which requires the submission of the RAAIS by March 15.

Unauthorized Reinsurers

Schedule S, Part 3 of the 2011 Annual Statement identified the following reinsurers as authorized:

- Generali USA Life Reassurance Company
- Great America Life Insurance Company
- Swiss Re Life and Health America, Inc.
- Transamerica Financial Life Insurance Company

These reinsurers are not currently authorized by the Office of the Commissioner of Insurances (OCI), and prior approval was not obtained from the OCI for their use. Furthermore, the Company took reserve credit in the amount of \$1,523,797 related to these reinsurers.

The Company was not in compliance with Article 4.120 of the Insurance Code of Puerto Rico which requires prior approval for the use of unauthorized reinsurers. The Company was not in compliance with Article 5.060 of the Insurance Code of Puerto Rico which does not allow reserve credit for reinsurance not authorized by Article 4.120.

ADRUS - Unauthorized Reinsurer

It was found that the reinsurer of the Company's long term disability reinsurance agreement is currently the American Disability Reinsurance Underwriters Syndicate (ADRUS). ADRUS is an unauthorized reinsurer, the use of which was not approved by the OCI. Furthermore, the Company took reserve credit in the amount of \$10,139,291 related to the cessions to ADRUS.

The Company was not in compliance with Article 4.120 of the Insurance Code of Puerto Rico which requires prior approval for the use of unauthorized reinsurers. The Company was not in compliance with Article 5.060 of the Insurance Code of Puerto Rico which does not allow reserve credit for reinsurance not authorized by Article 4.120.

Lack of Contract with Reinsurance Intermediary

The Company utilizes the authorized reinsurance intermediary, Willis Re, Inc. There is no written contract in place. The Company is not in compliance with Section 5 of Rule 97 of the Insurance Code of Puerto Rico which requires a written contract between insurer and reinsurance intermediary and specifies certain clauses to be included in such an agreement.

Intercompany Arrangements not Formalized

The Company is party to both management and cost allocation arrangements with Triple-S Management Corporation (TSM). These arrangements are not in the form of written agreements. The Company is not in compliance with SSAP 25 (SSAP 96 was superseded by SSAP 25) which requires that all intercompany transactions be in the

form of a written agreement. This was an unremediated finding from the previous exam report.

Unclaimed Funds Report - Late Filing

The Company submitted the required written report of unclaimed funds to the OCI on May 2 and May 29 of 2010 and 2011, respectively. The Company was not in compliance with Article 26.040 of the Insurance Code of Puerto Rico which requires that the report be submitted on or before May 1.

Failure to Keep Corporate Minutes in Main Office

It was found that the board of directors and investment committee meeting minutes are kept in the main offices of the Company's parent, Triple-S Management, Inc. The Company is not in compliance with Rule 66, Section 4 (C) (2)(f) of the Insurance Code of Puerto Rico which requires that the books of accounts as well as the original documents and all other documentation related to business insurance and investment transactions must be kept at the insurer's main offices.

Compliance with Prior Examination Findings

The following is the only significant adverse finding contained in the OCI' prior examination report as of December 31, 2009, along with resulting action taken by the Company in connection therewith. Based upon testing performed during the current examination period, the Company had not remediated the examination finding. The following finding was identified in the prior examination report:

Intercompany Arrangements not Formalized

The Company was party to both management and cost allocation arrangements with Triple-S Management Corporation (TSM). These arrangements were not in the form of written agreements. The Company was not in compliance with SSAP 96 (SSAP 96 was superseded by SSAP 25) which requires that all intercompany transactions be in the form of a written agreement.

History

The Company was originally incorporated in September 1964, under the provisions of the Insurance Code of Puerto Rico, and has operated under several names and ownerships since incorporation. The Company has been engaged in the underwriting of life, disability, supplemental health insurance, and the administration of annuities and individual retirement accounts. The Company is licensed to write business in both Puerto Rico and the U.S. Virgin Islands (USVI), but currently only writes business in Puerto Rico. Although the Company is not currently writing business in the USVI, there are still a small number of renewal life policies in force.

The Company has been a wholly owned subsidiary of TSM since January 31, 2006, when TSM completed the acquisition of 100 percent of the common stock of the Company under its previous name, Great American Life Assurance Company of Puerto Rico. Subsequently, the Company's operations were merged with TSM's life insurance subsidiary, Seguros de Vida Triple S. Effective November 1, 2007, the Company was incorporated as prescribed by the laws and the provisions of the Insurance Code of Puerto Rico under its current name.

Capital Stock

As of December 31, 2011, the Company had 3,000,000 common stock shares authorized, issued, and outstanding with a par value of \$1 per share for paid in capital of \$3,000,000. TSV is a direct subsidiary of TSM, which owns 2,999,994 of the 3,000,000 shares outstanding. TSM is a public company traded on the New York Stock Exchange.

The remaining six shares were issued to the following directors in compliance with Article 29.150(1) of the Insurance Code of Puerto Rico:

Juan Rodríguez Diaz
Luis Clavell Rodríguez
Arturo Carrión Crespo
Manuel Figueroa Collazo
Ramón Ruiz Comas
Adamina Soto-Martínez

Subsequent Event: Adamina Soto-Martínez resigned from the Board in May 2012. She has not been replaced.

Dividends to Stockholders

The Company did not declare or pay dividends during the period of examination.

Surplus Note

On December 22, 2005, the Company entered into a \$57 million surplus note agreement with TSM pursuant to the provisions of Article 29.300 of the Insurance Code of Puerto Rico. The note accrues interest at an annual rate of 6.6%. According with the requirements established by the OCI no payment of the total of neither the principal nor the interest due on the loan is made without first obtaining written authorization from

the OCI. The OCI granted the approval to convert \$20 million of the principal to additional paid-in surplus on January 17, 2008. The carrying amount of the surplus note as of December 31, 2011, was \$37 million.

Subsequent event: During the 3rd quarter of 2012, the OCI approved the payment of \$5 million to the principal of the surplus note. As of September 30, 2012, the outstanding balance of the surplus note was \$32,000,000.

Management and Control

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

As of the examination date, the directors of the Company, who were elected at the annual meeting of stockholders on May 23, 2011, were as follows:

<u>Directors</u>	<u>Principal Occupation</u>	<u>Resident</u>
Juan Rodríguez Diaz	Lawyer	San Juan, Puerto Rico
Luis Clavell Rodríguez	Physician	San Juan, Puerto Rico
Arturo Carrión Crespo	President, TSV	San Juan, Puerto Rico
Manuel Figueroa Collazo	President, VERNET, Inc.	San Juan, Puerto Rico
Ramón Ruiz Comas	President & CEO, TSM	San Juan, Puerto Rico
Adamina Soto-Martínez	Founder and Former Managing Partner, Kevane Grant Thornton, LLP	San Juan, Puerto Rico

Subsequent Event: Adamina Soto-Martínez resigned from the Board in May 2012. She has not been replaced.

The officers of the Company, as appointed in the annual meeting of the board of directors on May 23, 2011, were the following:

Arturo Carrión Crespo	President
Carlo La Russa	Secretary and Treasurer
Juan José Diaz Goitia	Executive Vice President
Edgardo Diaz Usero	Senior Vice President
Pedro Torres	Vice President
María Del Pilar Rodríguez	Vice President
José Antonio Soto	Vice President

Subsequent event: As of October 1, 2012, Juan José Diaz Goitia was promoted to Chief Information Officer of an affiliate, Interactive Systems, Inc. The position of Executive Vice President has not yet been filled.

Investment Plan

Article 6.040 of the Insurance Code of Puerto Rico provides, among other things, that the board of directors of the insurer shall adopt a written plan to acquire and maintain investments, and to outline their investment practices. The Company adopted a plan of investment, which was approved by the board of directors of the Company on January 27, 2009. The plan was revised on October 25, 2011 and approved by the Board.

The Company's investment plan established the professional qualifications of the persons who will make routine decisions to ensure investment competence and ethical conduct in compliance with the provisions of Article 6.040 of the Insurance Code of Puerto Rico.

Corporate Governance

The parent company, Triple-S Management Corporation (TSM), is a publicly traded corporation and, therefore, is subject to the Sarbanes-Oxley Act of 2002.

Conflict of Interest

The Company requires its directors, officers, and key employees to sign the conflict of interest questionnaires concerning items that could have an impact on the way they conduct the Company's business in accordance with Article 29.230 of the Insurance Code of Puerto Rico. The review of the conflict of interest questionnaires revealed that the Company is in compliance.

Corporate Records

The Articles of Incorporation, bylaws and all amendments thereto, and the minutes of the meetings of the board of directors, board of director committees, and shareholders were reviewed for the period under examination. The following amendments to the Articles of Incorporation and bylaws were noted:

Articles of Incorporation and Bylaws

The Articles of Incorporation and bylaws were amended to set the number of required directors to five and to consolidate certain paragraphs to mirror those of the parent and other subsidiaries. The amendments were approved by the Board in an ordinary meeting held on February 10, 2012.

The ordinary meeting to approve this change was held constituting a quorum as required by Article 1, Section 4 of the bylaws and in compliance with Article 29.070 of

the Insurance Code of Puerto Rico. The amended Articles of Incorporation and bylaws were approved by the OCI on June 14, 2012.

Board of Directors and Committee Minutes

The recorded minutes of the meetings of the Board were reviewed for the period under examination. Other than the finding noted below, the recorded minutes of the Board adequately documented its meetings, approval of Company transactions and events in accordance with Chapter 29 of the Insurance Code of Puerto Rico.

The review of the minutes of the board of directors' meetings found no record of the prior authorization of salaries or other compensation over \$12,000 to directors, officers, and employees. The Company was not in compliance with Article 29.220 of the Insurance Code of Puerto Rico which requires prior approval by the board of directors of all compensation over \$12,000.

The Board delegates the authority to make investment decisions to the investment committee. The investment committee held meetings during the examination period to approve the purchases of securities. The purchases of the securities were acquired in compliance with the provisions of the Articles 6.080 and 6.090 of the Insurance Code of Puerto Rico.

The Company's overall investment procedures were in compliance with Article 6.040(2) of the Insurance Code of Puerto Rico in that the Board ratified the investment transactions, which were approved by the investment committee.

It was found that the board of directors and investment committee meeting minutes are kept in the main offices of the Company's parent, Triple-S Management,

Inc. The Company is not in compliance with Rule 66, Section 4 (C) (2)(f) of the Insurance Code of Puerto Rico which requires that the books of accounts as well as the original documents and all other documentation related to business insurance and investment transactions must be kept at the insurer's main offices.

Fidelity Bonds and Other Insurance

The Company, through the corporate insurance program managed by TSM, maintained fidelity bond coverage with a single loss limit of \$5 million and an aggregate loss limit of \$10 million with a deductible of \$250,000. These amounts are in excess of the suggested minimum amount as recommended by the NAIC. The Company is also a named insured on various other policies providing Directors and Officers (D&O), Errors and Omissions (E&O), Commercial Property & Liability, Crime, and Umbrella coverage.

Pension and Insurance Plans

Employees' Retirement Plan

The Company provides retirement benefits to substantially all employees, after one year of service. The benefits are provided through a defined contribution plan in the form of a Profit Sharing and Savings Plan. Banco Popular is the custodian of the plan and, as such, executes all investment transactions and holds assets of the plan. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The Profit Sharing and Savings Plan allows employees to contribute up to 10% of their annual salary or \$10,000, whichever is less. The Company matches 100% of the

employee's contribution for the first 1% of their annual salary and 50% for the next 2% and 3%. Additional contributions may be made to the plan at the discretion of the board of directors of the Company.

Employees become gradually vested at a rate of 25% for each year of service starting the third year and are 100% vested after six years of service for the matching and discretionary contributions. For the profit-sharing contributions, employees are fully vested after three years of continuous service. Employees are fully vested for their contributions and allocated earnings or losses immediately.

Intercompany Agreements

The Company has the following unwritten arrangements with affiliates.

Management fees paid to the Company's parent, TSM amounted to \$1,800,000 in 2011. In addition, the Company is allocated certain expenses related to services provided by TSM on behalf of the Company, which amounted to \$4,555,200 for 2011.

There are no written agreements related to these management and cost allocations fees. The Company was not in compliance with SSAP 25 of the *NAIC Accounting Practices and Procedures Manual*, which requires all intercompany transactions to be in the form of a written agreement. This was an unremediated finding from the 2009 examination.

Growth of the Company

The following data was obtained from the annual statements filed with the OCI:

Year	Admitted Assets	Liabilities	Company Capital Stock	Gross Paid Contributed Surplus	Unassigned Surplus
2011	\$424,867,600	\$367,239,512	\$3,000,000	\$22,060,000	\$(4,431,912)
2010	380,559,749	326,446,370	3,000,000	22,060,000	(7,946,621)

Insurance Products and Related Practices

The Company is authorized to write life and disability insurance in conformity with Chapter 4 of the Insurance Code of Puerto Rico. For the period covered by this examination, the major kind of insurance and gross premiums written were as follows:

	2011	2010
Industrial Life	\$8,419	\$9,075
Ordinary Life	76,390,918	72,161,338
Life Annuities	31,854,202	10,733,324
Credit Life	3,771	18,048
Group Life	5,280,936	5,790,567
A&H Group	4,595,474	6,182,703
A&H Other	36,624,316	32,642,474
TOTAL	\$154,758,036	\$127,537,529

Territory and Plan of Operations

For the period covered under this examination, the Company was licensed to transact insurance business in the following territories with the corresponding written gross premiums:

	2011	2010
Puerto Rico	\$154,757,851	\$127,537,400
USVI	185	129
TOTAL	\$154,758,036	\$127,537,529

Statutory Deposits

As of December 31, 2011, the Company maintained the following statutory deposits with the OCI in compliance with Article 3.151 of the Insurance Code of Puerto Rico.

Description	Maturity Date	Par Value	Amortized Value
P.R.I.D. Bonds	7/01/12	\$290,000	\$290,000
PR Sales Tax	8/01/38	1,250,000	1,280,054
TOTAL		\$1,540,000	\$1,570,054

Article 3.151 of the Insurance Code of Puerto Rico requires that a domestic insurer shall not be authorized to transact insurance in Puerto Rico, unless it deposits and maintains on deposit assets with a value not less than fifty percent (50%) of the amount of the minimum required paid-in capital. The deposit is held to protect the Puerto Rico insurance policyholders and creditors. Article 3.090 of the Insurance Code of Puerto Rico requires the Company to maintain minimum paid-in capital of \$2,500,000 and statutory deposit of not less than \$1,250,000 of amortized value. The Company was in compliance with Article 3.151 and Article 3.090 of the Insurance Code of Puerto Rico as of December 31, 2011.

Article 3.160 of the Insurance Code of Puerto Rico requires that 50% of the minimum paid in capital be in Puerto Rico securities. The Company maintained investments in Puerto Rico securities in \$37,114,242 at amortized cost. The Company was in compliance with Article 3.160 of the Insurance Code of Puerto Rico as of December 31, 2011.

Unclaimed Funds

The Company submitted the required written report of unclaimed funds to the OCI on May 2 and May 29 of 2010 and 2011 respectively. The Company was not in compliance with Article 26.040 of the Insurance Code of Puerto Rico which requires that the report be submitted on or before May 1.

The Company submitted to the OCI the notice of unclaimed funds owed and the payment of the unclaimed funds and was in compliance with Articles 26.050 and 26.060 of the Insurance Code of Puerto Rico.

Reinsurance

Reinsurance Assumed

The Company did not assume any risks during the examination period.

Reinsurance Ceded

The Company maintained several reinsurance contracts in force as of December 31, 2011. Reinsurance cessions are made under pro rata, excess of loss, and catastrophic treaties.

The principle reinsurance agreements included the following:

- A group life pro rata agreement in which the Company cedes 50% of the risk up to \$250,000 on the life of any participating individual,
- A group life facultative excess of loss agreement in which the Company cedes risks in excess of \$25,000 on certain group life policies,
- A combined pro rata and excess of loss agreement in which the Company cedes 50% of the losses up to \$200,000 and 100% of the excess of \$200,000,
- A facultative pro rata agreement for the long-term disability insurance in which the Company cedes 65% of the risk, and
- An accidental death catastrophic agreement that covers each and every accident arising out of one event or occurrence resulting in the death or dismemberment of five or more persons. The retention for each event is \$250,000 with a maximum of \$1,000,000 for each event and \$2,000,000 per year.

The Company has several other reinsurance agreements covering the individual life business mostly on an excess of loss basis up to a maximum retention of \$50,000 and retention of \$175,000 for certain products issued after 1999.

The reinsurance contracts reviewed complied with NAIC guidelines with respect to the insolvency clause, arbitration clause, transfer of risk, reporting, and settlement information deadlines as stated in SSAP 61 of the *NAIC Accounting Practices and Procedures Manual*.

Schedule S, Part 3 of the 2011 Annual Statement identified the following reinsurers as authorized:

- Generali USA Life Reassurance Company
- Great America Life Insurance Company
- Swiss Re Life and Health America, Inc.
- Transamerica Financial Life Insurance Company

These reinsurers are not currently authorized by the OCI, and prior approval was not obtained from the OCI for their use. Furthermore, the Company took reserve credit in the amount of \$1,523,797 related to these reinsurers. The Company was not in compliance with Article 4.120 of the Insurance Code of Puerto Rico which requires prior approval for the use of unauthorized reinsurers. The Company was not in compliance with Article 5.060 of the Insurance Code of Puerto Rico which does not allow reserve credit for reinsurance not authorized by Article 4.120.

It was found that the reinsurer of the Company's long term disability reinsurance agreement is currently the American Disability Reinsurance Underwriters Syndicate (ADRUS). ADRUS is an unauthorized reinsurer, the use of which was not approved by the OCI. Furthermore, the Company took reserve credit in the amount of \$10,139,291 related to the cessions to ADRUS. The Company was not in compliance with Article 4.120 of the Insurance Code of Puerto Rico which requires prior approval for the use of unauthorized reinsurers. The Company was not in compliance with Article 5.060 of the Insurance Code of Puerto Rico which does not allow reserve credit for reinsurance not authorized by Article 4.120.

The Company utilizes the authorized reinsurance intermediary, Willis Re, Inc. There is no written contract in place. The Company is not in compliance with Section 5 of Rule 97 of the Insurance Code of Puerto Rico which requires a written contract between insurer and reinsurance intermediary and specifies certain clauses to be included in such an agreement.

Accounts and Records

The Company maintained its principal operational offices in San Juan, Puerto Rico where this examination was conducted.

An independent CPA audited the Company's statutory basis financial statements for the years 2010 and 2011 in compliance with Rule 14-A, Section 4 of the Insurance Code of Puerto Rico, as amended. Supporting work papers were prepared by the CPA as required by Rule 14-A, Section 13 of the Insurance Code of Puerto Rico.

The actuarial study and opinion for the period under examination was prepared by Steven Griffith, MAAA, of Griffith, Ballard and Company, Cedar Rapids, Iowa.

The Regulatory Asset Adequacy Issues Summary (RAAIS) was filed on October 23, 2012. The Company was not in compliance with Rule 95 of the Insurance Code of Puerto Rico which requires the submission of the RAAIS by March 15.

Financial Statements

Below are the financial statements of the Company:

- Assets
- Liabilities, Surplus, and Other Funds
- Summary of Operations
- Capital and Surplus Account

Triple-S Vida, Inc.
Assets

As of December 31, 2011

	Annual Statement	Examination Adjustments	Examination Balance
Bonds	\$ 355,889,375		\$ 355,889,375
Common stocks	33,550,821		33,550,821
Cash and short-term investments	2,089,013		2,089,013
Contract loans	6,306,635		6,306,635
Investment income due and accrued	4,758,919		4,758,919
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	2,073,842		2,073,842
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	18,635,641		18,635,641
Amounts recoverable from reinsurers	758,725		758,725
Net deferred tax asset	84,030		84,030
Electronic data processing equipment and software	390,599		390,599
Other assets	330,000		330,000
Total Assets	<u>\$ 424,867,600</u>		<u>\$ 424,867,600</u>

Triple-S Vida, Inc.
Liabilities, Surplus and Other Funds

As of December 31, 2011

	Annual Statement	Examination Adjustments	Examination Balance
Aggregate reserve for life contracts	\$ 296,921,497	\$ 41,156	\$ 296,962,653
Aggregate reserve for accident and health contracts	23,462,759	11,621,932	35,084,691
Contract claims:			
Life	8,370,543		8,370,543
Accident and health	9,867,300		9,867,300
Premiums and annuity considerations for life and accident and health received in advance	150,280		150,280
Other amounts payable on reinsurance	1,233,987		1,233,987
Interest maintenance reserve	13,861,541		13,861,541
Commissions to agents due or accrued – life and annuity contracts	2,545,383		2,545,383
General expenses due or accrued	4,297,187		4,297,187
Taxes, licenses and fees due or accrued	832,625		832,625
Current federal and foreign income taxes	95,662		95,662
Amounts held for agents' account	432,585		432,585
Asset valuation reserve	1,993,627		1,993,627
Payable to parent, subsidiaries and affiliates	1,513,424		1,513,424
Unclaimed funds	619,960		619,960
Other payables	1,041,152		1,041,152
Total liabilities	<u>\$367,239,512</u>	<u>\$11,663,088</u>	<u>\$378,902,600</u>
Common capital stock	\$3,000,000		\$3,000,000
Surplus notes	37,000,000		37,000,000
Gross paid in and contributed surplus	22,060,000		22,060,000
Unassigned funds (surplus)	(4,431,912)	(\$11,663,088)	(16,095,000)
Total Surplus	<u>\$57,628,088</u>	<u>(\$11,663,088)</u>	<u>\$45,965,000</u>
Total Liabilities and Surplus	<u>\$ 424,867,600</u>	<u>\$0</u>	<u>\$ 424,867,600</u>

Triple-S Vida, Inc.
Summary of Operations

As of December 31, 2011

Premiums and annuity considerations for life and accident and health contracts	\$151,460,052
Net investment income	18,823,297
Amortization of interest maintenance reserve	1,385,818
Aggregate write-ins for miscellaneous income	581,001
Total	<u>\$172,250,168</u>
Death benefits	\$22,720,098
Matured endowments	648,562
Annuity benefits	447,951
Disability benefits and benefits under accident and health contracts	16,860,441
Surrender benefits and withdrawals for life contracts	12,842,672
Increase in aggregate reserves for life and accident and health contracts	39,365,592
Total	<u>\$92,885,316</u>
Commissions on premiums, annuity considerations and deposit-type contract funds	34,450,897
General insurance expense	31,390,032
Insurance taxes, licenses and fees	3,029,889
Increase in loading on deferred and uncollected premiums	512,449
Aggregate write-ins for deductions	5,000,000
Total	<u>\$167,268,583</u>
Net gain from operations	4,981,585
Federal and foreign income taxes incurred	661,226
Net realized capital gain	1,155,197
Net (Loss)/Income	<u><u>\$ 5,475,556</u></u>

Triple-S Vida, Inc.
Capital and Surplus Account

As of December 31, 2011

Capital and surplus, December 31, prior year	<u>\$54,113,379</u>
Net income (loss)	\$5,475,556
Change in net unrealized capital gains	(2,026,156)
Change in net deferred income tax	303,974
Change in nonadmitted assets	(169,043)
Change in asset valuation reserve	(69,622)
Examination Adjustment	<u>(11,663,088)</u>
Net change in capital and surplus for the year	<u>(\$8,148,379)</u>
Capital and surplus, December 31, current year	<u>\$45,965,000</u>

Triple-S Vida, Inc.
Reconciliation of Capital and Surplus Account

As of December 31, 2011

Capital and Surplus Account
December 31, 2011, per Annual Statement \$57,628,088

	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>	
ASSETS:				
No Adjustment				
LIABILITIES:				
Aggregate Reserve for Life Contracts	296,921,497	296,962,653	(\$41,156)	
Aggregate Reserve for Accident and Health Contracts	23,462,759	35,084,691	(11,621,932)	
Net Change in Surplus:				<u>(11,663,088)</u>
Capital and Surplus Account December 31, 2011, Per Examination				<u><u>\$45,965,000</u></u>

Comments on the Financial Statements

Aggregate Reserve for Life Contracts

Aggregate Reserve for Accident and Health Contracts

Contract Claims: Life

Contract Claims: Accident and Health

Uncollected Premiums and Agents' Balances in Course of Collection

Deferred Premiums, Agents' Balances, and Installments Booked but Deferred and Not Yet Due

An independent review of aggregate reserves was performed by INS Consultants, Inc. (INS), Philadelphia, Pennsylvania.

INS identified the risks related to reserve determination procedures and methodologies associated with each product segment and in some cases with certain product types within the product segment. This risk assessment process included consideration of the likelihood that the reserve for a particular product group would fall below statutory requirements, the likelihood that the reserve would fail to provide for future cash flow demands and the potential impact on surplus if the reserve established failed to meet its goals. INS also took into account its knowledge of TSV in particular and the insurance industry in general and applied professional judgment in assessing the risks. For each product type, examination procedures were performed by INS depending on the residual risk assessments as determined by INS.

Reserves were reviewed by INS for compliance with standard valuation laws, applicable National Association of Insurance Commissioners Actuarial Guidelines and Model Regulations. INS verified reserve compliance except for 10, 15, 20, and 30 year term plans. For these plans, TSV did not comply with the Valuation of Life Insurance

Policies Model Regulation, commonly referred to as Guideline XXX which took effect as of January 1, 2000, but has not been adopted by Puerto Rico. INS estimated that the additional reserve required to comply with Guideline XXX is approximately \$54.7 million. It is of note that TSV's asset adequacy analysis demonstrates that the current reserve amount is sufficient.

The balance sheet items enumerated in the examination scope appear to be calculated using valuation parameters which appear to be free of any material error and valuation files that appear to be complete. Based on the above discussion and analysis, INS concluded that the December 31, 2011, balance sheet items covered in the examination scope appear fairly stated.

As mentioned above, the Company took reserve credit of \$11,663,088 for several unauthorized reinsurers. The Company was not in compliance with Article 5.060 of the Insurance Code of Puerto Rico which does not allow reserve credit for reinsurance not authorized by Article 4.120. The financial adjustment to reserves reflects the reserve credit taken.

Subsequent Events

Adamina Soto-Martínez resigned from the Board in May 2012. She has not been replaced.

As of October 1, 2012, Juan José Diaz Goitia, Executive Vice President, was promoted to Chief Information Officer of affiliate, Interactive Systems, Inc. The position of Executive Vice President has not yet been filled.

During the 3rd quarter of 2012, the OCI approved the payment of \$5 million to the principal of the surplus note. As of September 30, 2012, the outstanding balance of the surplus note was \$32,000,000.

Summary of Examination Recommendations

Failure to Authorize Salaries and Other Compensation

It is recommended that the board of directors authorize in advance, all salaries and other compensation over \$12,000 to directors, officers and employees as required by Article 29.220 of the Insurance Code of Puerto Rico.

RAAIS - Late Filing

It is recommended that the Company file the Regulatory Asset Adequacy Issues Summary by the due date required by Rule 95 of the Insurance Code of Puerto Rico.

Unauthorized Reinsurers

It is recommended that the Company obtain prior approval for the use of unauthorized reinsurers.

ADRUS - Unauthorized Reinsurer

It is recommended that the Company obtain prior approval for the use of unauthorized reinsurers.

Lack of Contract with Reinsurance Intermediary

It is recommended that the Company enter into a formal contract with Willis Re, Inc. as required by Rule 97 of the Insurance Code of Puerto Rico.

Intercompany Arrangements not Formalized

It is recommended that all intercompany arrangements be in the form of a written agreement as required by SSAP 25.

Unclaimed Funds Report - Late Filing

It is recommended that the Company submit the unclaimed funds report by the date required by Article 26.040 of the Insurance Code of Puerto Rico.

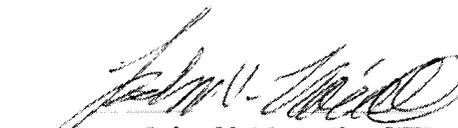
Failure to Keep Corporate Minutes in Main Office

It is recommended that the Company keep the corporate meeting minutes regarding investment management at the Company's main offices as required by Rule 66 (C)(2)(f) of the Insurance Code of Puerto Rico.

Conclusion

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Triple-S Vida, Inc.** as of December 31, 2011, consistent with the insurance laws of Puerto Rico.

In addition to the undersigned, Charles P. McMorrow, CPA, CFE, Staff Examiner; Donna Leterrio, CPA, CFE, Staff Examiner; and Patricia Casey Davis, CPA, CFE, Manager, all of INSRIS-PR, LLC; Paul Berkebile, CFSA, CISA, Senior Manager and Robert Ficken, CPA, CIA, IT Specialist both of INS Services, Inc.; and Frank Edwards, ASA, MAAA, Actuary of INS Consultants, Inc. participated in the examination.



John V. Normile, CFE
Examiner-in-Charge