TRIPLE-S MANAGEMENT CORP
Form 10-Q
October 30, 2008

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United States
Securities and Exchange Commission
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2008

OR

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

For the transition period from _____ to _____

COMMISSION FILE NUMBER: 001-33865

Triple-S Management Corporation

(Exact name of registrant as specified in its charter)

Puerto Rico	**66-0555678**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1441 F.D. Roosevelt Avenue **San Juan, Puerto Rico**	**00920**
(Address of principal executive offices)	(Zip code)

(787) 749-4949

(Registrant s telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. þ Yes o No

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

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o	Smaller reporting company o

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes þ No

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

Title of each class	**Outstanding at September 30, 2008**
Common Stock Class A, $1.00 par value	16,042,809

Common Stock Class B, $1.00 par value	16,286,489

Triple-S Management Corporation
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Part I Financial Information

Item 1. Financial Statements

TRIPLE-S MANAGEMENT CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(Dollar amounts in thousands, except per share data)

	(Unaudited) September 30, 2008	December 31, 2007
Assets		
Investments and cash:		
Equity securities held for trading, at fair value	**$ 42,513**	67,158
Securities available for sale, at fair value:		
Fixed maturities	**903,693**	823,629
Equity securities	**75,372**	71,050
Securities held to maturity, at amortized cost:		
Fixed maturities	**24,433**	43,691
Policy loans	**5,408**	5,481
Cash and cash equivalents	**43,451**	240,153
Total investments and cash	**1,094,870**	1,251,162
Premiums and other receivables, net	**250,562**	202,268
Deferred policy acquisition costs and value of business acquired	**125,322**	117,239
Property and equipment, net	**50,101**	43,415
Net deferred tax asset	**12,945**	6,783
Other assets	**35,565**	38,675
Total assets	**$1,569,365**	1,659,542
Liabilities and Stockholders Equity		
Claim liabilities:		
Claims processed and incomplete	**$ 191,905**	186,065
Unreported losses	**141,995**	149,996
Unpaid loss-adjustment expenses	**18,656**	17,769
Total claim liabilities	**352,556**	353,830
Liability for future policy benefits	**204,205**	194,131
Unearned premiums	**100,684**	132,599
Policyholder deposits	**48,729**	45,959
Liability to Federal Employees Health Benefits Program (FEHBP)	**15,095**	21,338
Accounts payable and accrued liabilities	**132,356**	228,980
Short-term borrowings	**31,795**	
Long-term borrowings	**169,717**	170,946
Liability for pension benefits	**30,094**	29,221

Total liabilities	**1,085,231**	1,177,004
Stockholders equity:		
Common stock Class A	**16,043**	16,043
Common stock Class B	**16,286**	16,266
Additional paid-in capital	**191,327**	188,935
Retained earnings	**290,132**	267,336
Accumulated other comprehensive loss	**(29,654)**	(6,042)
Total stockholders equity	**484,134**	482,538
Total liabilities and stockholders equity	**$1,569,365**	1,659,542

See accompanying notes to unaudited consolidated financial statements.

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TRIPLE-S MANAGEMENT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Earnings (Unaudited)

For the three months and nine months ended September 30, 2008 and 2007

(Dollar amounts in thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2008	**2007**	**2008**	**2007**
Revenues:				
Premiums earned, net	**$433,219**	375,803	**$1,256,775**	1,101,614
Administrative service fees	**4,448**	3,908	**12,081**	11,034
Net investment income	**14,072**	11,229	**41,806**	33,397
Total operating revenues	**451,739**	390,940	**1,310,662**	1,146,045
Net realized investment (loss) gains	**(1,101)**	1,183	**(2,233)**	6,163
Net unrealized investment (loss) gain on trading securities	**(3,605)**	588	**(10,806)**	(764)
Other income (expense), net	**(1,147)**	(525)	**(1,308)**	1,842
Total revenues	**445,886**	392,186	**1,296,315**	1,153,286
Benefits and expenses:				
Claims incurred	**365,585**	310,033	**1,070,572**	915,374
Operating expenses	**63,572**	57,944	**185,002**	173,439
Total operating costs	**429,157**	367,977	**1,255,574**	1,088,813
Interest expense	**3,749**	3,938	**11,348**	11,948
Total benefits and expenses	**432,906**	371,915	**1,266,922**	1,100,761
Income before taxes	**12,980**	20,271	**29,393**	52,525
Income tax expense (benefit):				
Current	**4,580**	4,575	**8,687**	11,573
Deferred	**(1,071)**	206	**(2,104)**	152
Total income taxes	**3,509**	4,781	**6,583**	11,725
Net income	**$ 9,471**	15,490	**$ 22,810**	40,800
Basic net income per share	**$ 0.29**	0.58	**$ 0.71**	1.53
Diluted net income per share	**$ 0.29**	0.58	**$ 0.71**	1.53

See accompanying notes to unaudited consolidated financial statements.

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TRIPLE-S MANAGEMENT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Stockholders Equity and
Comprehensive Income (Loss) (Unaudited)
For the nine months
ended September 30, 2008 and 2007
(Dollar amounts in thousands, except per share data)

	2008	2007
Balance at January 1	**$482,538**	342,599
Dividends		(2,448)
Share-based compensation	**2,392**	
Grant of restricted Class B common stock	**20**	
Other	**(14)**	1
Comprehensive income (loss):		
Net income	**22,810**	40,800
Net unrealized change in fair value of available for sale securities	**(24,210)**	1,137
Defined benefit pension plan:		
Actuarial loss, net	**874**	935
Prior service (cost) credit, net	**(220)**	27
Net change in fair value of cash flow hedges	**(56)**	(185)
Total comprehensive income (loss)	**(802)**	42,714
Balance at September 30	**$484,134**	382,865

See accompanying notes to unaudited consolidated financial statements.

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TRIPLE-S MANAGEMENT CORPORATION AND SUBSIDIARES

Consolidated Statements of Cash Flows (Unaudited)

For the nine months ended September 30, 2008 and 2007

(Dollar amounts in thousands, except per share data)

	Nine months ended September 30,	
	2008	**2007**
Cash flows from operating activities:		
Net income	**$ 22,810**	40,800
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	**5,419**	5,413
Net amortization of investments	**739**	556
Provision for doubtful receivables	**(2,243)**	1,902
Deferred tax (benefit) expense	**(2,104)**	152
Net loss (gain) on sale of securities	**2,233**	(6,163)
Net unrealized loss on trading securities	**10,806**	764
Share-based compensation	**2,392**	
Proceeds from trading securities sold:		
Equity securities	**23,480**	38,309
Acquisition of securities in trading portfolio:		
Equity securities	**(9,367)**	(19,172)
Loss on sale of property and equipment	**11**	2
(Increase) decrease in assets:		
Premiums receivable	**(50,744)**	(21,258)
Agents balances	**2,787**	2,084
Accrued interest receivable	**(2,484)**	(1,314)
Other receivables	**(4,508)**	(4,289)
Reinsurance recoverable on paid losses	**8,924**	(16,409)
Deferred policy acquisition costs and value of business acquired	**(8,083)**	(2,935)
Prepaid income tax	**(6,901)**	(2,598)
Other assets	**9,918**	2,942
Increase (decrease) in liabilities:		
Claims processed and incomplete	**5,840**	21,703
Unreported losses	**(8,001)**	11,666
Unpaid loss-adjustment expenses	**887**	508
Liability for future policy benefits	**10,074**	10,088
Unearned premiums	**(31,915)**	(14,744)
Policyholder deposits	**1,407**	1,192
Liability to FEHBP	**(6,243)**	6,074
Accounts payable and accrued liabilities	**4,972**	5,459
Income tax payable		(9,242)
Net cash (used in) provided by operating activities	**$(19,894)**	51,490

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TRIPLE-S MANAGEMENT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited)

For the nine months ended September 30, 2008 and 2007

(Dollar amounts in thousands, except per share data)

	Nine months ended September 30,	
	2008	**2007**
Cash flows from investing activities:		
Proceeds from investments sold or matured:		
Securities available for sale:		
Fixed maturities sold	**$ 162,802**	101,828
Fixed maturities matured	**65,088**	25,733
Equity securities	**4,449**	1,000
Securities held to maturity:		
Fixed maturities matured	**20,107**	7,172
Acquisition of investments:		
Securities available for sale:		
Fixed maturities	**(449,515)**	(147,357)
Equity securities	**(17,069)**	(16,759)
Fixed maturity securities held to maturity	**(554)**	(4,891)
Net proceeds (disbursements) for policy loans	**73**	(297)
Net capital expenditures	**(12,116)**	(6,329)
Net cash used in investing activities	**(226,735)**	(39,900)
Cash flows from financing activities:		
Change in outstanding checks in excess of bank balances	**17,992**	17,477
Repayments of short-term borrowings	**(864,419)**	(43,559)
Proceeds from short-term borrowings	**896,214**	43,559
Repayments of long-term borrowings	**(1,229)**	(11,730)
Dividends paid		(2,448)
Proceeds from policyholder deposits	**7,156**	5,133
Surrenders of policyholder deposits	**(5,793)**	(5,614)
Other	**6**	1
Net cash provided by financing activities	**49,927**	2,819
Net (decrease) increase in cash and cash equivalents	**(196,702)**	14,409
Cash and cash equivalents at beginning of the period	**240,153**	81,564
Cash and cash equivalents at end of the period	**$ 43,451**	95,973

See accompanying notes to unaudited consolidated financial statements.

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TRIPLE-S MANAGEMENT CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2008

(Dollar amounts in thousands, except per share data)

(Unaudited)

(1) Basis of Presentation

The accompanying consolidated interim financial statements prepared by Triple-S Management Corporation and its subsidiaries (the Corporation or TSM) are unaudited, except for the balance sheet information as of December 31, 2007, which is derived from the Corporation s audited consolidated financial statements, pursuant to the rules and regulations of the United States Securities and Exchange Commission. The consolidated interim financial statements do not include all of the information and the footnotes required by U.S. generally accepted accounting principles (GAAP) for complete financial statements. These consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements included in the Corporation s Annual Report on Form 10-K for the year ended December 31, 2007.

In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of such consolidated interim financial statements have been included. The results of operations for the three months and nine months ended September 30, 2008 are not necessarily indicative of the results for the full year.

(2) Recent Accounting Standards

In September 2006, the Financial Accounting Standards Board (FASB) issued Financial Accounting Standard (FAS) No. 157, *Fair Value Measurements*. FAS 157 defines fair value, establishes a framework for the measurement of fair value, and enhances disclosures about fair value measurements. FAS 157 does not require any new fair value measurements. We adopted FAS 157 on January 1, 2008. This adoption did not have an impact on our financial position or results of operations. See Note 7, Fair Value Measurements, to our unaudited consolidated financial statements for the three months and nine months ended September 30, 2008 included in this Quarterly Report on Form 10-Q for disclosure related to FAS 157.

In February 2007, the FASB issued FAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115*. FAS 159 allows entities to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis under the fair value option. We adopted FAS 159 on January 1, 2008. The Corporation has chosen not to elect the fair value option for any items that are not already required to be measured at fair value in accordance with GAAP. Accordingly, the adoption of FAS 159 did not have an impact on our financial position or operating results.

In March 2008, the FASB issued FAS 161, *Disclosures about Derivative Instruments and Hedging Activities*. FAS 161 requires companies with derivative instruments to disclose information about how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under FAS 133, *Accounting for Derivative Instruments and Hedging Activities*, and how derivative instruments and related hedged items affect a company s financial position, financial performance, and cash flows. This statement expands the current disclosure framework in FAS 133. FAS 161 is effective prospectively for periods beginning on or after November 15, 2008. We do not expect the adoption of FAS 161 to have a material impact on our consolidated financial statements.

In May 2008, the FASB issued FAS 163, *Accounting for Financial Guarantee Insurance Contracts an Interpretation of FASB Statement No. 60*. FAS 163 prescribes the accounting for premium revenue and claims liabilities by insurers of financial obligations, and requires expanded disclosures about financial guarantee insurance contracts. FAS 163 applies to financial guarantee insurance and reinsurance contracts issued by insurers subject to FAS 60, *Accounting and Reporting by Insurance Enterprises*. The Statement does not apply to insurance contracts that are similar to financial guarantee insurance contracts such as mortgage guaranty or trade-receivable insurance, financial guarantee contracts issued by noninsurance entities, or financial guarantee contracts that are derivative instruments within the scope of FAS 133. Statement 163 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years, except for certain disclosure

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TRIPLE-S MANAGEMENT CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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(Unaudited)

requirements about the risk-management activities of the insurance enterprise that are effective for the first quarter beginning after the Statement was issued (May 23, 2008). Except for those disclosures, early application is prohibited. This standard has no impact on our consolidated financial statements.

There were no other new accounting pronouncements issued during the first nine months of 2008 that had a material impact on our financial position, operating results or disclosures.

(3) Segment Information

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

The following tables summarize the operations by major operating segment for the three months and nine months ended September 30, 2008 and 2007:

	Three months ended September 30,		Nine months ended September 30,	
	2008	**2007**	**2008**	**2007**
Operating revenues:				
Managed Care:				
Premiums earned, net	**$387,052**	330,366	**$1,119,602**	965,909
Administrative service fees	**4,449**	3,908	**12,082**	11,034
Intersegment premiums /service fees	**1,587**	1,309	**4,897**	4,717
Net investment income	**5,879**	4,848	**17,556**	14,338
Total managed care	**398,967**	340,431	**1,154,137**	995,998
Life Insurance:				
Premiums earned, net	**23,407**	21,974	**68,319**	66,837
Intersegment premiums	**91**	92	**276**	264
Net investment income	**4,156**	3,695	**12,147**	11,054
Total life insurance	**27,654**	25,761	**80,742**	78,155
Property and Casualty Insurance:				
Premiums earned, net	**22,761**	23,463	**68,855**	68,868
Intersegment premiums	**152**	154	**458**	462
Net investment income	**2,910**	2,566	**8,933**	7,645
Total property and casualty insurance	**25,823**	26,183	**78,246**	76,975
Other segments intersegment service revenues *	**11,705**	10,683	**33,978**	32,325
Total business segments	**464,149**	403,058	**1,347,103**	1,183,453
TSM operating revenues from external sources	**1,125**	120	**3,168**	360

Elimination of intersegment premiums	**(1,830)**	(1,555)	**(5,631)**	(5,443)
Elimination of intersegment service fees	**(11,705)**	(10,683)	**(33,978)**	(32,325)
Consolidated operating revenues	**$451,739**	390,940	**$1,310,662**	1,146,045

* Includes segments that are not required to be reported separately. These segments include the data processing services organization as well as the third-party administrator of managed care services.

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TRIPLE-S MANAGEMENT CORPORATION AND SUBSIDIARIES

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(Dollar amounts in thousands, except per share data)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2008	**2007**	**2008**	**2007**
Operating income:				
Managed care	**$15,114**	17,499	**$ 34,416**	39,396
Life insurance	**2,906**	2,605	**8,611**	8,260
Property and casualty insurance	**2,884**	1,508	**7,252**	6,494
Other segments *	**31**	509	**319**	787
Total business segments	**20,935**	22,121	**50,598**	54,937
TSM operating revenues from external sources	**1,125**	120	**3,168**	360
TSM unallocated operating expenses	**(1,996)**	(2,006)	**(6,152)**	(6,279)
Elimination of TSM intersegment charges	**2,518**	2,728	**7,474**	8,214
Consolidated operating income	**22,582**	22,963	**55,088**	57,232
Consolidated net realized investment (loss) gains	**(1,101)**	1,183	**(2,233)**	6,163
Consolidated net unrealized gain (loss) on trading securities	**(3,605)**	588	**(10,806)**	(764)
Consolidated interest expense	**(3,749)**	(3,938)	**(11,348)**	(11,948)
Consolidated other income (expense), net	**(1,147)**	(525)	**(1,308)**	1,842
Consolidated income before taxes	**$12,980**	20,271	**$ 29,393**	52,525
Depreciation expense:				
Managed care	**$ 1,093**	1,167	**$ 3,085**	2,925
Life insurance	**172**	193	**521**	532
Property and casualty insurance	**366**	377	**1,105**	1,114
Total business segments	**1,631**	1,737	**4,711**	4,571
TSM depreciation expense	**216**	281	**708**	842
Consolidated depreciation expense	**$ 1,847**	2,018	**$ 5,419**	5,413

* Includes segments that are not required to be reported separately. These segments include the data

processing services organization as well as the third-party administrator of managed care services.

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Notes to Consolidated Financial Statements
September 30, 2008
(Dollar amounts in thousands, except per share data)
(Unaudited)

	September 30, 2008	December 31, 2007
Assets:		
Managed care	**$ 694,321**	762,422
Life insurance	**445,439**	430,807
Property and casualty insurance	**334,799**	375,415
Other segments *	**11,452**	11,255
Total business segments	**1,486,011**	1,579,899
Unallocated amounts related to TSM:		
Cash, cash equivalents, and investments	**80,495**	82,980
Property and equipment, net	**21,862**	22,523
Other assets	**3,118**	2,280
	105,475	107,783
Elimination entries-intersegment receivables and others	**(22,121)**	(28,140)
Consolidated total assets	**$1,569,365**	1,659,542
Significant noncash items:		
Net change in unrealized gain on securities available for sale:		
Managed care	**$ (7,287)**	2,928
Life insurance	**(9,135)**	3,253
Property and casualty insurance	**(6,093)**	3,085
Total business segments	**(22,515)**	9,266
Amount related to TSM	**(1,695)**	283
Consolidated net change in unrealized gain on securities available for sale	**$ (24,210)**	9,549
Net change in liability for pension benefits:		
Managed care	**$ 439**	2,838
Life	**6**	35
Property and casualty	**53**	275
Other segments*	**141**	844
Total business segments	**639**	3,992
Amount related to TSM	**15**	98
Consolidated net change in liability for pension benefits	**$ 654**	4,090

* Includes segments that are not required to be reported separately. These segments include the data processing services organization as well as the third-party administrator of managed care services.

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TRIPLE-S MANAGEMENT CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2008

(Dollar amounts in thousands, except per share data)

(Unaudited)

(4) Investment in Securities

The amortized cost for debt securities and equity securities, gross unrealized gains, gross unrealized losses, and estimated fair value for trading, available-for-sale and held-to-maturity securities by major security type and class of security at September 30, 2008 and December 31, 2007, were as follows:

	September 30, 2008			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Trading securities:				
Equity securities	$ 40,918	6,665	(5,070)	42,513
Securities available for sale:				
Fixed maturities	916,697	6,541	(19,545)	903,693
Equity securities	79,621	3,826	(8,075)	75,372
	996,318	10,367	(27,620)	979,065
Securities held to maturity:				
Fixed maturities	24,433	246	(93)	24,586
	$1,061,669	17,278	(32,783)	1,046,164

	December 31, 2007			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Trading securities:				
Equity securities	$ 54,757	15,170	(2,769)	67,158
Securities available for sale:				
Fixed maturities	816,536	11,583	(4,490)	823,629
Equity securities	66,747	7,354	(3,051)	71,050
	883,283	18,937	(7,541)	894,679
Securities held to maturity:				
Fixed maturities	43,691	227	(69)	43,849

$	**981,731**	**34,334**	**(10,379)**	**1,005,686**

Investment in securities at September 30, 2008 are mostly comprised of U.S. Treasury securities, obligations of government sponsored enterprises and obligations of U.S. government instrumentalities (54.6%), mortgage backed and collateralized mortgage obligations that are U.S. agency-backed (11.9%), obligations of the government of Puerto Rico and its instrumentalities (11.8%) and obligations of U.S. states and municipalities and its instrumentalities (2.2%). The remaining 19.5% of the investment portfolio is mostly comprised of corporate bonds, equity securities, mutual funds and certain collateralized mortgage obligations.

The Corporation regularly monitors the difference between the cost and estimated fair value of investments. For investments with a fair value below cost, the process includes evaluating the length of time and the extent to which cost exceeds fair value, the prospects and financial condition of the issuer, and the Corporation s intent and ability to retain the investment to allow for recovery in fair value, among other factors. This process is not exact and further requires consideration of risks such as credit and interest rate risks. Consequently, if an investment s cost exceeds its fair value solely due to changes in interest rates, impairment may not be appropriate. If after monitoring and analyzing, the Corporation determines that a decline in the estimated fair value of any available-for-sale or held-to-

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TRIPLE-S MANAGEMENT CORPORATION AND SUBSIDIARIES
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(Dollar amounts in thousands, except per share data)
(Unaudited)

maturity security below cost is other than temporary, the carrying amount of the security is reduced to its fair value. The impairment is charged to operations and a new cost basis for the security is established. During the nine months ended September 30, 2008 and 2007, the Corporation recognized other-than-temporary impairments amounting to $3,940 and $356.

(5) Premiums and Other Receivables

Premiums and other receivables as of September 30, 2008 and December 31, 2007 were as follows:

	September 30, 2008	**December 31, 2007**
Premiums	**$ 96,844**	54,330
Self-funded group receivables	**40,527**	31,344
FEHBP	**9,249**	10,202
Agents balances	**30,087**	32,874
Accrued interest	**10,847**	8,363
Reinsurance recoverable	**49,833**	58,757
Other	**26,857**	22,323
	264,244	218,193
Less allowance for doubtful receivables:		
Premiums	**10,057**	11,753
Other	**3,625**	4,172
	13,682	15,925
Total premiums and other receivables	**$250,562**	202,268

(6) Claim Liabilities

The activity in the total claim liabilities for the three months and nine months ended September 30, 2008 and 2007 is as follows:

	Three months ended September 30,		**Nine months ended September 30,**	
	2008	**2007**	**2008**	**2007**
Claim liabilities at beginning of period	**$359,495**	344,816	**$ 353,830**	314,682
Reinsurance recoverable on claim liabilities	**(39,604)**	(50,003)	**(54,834)**	(32,066)
Net claim liabilities at beginning of period	**319,891**	294,813	**298,996**	282,616
Incurred claims and loss-adjustment expenses:				

Current period insured events	**360,013**	311,925	**1,068,339**	931,605
Prior period insured events	**2,592**	(4,815)	**(6,311)**	(25,753)
Total	**362,605**	307,110	**1,062,028**	905,852
Payments of losses and loss-adjustment expenses:				
Current period insured events	**348,382**	288,469	**828,827**	711,175
Prior period insured events	**20,095**	14,776	**218,178**	178,615
Total	**368,477**	303,245	**1,047,005**	889,790
Net claim liabilities at end of period	**314,019**	298,678	**314,019**	298,678
Reinsurance recoverable on claim liabilities	**38,537**	49,881	**38,537**	49,881
Claim liabilities at end of period	**$352,556**	348,559	**$ 352,556**	348,559

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(Unaudited)

As a result of differences between actual amounts and estimates of insured events in prior periods, the amounts included as incurred claims for prior period insured events differ from anticipated claims incurred.

The amount of incurred claims and loss-adjustment expenses for prior period insured events for the three months ended September 30, 2008 is due primarily to higher than expected utilization trends. The credits in the incurred claims and loss-adjustment expenses for prior period insured events for the nine months ended September 30, 2008 and the three months and nine months ended September 30, 2007 is due primarily to better than expected utilization trends.

The claims incurred disclosed in this table exclude the change in the liability for future policy benefits, which amount to $2,980 and $2,923 during the three months ended September 30, 2008 and 2007, respectively and to $8,544 and $9,522 during the nine months ended September 30, 2008 and 2007, respectively.

(7) Fair Value Measurements

The Corporation adopted FAS 157 on January 1, 2008. Beginning on this date, assets recorded at fair value in the consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by FAS 157, are as follows:

Level Input:	**Input Definition:**
Level 1	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level 2	Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.
Level 3	Unobservable inputs that reflect management s best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The following table summarizes fair value measurements by level at September 30, 2008 for assets measured at fair value on a recurring basis:

	Level 1	**Level 2**	**Level 3**	**Total**
Equity securities held for trading	$42,513			42,513
Securities available for sale:				
Fixed maturity securities		902,126	1,567	903,693
Equity securities	41,240	34,132		75,372
Derivatives (reported within other assets in the consolidated balance sheets)		2,419		2,419
Total	$83,753	938,677	1,567	1,023,997

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A reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months and nine months ended September 30, 2008 is as follows:

	Fixed Maturity Securities Available for Sale
Beginning balance	$
Total gains or losses:	
Realized in earnings	
Unrealized in other accumulated comprehensive income	
Purchases and sales	
Transfers in and/or out of Level 3	1,567
Ending balance	$1,567

During the three months and nine months ended September 30, 2008, certain debt securities were thinly traded due to issuer liquidity concerns. Consequently, broker quotes or other observable inputs were not always available and the fair value of these securities was estimated using internal estimates for inputs including, but not limited to, credit spreads, default rates and benchmark yields. An other-than-temporary impairment was recorded on these securities during the three months ended June 30, 2008.

For the three months and nine months ended September 30, 2008, there were no gains or losses included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.

(8) Share-Based Compensation

Share-based compensation expense recorded during the three months and nine months ended September 30, 2008 was $862 and $2,392, respectively. No share-based compensation expense was recorded during the three months and nine months ended September 30, 2007. On April 28, 2008 the Company granted 19,935 shares of restricted stock to non-employee directors pursuant to the 2007 Incentive Plan, all of which were outstanding as of September 30, 2008. Restricted stock was issued at the fair value of the stock on the grant date and vest in one year. The restriction period ends six months after each director ceases to be a member of the Board of Directors. No grants of stock options or performance awards were given during the three months and nine months ended September 30, 2008.

(9) Comprehensive Income (Loss)

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

	Unrealized gain (loss) on securities	Liability for pension benefits	Cash flow hedges	Accumulated other comprehensive income (loss)
Balance at January 1	**$ 9,554**	**(15,652)**	**56**	**(6,042)**

Net current period change	**(24,210)**	**654**	**(56)**	**(23,612)**
Balance at September 30	**$(14,656)**	**(14,998)**		**(29,654)**

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(10) Income Taxes

Under Puerto Rico income tax law, the Corporation is not allowed to file consolidated tax returns with its subsidiaries. The Corporation and its subsidiaries are subject to Puerto Rico income taxes. The Corporation s insurance subsidiaries are also subject to U.S. federal income taxes for foreign source dividend income. As of December 31, 2007, tax years 2003 through 2007 for the Corporation and its subsidiaries are subject to examination by Puerto Rico taxing authorities.

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 statements 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 the consolidated statements of earnings in the period that includes the enactment date. Quarterly income taxes are calculated using the effective tax rate determined based on the income forecasted for the full fiscal year.

(11) Pension Plan

The components of net periodic benefit cost for the three months and nine months ended September 30, 2008 and 2007 were as follows:

	Three months ended September 30,		**Nine months ended September 30,**	
	2008	**2007**	**2008**	**2007**
Components of net periodic benefit cost:				
Service cost	**$ 1,385**	1,254	**$ 4,210**	4,194
Interest cost	**1,429**	1,195	**4,345**	3,916
Expected return on assets	**(1,317)**	(1,034)	**(4,003)**	(3,395)
Prior service cost (credit)	**(118)**	14	**(358)**	44
Actuarial loss	**468**	501	**1,423**	1,526
Net periodic benefit cost	**$ 1,847**	1,930	**$ 5,617**	6,285

Employer contributions

The Corporation disclosed in its audited consolidated financial statements for the year ended December 31, 2007 that it expected to contribute $5,000 to its pension program in 2008. As of September 30, 2008, the Corporation contributed $4,000 to the pension program. The Corporation currently anticipates contributing an additional $1,000 to fund its pension program in 2008.

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(12) Net Income Available to Stockholders and Basic Net Income per Share

The following table sets forth the computation of basic and diluted earnings per share for the three months and nine months ended September 30, 2008 and 2007:

	Three months ended September 30,		Nine months ended September 30,	
	2008	**2007**	**2008**	**2007**
Numerator for earnings per share:				
Net income available to stockholders	**$ 9,471**	15,490	**$ 22,810**	40,800
Denominator for basic earnings per share:				
Weighted average of common shares	**32,142,809**	26,772,000	**32,142,809**	26,741,333
Effect of dilutive securities	**50,998**		**42,396**	
Denominator for diluted earnings per share	**32,193,807**	26,772,000	**32,185,205**	26,741,333
Basic net income per share	**$ 0.29**	0.58	**$ 0.71**	1.53
Diluted net income per share	**$ 0.29**	0.58	**$ 0.71**	1.53

(13) Contingencies

Various litigation claims and assessments against the Corporation have arisen in the ordinary course of business, including but not limited to its activities as an insurer and employer. Furthermore, the Commissioner of Insurance, as well as other Federal and Puerto Rico government authorities, regularly make inquiries and conduct audits concerning the Corporation s compliance with applicable insurance and other laws and regulations. Management believes, based on the opinion of legal counsel, that the aggregate liabilities, if any, arising from such claims, assessments, audits and lawsuits would not have a material adverse effect on the consolidated financial position or results of operations of the Corporation. However, given the inherent unpredictability of these matters, it is possible that an adverse outcome in certain matters could have a material adverse effect on our operating results and/or cash flows. Where the Corporation believes that a loss is both probable and estimable, such amounts have been recorded. In other cases, it is at least reasonably possible that the Corporation may incur a loss related to one or more of the mentioned pending lawsuits or investigations, but the Corporation is unable to estimate the range of possible loss which may be ultimately realized, either individually or in the aggregate, upon their resolution.

Additionally, we may face various potential litigation claims that have not to date been asserted, including claims from persons purporting to have contractual rights to acquire shares of the Corporation on favorable terms or to have inherited such shares notwithstanding applicable transfer and ownership restrictions.

Jordán et al Litigation

On April 24, 2002, Octavio Jordán, Agripino Lugo, Ramón Vidal, and others filed a suit against the Corporation, Triple-S, Inc. (TSI) and others (the defendants) in the Court of First Instance for San Juan, Superior Section, alleging, among other things, violations by the defendants of provisions of the Puerto Rico Insurance Code, antitrust violations, unfair business practices, breach of contract with providers, and damages in the amount of $12.0 million. The plaintiffs also asserted that in light of TSI s former tax exempt status, the assets of TSI belong to a charitable trust to be

held for the benefit of the people of Puerto Rico (the charitable trust claim). They also requested that the Corporation sell shares to them pursuant to a contract with TSI dated August 16, 1989 regarding the acquisition of shares. The Corporation believes that many of the allegations brought by the plaintiffs in this complaint have been resolved in favor of the Corporation and TSI in previous cases brought by the same plaintiffs in the United States District Court for the District of Puerto Rico and in the local courts. The defendants, including the Corporation and TSI, answered the complaint, filed a counterclaim and filed several motions to dismiss.

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On May 9, 2005, the plaintiffs amended the complaint to allege causes of action similar to those dismissed in another case closed in favor of the Corporation and to seek damages of approximately $207.0 million. Defendants moved to dismiss all claims in the amended complaint. Plaintiffs opposed the motions to dismiss and defendants filed corresponding replies. In 2006, the Court held several hearings concerning these dispositive motions and stayed all discovery until the motions were resolved.

On January 19, 2007, the Court denied a motion by the plaintiffs to dismiss the defendants counterclaim for malicious prosecution and abuse of process. The Court ordered plaintiffs to answer the counterclaim by February 20, 2007. Although they filed after the required date, plaintiffs have filed an answer to the counterclaim.

On February 7, 2007, the Court dismissed the charitable trust, RICO and violation of due process claims as to all the plaintiffs. The tort, breach of contract and violation of the Puerto Rico corporations law claims were dismissed only against certain of the physician plaintiffs. The Court allowed the count based on antitrust to proceed, and in reconsideration allowed the charitable trust and RICO claims to proceed. The Corporation appealed to the Puerto Rico Court of Appeals the denial of the motion to dismiss as to the antitrust allegations and the Court s decision to reconsider the claims previously dismissed.

On May 30, 2007 the Puerto Rico Court of Appeals granted leave to replead the RICO and antitrust claims only to the physician plaintiffs, consistent with certain requirements set forth in its opinion, to allow the physician plaintiffs the opportunity to cure the deficiencies and flaws the Court found in plaintiffs allegations. The Court dismissed the charitable trust claim as to all plaintiffs, denying them the opportunity to replead that claim, and dismissed the RICO and antitrust claims as to the non-physician plaintiffs. Also, the Court of Appeals granted leave to replead a derivative claim capacity on behalf of the Corporation to the lone shareholder plaintiff. The plaintiffs moved for the reconsideration of this judgment. On July 18, 2007 the Court of Appeals denied the plaintiffs motion for reconsideration, which has granted plaintiffs leave to replead certain matters. On August 17, 2007, plaintiffs filed a petition for certiorari by the Puerto Rico Supreme Court, which was opposed on August 27, 2007. The plaintiffs petition for certiorari was denied by the Puerto Rico Supreme Court on November 9, 2007. Plaintiffs amended their complaint on June 20, 2008. The Second Amended Complaint (SAC) is an attempt to try to comply with the directives of the May 30, 2007 Court of Appeals Judgment. The SAC is a reshuffling of the same allegations of the First Amended Complaint with only minor differences. Additional allegations were included in reference to certain audits conducted on two physicians. The non-physician plaintiffs were excluded from the SAC. We requested until August 11, 2008 to answer the complaint. As we did with respect to the First Amended Complaint, we will move to dismiss the allegations of the SAC.

On August 18, 2008, the Court held a status conference to discuss the status of the case and the results of the meeting among the attorneys the Court had previously ordered. The purpose of the court-ordered meeting was to develop a work plan to bring the case to an expedient and economic resolution. On the August 18 hearing, the attorneys informed the Court that they had reached an agreement to try to simplify the case. Based on the agreement, the Triple-S defendants would send a letter to the plaintiffs counsel explaining the reasons why they should dismiss the majority of the allegations of the SAC, based on the terms and conditions of the agreement reached to in the Thomas Litigation. The Court agreed with this proposal, and granted all the defendants until September 19, 2008 to send such letter expressing all the arguments that justify the dismissal of the SAC. The Triple-S defendants complied and sent their letter, and so did the Officer defendants. The plaintiffs had until October 20, 2008 to react to the letters. The plaintiffs lawyers have moved the Court for additional time to analyze the letters. Meanwhile, the defendants do not have to answer the complaint.

Thomas Litigation

On May 22, 2003, a putative class action suit was filed by Kenneth A. Thomas, M.D. and Michael Kutell, M.D., on behalf of themselves and all others similarly situated and the Connecticut State Medical Society against the Blue

Cross Blue Shield Association (BCBSA) and substantially all of the other Blue Cross and Blue Shield plans in the United States, including TSI.

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The class action complaint alleges that the defendants, on their own and as part of a common scheme, systematically deny, delay and diminish the payments due to doctors so that they are not paid in a timely manner for the covered medically necessary services they render. TSI, along with the other defendants, moved to dismiss the complaint on multiple grounds, including but not limited an arbitration right and the applicability of the McCarran Ferguson Act. The parties were ordered to engage in mediation by the U.S. District Court for the Southern District of Florida, and twenty four plans, including TSI, actively participated in the mediation efforts. The mediation resulted in the creation of a Settlement Agreement that was filed with the Court on April 27, 2007. The Corporation recorded an accrual for the estimated settlement, which is included within accounts payable and accrued liabilities in the accompanying unaudited consolidated financial statements. On April 19, 2008, the Court issued the final order approving the settlement. However, certain physicians who were unable to either prevent the final approval of the settlement or modify the terms of the agreement, appealed before the Court of Appeals for the Eleventh Circuit. The appeals were lodged from late July to early August, 2008. The clerk has yet to notify the briefing schedule.

Lens Litigation

On October 23, 2007, Ivonne Houellemont, Ivonne M. Lens and Antonio A. Lens, heirs of Dr. Antonio Lens-Aresti, a former shareholder of TSI, filed a suit against TSI in the Court of First Instance for San Juan, Superior Section. The plaintiffs are seeking the return of 16 shares (prior to giving effect to the 3,000-for-one stock split) that were redeemed in 1996, a year after the death of Dr. Lens-Aresti, or compensation in the amount of $40,000 per share which they allege is a share s present value, alleging that they were fraudulently induced to submit the shares for redemption in 1996. At the time of Dr. Lens-Aresti s death, the bylaws of TSI would not have permitted the plaintiffs to inherit Dr. Lens-Aresti s shares, as those bylaws provided that in the event of a shareholder s death, shares could be redeemed at the price originally paid for them or could be transferred only to an heir who was either a doctor or dentist. The plaintiffs complaint also states that they purport to represent as a class all heirs of the TSI s former shareholders whose shares were redeemed upon such shareholders deaths. On October 31, 2007, the Corporation filed a motion to dismiss the claims as barred by the applicable statute of limitations. On December 21, 2007, the plaintiffs filed an opposition to our motion to dismiss, alleging that the two year statute of limitations is not applicable to the redemption of the stock by the Corporation that took place in 1996. On March 3, 2008, the Corporation filed a reply to plaintiffs opposition to the motion to dismiss. In its reply, the Corporation renews its motion to dismiss and further argued that plaintiffs argument is wrong because the statute of limitations has expired, pursuant to the two year term provided under the Uniform Security Act of Puerto Rico for cases of this nature. Management believes that the statute of limitations has expired and expects to prevail in this litigation. An argumentative hearing will be held during November 2008 in which the court will listen to both sides before resolving the motion to dismiss.

Colón Litigation

On October 15, 2007, José L. Colón-Dueño, a former holder of one share of TSI predecessor stock, filed suit against TSI and the Commissioner of Insurance in the Court of First Instance for San Juan, Superior Section.

Mr. Colón-Dueño owned one share of TSI predecessor stock that was redeemed in 1999 for its original purchase price pursuant to an order issued by the Commissioner of Insurance requiring the redemption of a total of 1,582 shares that had been previously sold by TSI. TSI appealed this Commissioner of Insurance s order to the Puerto Rico Court of Appeals, which upheld that order by decision dated March 31, 2000. The plaintiff requests that the court direct TSI to return his share of stock and pay damages in excess of $500,000 and attorney s fees. On January 23, 2008, TSI filed a motion for summary judgment, on the ground that *inter alia* the finding of the Commissioner of Insurance is firm and final and cannot be collaterally attacked in this litigation. Plaintiffs have petitioned the Court to hold the motion in abeyance pending discovery. Discovery is currently in its preliminary stages. TSI believes that this claim is meritless because the validity of the share repurchase was decided by the Court of Appeals in 2000, and plans to vigorously contest this matter.

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Acevedo Litigation

On March 27, 2008, the heirs of the estates of physicians Juan Acevedo, Rafael Angel Blanco-Pagán and Francisco Casalduc-Roselló, each a former shareholder of TSI s predecessor, filed a suit against the Corporation and TSI in the Puerto Rico Court of First Instance for Mayagüez, Superior Section. The heirs of each of the estates of Dr. Acevedo, Dr. Blanco-Pagán and Dr. Casalduc-Roselló are seeking the return of a total of 38 shares (prior to giving effect to the 3,000-for-one stock split) of the Corporation, as alleged successor to TSI, the payment of dividends in connection with such shares, and the Corporation s recognition of each heir s status as a shareholder of the Corporation. Each of the estates claims that they were fraudulently induced to tender the shares for redemption. Based on the opinion of counsel, management believes that the statute of limitations has expired and expects to prevail in this litigation, as the redemption took place more than four years ago. The Court granted TSI s motion Requesting Change of Venue thereby transferring the case to San Juan and discovery will soon begin.

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 TSI for the fiscal years 1992-1993 through 2002-2003, during which time TSI 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 contends that because a for-profit corporation, such as TSI, is not entitled to such an exemption, the rulings recognizing the tax exemption that were issued should be revoked on a retroactive basis and property taxes should be applied to TSI for the period when it was exempt. On March 28, 2006 and March 29, 2006, respectively, TSI challenged the real and personal property tax assessments in the Court of First Instance for San Juan, Superior Section.

On October 29, 2007, the Court entered summary judgment for CRIM affirming the real property tax assessment of approximately $1.3 million. TSI filed a motion for reconsideration of the Court s summary judgment decision, which was denied. On November 29, 2007 TSI appealed this determination to the Court of Appeals and requested an argumentative hearing. On January 19, 2008 CRIM filed a brief in opposition to TSI s appeal. On March 3, 2008 TSI filed its response to the brief submitted by CRIM.

On December 5, 2007, the Court entered a summary judgment for CRIM with respect to the personal property assessment that was notified on January 22, 2008. On January 31, 2008, TSI filed a motion for reconsideration, which was denied. TSI appealed this decision on February 21, 2008 with the Court of Appeals, requested an argumentative hearing and also requested a consolidation of both property tax cases.

On April 17, 2008, the Court of Appeals approved the consolidation of both property tax cases. On April 24, 2008, the Court of Appeals denied TSI s request for an argumentative hearing.

On May 27, 2008, TSI submitted a motion to the Court of Appeals requesting the Court to take notice of a recent decision of the Puerto Rico Supreme Court that addresses administrative law issues involving other parties and which confirms TSI s position that the rulings issued by the Puerto Rico tax authorities may not be revoked on a retroactive basis. On June 30, 2008 the Court of Appeals confirmed the summary judgment issued by the Court of First Instance in both property tax cases. The opinion of the Court of Appeals was notified to the parties on July 17, 2008 and TSI submitted a motion for reconsideration on July 31, 2008. The filing of the motion for reconsideration interrupted the period of time that TSI has to submit a certiorari petition to the Puerto Rico Supreme Court.

On August 15, 2008, the Court of Appeals denied TSI s motion for reconsideration and the denial was notified on August 28, 2008. On September 29, 2008, TSI timely filed a certiorari petition with the Puerto Rico Supreme Court and as of the date hereof, the Puerto Rico Rico Supreme Court has not issued any response to TSI s certiorari petition. Management believes that these municipal tax assessments are improper and currently expects to prevail in this litigation.

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Government Investigations

On October 25, 2007, the House of Representatives of the Legislative Assembly (the House) of the Commonwealth of Puerto Rico approved a resolution ordering the House s Committee on Health to investigate TSI, our managed care subsidiary. The resolution states that TSI originally intended to operate as a not-for-profit entity in order to provide low-cost health insurance and improve the health services offered by certain government agencies. The resolution orders the Committee to investigate the effects of TSI s alleged failure to provide low-cost health insurance, among other obligations, and requires the Committee to prepare and submit a report to the House detailing its findings, conclusions and recommendations on or prior to sixty (60) days from the approval of the resolution. The Committee may refer any finding of wrongdoing to the Secretary of Justice of the Commonwealth of Puerto Rico for further investigation. We believe that TSI and its predecessor managed care companies have complied with such obligations in all material respects, but cannot predict the outcome of the proposed investigation and are currently unable to ascertain the impact these matters may have on our business, if any. The Puerto Rico Department of Justice and the Commissioner of Insurance have also launched similar investigations.

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

The Management s Discussion and Analysis of Financial Condition and Results of Operations included in this Quarterly Report on Form 10-Q is intended to update the reader on matters affecting our financial condition and results of operations for the three months and nine months ended September 30, 2008. Therefore, the following discussion should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Annual Report on Form 10-K filed with the United States Securities and Exchange Commission as of and for the year ended December 31, 2007.

Cautionary Statement Regarding Forward-Looking Information

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

Overview

We are the largest managed care company in Puerto Rico in terms of membership and have over 45 years of experience in the managed care industry. We offer a broad portfolio of managed care and related products in the Commercial, Commonwealth of Puerto Rico Health Reform (the Reform) and Medicare (including Medicare Advantage and the Part D stand-alone prescription drug plan (PDP)) markets. In the Commercial market we offer products to corporate accounts, U.S. federal government employees, local government employees, individual accounts and Medicare Supplement. The Reform is a government of Puerto Rico-funded managed care program for the medically indigent, similar to the Medicaid program in the U.S. We have the exclusive right to use the Blue Shield name and mark throughout Puerto Rico, serve approximately one million members across all regions of Puerto Rico and hold a leading market position covering approximately 25% of the population. For the nine months ended September 30, 2008, our managed care segment represented approximately 89.3% of our total consolidated premiums earned, net and approximately 62.4% of our operating income. We also have significant positions in the life insurance and property and casualty insurance markets. Our life insurance segment had a market share of approximately 13% (in terms of premiums written) as of December 31, 2007. Our property and casualty segment had a market share of approximately 9% (in terms of direct premiums) as of December 31, 2007.

We participate in the managed care market through our subsidiary, Triple-S, Inc. (TSI). Our managed care subsidiary is a Blue Cross and Blue Shield Association (BCBSA) licensee, which provides us with exclusive use of the Blue Shield brand in Puerto Rico.

We participate in the life insurance market through our subsidiary, Triple-S Vida, Inc. (TSV) and in the property and casualty insurance market through our subsidiary, Seguros Triple-S, Inc. (STS), which represented approximately 5.5% each, of our consolidated premiums earned, net for the nine months ended September 30, 2008 and 15.8% and 13.3%, respectively, of our operating income for that period.

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

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

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

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

Recent Developments

Healthcare Reform Contracts

All of the Reform contracts expired on June 30, 2008, except the contract for the Metro-North region. In August 2008, TSI completed the renegotiation of its two existing contracts for an additional twenty-month period beginning July 1, 2008. Premium rate increases under both contracts average 10%.

Effective November 1, 2008 TSI will commence as the carrier of the Metro-North region for a one year period. The contract for the Metro-North region is under an Administrative Services Only (ASO) agreement. On an ASO agreement TSI would not generate premiums but instead administrative service fees. The Metro-North region is expected to have approximately 175,000 members.

Legislative and Regulatory Initiatives

On August 8, 2008, the Governor of the Commonwealth of Puerto Rico signed into law Act No. 203, which grants health service providers the right, within certain parameters, to jointly negotiate their fees and other terms and conditions of their services, with insurance companies and third party administrators. The Office of the Commissioner of Insurance of the Commonwealth of Puerto Rico (the Commissioner of Insurance) is responsible for supervising these negotiations. The law also creates a Medical Plan and Insurance Tariff Review Board, with the authority to regulate, supervise and approve premiums charged by providers, health service organizations and medical plans. On October 22, 2008, the Commissioner of Insurance issued, for public comment, draft regulations implementing Act No. 203. While this new law could adversely affect us, at this time we cannot predict either an expected implementation date or the extent of its impact.

Recent Accounting Standards

For a description of recent accounting standards, see note 2 to the unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q.

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Managed Care Membership

	As of September 30, 2008	2007
Managed care enrollment:		
Commercial [1]	**588,073**	576,600
Reform	**340,710**	352,722
Medicare	**73,893**	48,291
Total	**1,002,676**	977,613
Managed care enrollment by funding arrangement:		
Fully-insured	**826,127**	816,068
Self-insured	**176,549**	161,545
Total	**1,002,676**	977,613

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

Consolidated Operating Results

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

(Dollar amounts in millions)	Three months ended September 30, 2008	2007	Nine months ended September 30, 2008	2007
Revenues:				
Premiums earned, net	**$433.2**	375.8	**$1,256.8**	1,101.6
Administrative service fees	**4.5**	3.9	**12.1**	11.0
Net investment income	**14.1**	11.2	**41.8**	33.4
Total operating revenues	**451.8**	390.9	**1,310.7**	1,146.0

Net realized investment (loss) gains	**(1.1)**	1.2	**(2.2)**	6.2
Net unrealized investment (loss) gain on trading securities	**(3.6)**	0.6	**(10.8)**	(0.8)
Other income (expense), net	**(1.1)**	(0.5)	**(1.3)**	1.8
Total revenues	**446.0**	392.2	**1,296.4**	1,153.2
Benefits and expenses:				
Claims incurred	**365.6**	310.0	**1,070.6**	915.4
Operating expenses	**63.6**	58.0	**185.0**	173.4
Total operating expenses	**429.2**	368.0	**1,255.6**	1,088.8
Interest expense	**3.8**	3.9	**11.4**	11.9
Total benefits and expenses	**433.0**	371.9	**1,267.0**	1,100.7
Income before taxes	**13.0**	20.3	**29.4**	52.5
Income tax expense	**3.5**	4.8	**6.6**	11.7
Net income	**$ 9.5**	15.5	**$ 22.8**	40.8

Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007

Operating Revenues

Consolidated premiums earned, net and administrative service fees increased by $58.0 million, or 15.3%, to $437.7 million during the three months ended September 30, 2008 compared to the three months ended September

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30, 2007. The increase was primarily due to an increase in the premiums earned, net in our managed care segment, principally due to an increased volume in the Medicare business.

Consolidated net investment income increased by $2.9 million, or 25.9%, to $14.1 million during the three months ended September 30, 2008. This increase is attributed to a higher yield in 2008 as well as to a higher balance of invested assets.

Net Realized Investment Losses

Consolidated net realized investment losses of $1.1 million during the three months ended September 30, 2008 are the result of other-than-temporary impairments related to fixed income securities amounting to $1.6 million. The other-than-temporary impairments were offset in part by $0.5 million of net realized gains from the sale of fixed income and equity securities.

Net Unrealized Loss on Trading Securities and Other Income (Expense), Net

The combined balance of our consolidated net unrealized loss on trading securities and other income (expense), net increased by $4.8 million, to $4.7 million during the three months ended September 30, 2008. The increase is principally due to an increase in the unrealized loss on trading securities and a decrease in the fair value of the derivative component of our investment in structured notes linked to the Euro Stoxx 50 and Nikkei 225 stock indexes amounting to $1.5 million; both decreases are due to market fluctuations. The unrealized loss experienced on trading securities represents a decrease of 7.6% in the market value of the portfolio, which is lower than the decrease experienced by the Standard and Poor s 500 Index of 8.9%. The change in the fair value of the derivative component of these structured notes is included within other income (expense), net.

Claims Incurred

Consolidated claims incurred during the three months ended September 30, 2008 increased by $55.6 million, or 17.9%, to $365.6 million when compared to the claims incurred during the three months ended September 30, 2007. This increase is principally due to increased claims in the managed care segment as a result of higher enrollment and utilization trends. The consolidated loss ratio increased by 1.9 percentage points to 84.4%, primarily due to the fact there were higher utilization trends in the managed care segment for the period, particularly in the Medicare business.

Operating Expenses

Consolidated operating expenses during the three months ended September 30, 2008 increased by $5.6 million, or 9.7%, to $63.6 million as compared to the operating expenses during the three months ended September 30, 2007. This increase is primarily attributed to a higher volume of business, particularly in the Medicare business of our managed care segment. The consolidated operating expense ratio decreased by 0.8 percentage point, to 14.5% during the 2008 period mainly due to the aforementioned increase in volume.

Income Tax Expense

The decrease in income tax expense during the three months ended September 30, 2008 is primarily the result of the lower taxable income during the period. The consolidated effective income tax rate increased by 3.3 percentage points, to 26.9%, during the three months ended September 30, 2008, primarily due to a reduction in the effective tax rate used by our managed care segment in the 2007 period.

Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007

Operating Revenues

Consolidated premiums earned, net and administrative service fees increased by $156.3 million, or 13.9%, to $1,268.9 million during the nine months ended September 30, 2008 compared to the nine months ended September 30, 2007. The increase was primarily due to an increase in the premiums earned, net in our managed care segment, principally due to a higher volume in the Medicare business and the increases in premium rates.

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Consolidated net investment income increased by $8.4 million, or 25.1%, to $41.8 million during the nine months ended September 30, 2008. This increase is attributed to a higher yield in 2008 as well as to a higher balance of invested assets.

Net Realized Investment Losses

Consolidated net realized investment losses of $2.2 million during the nine months ended September 30, 2008 are primarily the result of other-than-temporary impairments related to fixed income securities amounting to $3.9 million. The other-than-temporary impairments were offset in part by $1.7 million of net realized gains from the sale of fixed income and equity securities.

Net Unrealized Loss on Trading Securities and Other Income (Expense), Net

The combined balance of our consolidated net unrealized loss on trading securities and other income (expense), net increased by $13.1 million, to $12.1 million during the nine months ended September 30, 2008. The increase is principally due to a decrease in the unrealized gain on trading securities and a decrease in the fair value of the derivative component of our investment in structured notes linked to the Euro Stoxx 50 and Nikkei 225 stock indexes amounting to $3.9 million; both decreases are due to market fluctuations. The unrealized loss experienced on trading securities represents a decrease of 18.8% in the market value of the portfolio, which is lower than the decrease experienced by the Standard and Poor s 500 Index of 20.6%. The change in the fair value of the derivative component of these structured notes is included within other income (expense), net.

Claims Incurred

Consolidated claims incurred during the nine months ended September 30, 2008 increased by $155.2 million, or 17.0%, to $1,070.6 million when compared to the claims incurred during the nine months ended September 30, 2007. This increase is principally due to increased claims in the managed care segment as a result of higher enrollment and utilization trends. The consolidated loss ratio increased by 2.1 percentage points to 85.2%, primarily due to higher utilization trends in the managed care segment for the period, particularly in the Medicare business.

Operating Expenses

Consolidated operating expenses during the nine months ended September 30, 2008 increased by $11.6 million, or 6.7%, to $185.0 million as compared to the operating expenses during the 2007 period. This increase is primarily attributed to a higher volume of business, particularly in the Medicare business of our managed care segment. The consolidated operating expense ratio decreased by 1.0 percentage points, to 14.6% during the 2008 period mainly due to the aforementioned increase in volume.

Income Tax Expense

The decrease in income tax expense during the nine months ended September 30, 2008 is primarily the result of the lower income before tax during the period. The consolidated income tax rate during the nine months ended September 31, 2008 remained consistent with the effective tax rate for the 2007 period.

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Managed Care Operating Results

(Dollar amounts in millions)	Three months ended September 30, 2008	2007	Nine months ended September 30, 2008	2007
Operating revenues:				
Medical premiums earned, net:				
Commercial	**$ 184.4**	177.8	**$ 546.1**	538.7
Reform	**90.4**	85.4	**252.3**	243.8
Medicare	**113.1**	67.9	**323.6**	185.7
Medical premiums earned, net	**387.9**	331.1	**1,122.0**	968.2
Administrative service fees	**5.2**	4.5	**14.5**	13.5
Net investment income	**5.9**	4.8	**17.6**	14.3
Total operating revenues	**399.0**	340.4	**1,154.1**	996.0
Medical operating costs:				
Medical claims incurred	**343.8**	287.6	**1,002.8**	848.9
Medical operating expenses	**40.1**	35.3	**116.9**	107.7
Total medical operating costs	**383.9**	322.9	**1,119.7**	956.6
Medical operating income	**$ 15.1**	17.5	**$ 34.4**	39.4
Additional data:				
Member months enrollment:				
Commercial:				
Fully-insured	**1,234,011**	1,242,254	**3,698,285**	3,743,350
Self-funded	**527,145**	483,459	**1,522,524**	1,447,287
Total commercial member months	**1,761,156**	1,725,713	**5,220,809**	5,190,637
Reform	**1,024,093**	1,066,016	**3,089,384**	3,199,546
Medicare	**221,412**	142,831	**627,769**	407,675
Total member months	**3,006,661**	2,934,560	**8,937,962**	8,797,858
Medical loss ratio	**88.6%**	86.9%	89.4%	87.7%
Operating expense ratio	**10.2%**	10.5%	**10.3%**	11.0%

Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007

Medical Operating Revenues

Medical premiums earned for the three months ended September 30, 2008 increased by $56.8 million, or 17.2%, to $387.9 million when compared to the medical premiums earned during the three months ended September 30, 2007. This increase is principally the result of the following:

Medical premiums generated by the Medicare business increased during the three months ended September 30, 2008 by $45.2 million, or 66.6%, to $113.1 million, primarily due to an increase in member months enrollment of 78,581, or 55.0% and a change in the mix of products and premium rates. The increase in member months is the net result of an increase of 80,690, or 74.1%, in the membership of our Medicare Advantage products and a decrease of 2,109, or 6.2%, in the membership of our PDP product.

Medical premiums earned of the Commercial business increased by $6.6 million, or 3.7%, to $184.4 million during the three months ended September 30, 2008. This fluctuation is the net result of an increase in the average premium rates of corporate accounts of 5.0% and a decrease in fully-insured member months enrollment of 8,243, or 0.7%.

Medical premiums earned in the Reform business increased by $5.0 million, or 5.9%, to $90.4 million during the 2008 period. This fluctuation is primarily due to the effect in the 2008 period of the premium

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rate increase effective on July 1, 2008 of approximately 10% and a decrease in member months enrollment of 41,923, or 3.9%, when compared to the same period last year.

Medical Claims Incurred

Medical claims incurred during the three months ended September 30, 2008 increased by $56.2 million, or 19.5%, to $343.8 million when compared to the three months ended September 30, 2007. The medical loss ratio (MLR) of the segment increased 1.7 percentage points during the 2008 period, to 88.6%. These fluctuations are primarily attributed to the effect of the following:

The medical claims incurred of the Medicare business increased by $45.9 millions during the 2008 period primarily due to the increase in member months by 78,581 and a higher MLR. The higher MLR by 10.0 percentage points is in part due to the effect of prior period reserve developments. Excluding the effect of prior period reserve developments in the 2007 and 2008 periods, the MLR increased by 6.7 percentage points, primarily as the result of higher utilization of services and mix of business for the period when compared to the three months ended September 30, 2007. The increase in utilization of services is primarily the result of higher utilization in outpatient visits and drug benefits for the dual eligibles product. The higher MLR is also the result of a change in enrollment mix between dual and non-dual eligible members within the business. Member months during the three months ended September 30, 2008 has a higher concentration of dual eligible members than the same period of the prior year. Dual eligible members have higher utilization and MLR than non-dual eligible members.

The medical claims incurred of the Commercial business increased by $10.0 million during the 2008 period and its MLR increased by 2.3 percentage points during the three months ended September 30, 2008. The higher MLR is primarily the effect of prior period reserve developments. Excluding the effect of prior period reserve developments in the 2007 and 2008 periods, the MLR decreased by 1.8 percentage points, primarily as the result of lower utilization trends in drug and medical claims.

The medical claims incurred of the Reform business increased by $0.3 million during the 2008 period and its MLR decreased by 4.8 percentage points during the three months ended September 30, 2008. The lower MLR is primarily the result of prior period reserve developments. Excluding the effect of prior period reserve developments in the 2007 and 2008 periods the MLR of this business decreased by 3.2 percentage points, which results from the increase in premium rates effective on July 1, 2008.

Medical Operating Expenses

Medical operating expenses for the three months ended September 30, 2008 increased by $4.8 million, or 13.6%, to $40.1 million when compared to the three months ended September 30, 2007. This increase is primarily attributed to the higher volume of business of the segment, particularly in the Medicare business. The segment s operating expense ratio decreased by 0.3 percentage points during the three months ended September 30, 2008, to 10.2%

Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007

Medical Operating Revenues

Medical premiums earned for the nine months ended September 30, 2008 increased by $153.8 million, or 15.9%, to $1,122.0 million when compared to the medical premiums earned during the nine months ended September 30, 2007. This increase is principally the result of the following:

Medical premiums generated by the Medicare business increased by $137.9 million, or 74.3%, to $323.6 million, primarily due to an increase in member months enrollment of 220,094, or 54.0% and a change in the mix of products. The increase in member months is the net result of an increase of 226,616, or 74.6%, in the membership of our Medicare Advantage products and a decrease of 6,522, or 6.3%, in the membership of our PDP product.

Medical premiums earned of the Reform business increased by $8.5 million, or 3.5%, to $252.3 million during the 2008 period. This fluctuation is primarily due to the increases in premium rates effective on July 1, 2008 and during 2007, partially offset by a decrease in member months enrollment in the Reform business of

110,162, or 3.4%.

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Medical premiums generated by the Commercial business increased by $7.4 million, or 1.4%, to $546.1 million during the nine months ended September 30, 2008. This fluctuation is primarily the net result of an increase in the average premium rates of corporate accounts of 4.4% offset in part by a decrease in fully-insured member months enrollment of 45,065 or 1.2%.

Medical Claims Incurred

Medical claims incurred during the nine months ended September 30, 2008 increased by $153.9 million, or 18.1%, to $1,002.8 million when compared to the nine months ended September 30, 2007. The MLR of the segment increased 1.7 percentage points during the 2008 period, to 89.4%. These fluctuations are primarily attributed to the effect of the following:

The medical claims incurred of the Medicare business increased by $138.0 million during the 2008 period mainly as the result of the increase in member months and a higher MLR by 14.7 percentage points. The higher MLR is in part due to the effect of prior period reserve developments and to higher utilization trends. Excluding the effect of prior period reserve developments in the 2007 and 2008 periods, the MLR increased by 9.7 percentage. The increase in utilization trends is primarily the result of higher utilization in outpatient visits and drug benefits for the dual eligibles product. The higher MLR is also the result of a change in enrollment mix between dual and non-dual eligible members within the business. Member months during the nine months ended September 30, 2008 has a higher concentration of dual eligible members than the same period of the prior year. Dual eligible members have higher utilization and MLR than non-dual eligible members.

The medical claims incurred of the Reform business increased by $14.3 million during the 2008 period and its MLR increased by 2.7 percentage points during the nine months ended September 30, 2008. The higher MLR is primarily the effect of the retroactive premium rate increase received by this business during June 2007 amounting to $2.8 million and prior period reserve developments. Considering this retroactive premium rate increase and excluding the effect prior period reserve developments in the 2007 and 2008 periods, the MLR actually decreased by 1.6 percentage points during the 2008 period.

The medical claims incurred of the Commercial business decreased by $14.0 million during the 2008 period and its MLR decreased by 3.8 percentage points during the nine months ended September 30, 2008. The lower MLR is primarily the result of the re-pricing or termination of less profitable groups, cost containment initiatives and lower utilization trends in drugs and medical services.

Medical Operating Expenses

Medical operating expenses for the nine months ended September 30, 2008 increased by $9.2 million, or 8.5%, to $116.9 million when compared to the nine months ended September 30, 2007. This increase is primarily attributed to the higher volume of the segment, particularly in the Medicare business. The segment s operating expense ratio decreased by 0.7 percentage points during the nine months ended September 30, 2008, to 10.3%.

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Life Insurance Operating Results

(Dollar amounts in millions)	Three months ended September 30, 2008	2007	Nine months ended September 30, 2008	2007
Operating revenues:				
Premiums earned, net:				
Premiums earned	**$25.2**	24.1	**$74.0**	73.5
Premiums earned ceded	**(1.8)**	(2.1)	**(5.6)**	(6.6)
Net premiums earned	**23.4**	22.0	**68.4**	66.9
Commission income on reinsuarance	**0.1**	0.1	**0.2**	0.2
Premiums earned, net	**23.5**	22.1	**68.6**	67.1
Net investment income	**4.2**	3.7	**12.1**	11.1
Total operating revenues	**27.7**	25.8	**80.7**	78.2
Operating costs:				
Policy benefits and claims incurred	**12.0**	11.1	**35.2**	34.4
Underwriting and other expenses	**12.7**	12.1	**36.8**	35.5
Total operating costs	**24.7**	23.2	**72.0**	69.9
Operating income	**$ 3.0**	2.6	**$ 8.7**	8.3
Additional data:				
Loss ratio	**51.1%**	50.2%	**51.3%**	51.3%
Operating expense ratio	**54.0%**	54.8%	**53.6%**	52.9%

Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007

Operating Revenues

Premiums earned, net for the segment increased by $1.4 million, or 6.3%, to $23.5 million during the three months ended September 30, 2008 as compared to the three months ended September 30, 2007, primarily the result of higher sales in the Cancer and Home Service lines of business during the period.

Policy Benefits and Claims Incurred

Policy benefits and claims incurred during the three months ended September 30, 2008 increased by $0.9 million, or 8.1%, to $12.0 million during the three months ended September 30, 2008. This increase is primarily the result of higher volume of business and increased claim frequency in the Disability line of business. This resulted in an increase in the loss ratio of 0.9 percentage points.

Underwriting and Other Expenses

Underwriting and other expenses for the segment increased by $0.6 million, or 5.0%, to $12.7 million during the three months ended September 30, 2008 primarily as a result of higher net commissions attributed to new business. The segment s operating expense ratio decreased by 0.8 percentage points during the three months ended September 30, 2008, from 54.8% in 2007 to 54.0% in 2008.

Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007

Operating Revenues

Premiums earned, net for the segment increased by $1.5 million, or 2.2%, to $68.6 million during the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007. The increase in premiums earned, net was driven by an increase of $1.6 million and $0.8 million in the Cancer and Home Service lines of business, offset in part by a decrease of $1.6 million in the premiums earned of the Disability business. This higher premiums earned in the Cancer business is primarily the result of new sales generated during the period.

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Policy Benefits and Claims Incurred

Policy benefits and claims incurred during the nine months ended September 30, 2008 increased by $0.8 million, or 2.3%, to $35.2 million. This increase is the result of a $1.8 million increase in claims incurred, offset in part by a reduction in actuarial reserves of $1.0 million. The increase in claims incurred is the result of the high level of business and a higher claims experience in the Group Disability line of business, which presented an increase of $1.3 million, and higher policy surrender benefits by $0.5 million. The loss ratio was 51.3% in both periods.

Underwriting and Other Expenses

Underwriting and other expenses for the segment increased by $1.3 million, or 3.7% to $36.8 million during the nine months ended September 30, 2008 primarily as a result of higher level of business and net acquisition costs. The segment s operating expense ratio increased by 0.7 percentage points during the nine months ended September 30, 2008, from 52.9% in 2007 to 53.6% in 2008.

Property and Casualty Insurance Operating Results

	Three months ended September 30,		Nine months ended September 30,	
(Dollar amounts in millions)	**2008**	**2007**	**2008**	**2007**
Operating revenues:				
Premiums earned, net:				
Premiums written	**$ 39.5**	39.1	**115.6**	117.3
Premiums ceded	**(17.8)**	(17.0)	**(51.7)**	(50.3)
Change in unearned premiums	**1.2**	1.5	**5.4**	2.3
Premiums earned, net	**22.9**	23.6	**69.3**	69.3
Net investment income	**2.9**	2.5	**8.9**	7.6
Total operating revenues	**25.8**	26.1	**78.2**	76.9
Operating costs:				
Claims incurred	**9.8**	11.4	**32.5**	32.1
Underwriting and other expenses	**13.1**	13.3	**38.4**	38.4
Total operating costs	**22.9**	24.7	**70.9**	70.5
Operating income	**$ 2.9**	1.4	**7.3**	6.4
Additional data:				
Loss ratio	**42.8%**	48.3%	**46.9%**	46.3%
Operating expense ratio	**57.2%**	56.4%	**55.4%**	55.4%
Combined ratio	**100.0%**	104.7%	**102.3%**	101.7%

Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007

Operating Revenues

Total premiums written during the three months ended September 30, 2008 increased by $0.4 million, or 1.0%, to $39.5 million. This fluctuation is primarily due to an increase in premiums written from the Commercial Multi-Peril and Dwelling insurance products of $2.2 million and $0.7 million, respectively, partially offset by decreases in the premiums written from the Auto Physical Damage and Commercial Auto Liability of $1.6 million and $1.5 million, respectively. The commercial business is under soft market conditions and the auto insurance business has been affected by lower economic activity in sales and auto loan originations.

Premiums ceded to reinsurers during the three months ended September 30, 2008 increased by $0.8 million, or 4.7% to $17.8 million during the third quarter of 2008. The ratio of premiums ceded to premiums written increased by 1.6 percentage points, from 43.5% in 2007 to 45.1% in 2008, due to the mix of business written in the 2008 quarter. The change in unearned premiums presented a decrease of $0.3 million when compared to prior period as the result of the higher volume of business during the 2008 period.

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Claims Incurred

Claims incurred during the three months ended September 30, 2008 decreased by $1.6 million, or 14.0%, to $9.8 million. The loss ratio decreased by 5.5 percentage points, to 42.8% during the three months ended September 30, 2008. This fluctuation is mainly due to a favorable change in the loss experience, primarily reflected in the Commercial Multi-Peril line of business.

Underwriting and Other Expenses

Underwriting and other operating expenses for the three months ended September 30, 2008 decreased by $0.2 million, or 1.5%, to $13.1 million. This decrease is primarily due to a decrease in net commission expense resulting from lower net premiums earned. The operating expense ratio increased by 0.8 percentage points during the same period, to 57.2% in 2008 due to the decrease in premiums earned.

Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007

Operating Revenues

Total premiums written during the nine months ended September 30, 2008 decreased by $1.7 million, or 1.4%, to $115.6 million when compared to the nine months period ended September 30, 2007. This fluctuation is mostly due to the decrease in the premiums written for the Auto Physical Damage and Commercial Auto Liability lines of business amounting to $4.5 million. These decreases were partially offset by an increase in the premiums written for the Dwelling and Commercial Multi-Peril insurance products by $3.7 million. The commercial business is under soft market conditions and the auto insurance business has been affected by lower economic activity in sales and auto loan originations.

Premiums ceded to reinsurers increased by approximately $1.4 million, or 2.8% to $51.7 million during the nine months ended September 30, 2008. The ratio of premiums ceded to premiums written increased by 1.8 percentage points, from 42.9% in 2007 to 44.7% in 2008, primarily as a result of the mix of business.

Change in unearned premiums present an increase of $3.1 million when compared to prior year is the result of the segment s lower level of business in the 2008 quarter.

Claims Incurred

Claims incurred during the nine months ended September 30, 2008 increased by $0.4 million, or 1.2%, to $32.5 million. The loss ratio increased by 0.6 percentage points, to 46.9% during the nine months ended September 30, 2008, primarily as a result of a higher loss experience in the Commercial Multi-Peril line of business.

Underwriting and Other Expenses

Underwriting and other operating expenses for the nine months ended September 30, 2008 remained similar when compared with the prior period. The operating expense ratio was 55.4% in the 2008 and 2007 periods.

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Liquidity and Capital Resources

Cash Flows

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

(Dollar amounts in millions)	Nine months ended September 30, 2008	2007
Sources of cash:		
Net proceeds from short-term borrowings	**$ 31.8**	
Proceeds from policyholder deposits	**7.1**	5.1
Cash provided by operating activities		51.5
Other	**18.1**	17.4
Total sources of cash	**57.0**	74.0
Uses of cash:		
Cash used in operating activities	**(19.9)**	
Net purchases of investment securities	**(214.7)**	(33.3)
Capital expenditures	**(12.1)**	(6.3)
Dividends		(2.4)
Payments of long-term borrowings	**(1.2)**	(11.7)
Surrenders of policyholder deposits	**(5.8)**	(5.6)
Other		(0.3)
Total uses of cash	**(253.7)**	(59.6)
Net (decrease) increase in cash and cash equivalents	**$(196.7)**	14.4

Cash flows from operating activities decreased by $71.4 million for the nine months ended September 30, 2008, principally due to the effect of increases in claims paid and in cash paid to suppliers and employees amounting to $165.0 million and $14.3 million, respectively, offset in part by an increase in premiums collected of $99.8 million. These fluctuations are primarily the result of the higher volume and increased utilization trends in our managed care segment, particularly in the Medicare business. The increase in premiums collected would have been higher when considering the $22.8 million of managed care premiums collected in December 2007 but corresponding to January 2008. In addition, as of September 30, 2008 the managed care segment experienced a significant increase in the premiums receivable amounting to $43.8 million, mostly from the government of Puerto Rico and its instrumentalities. A significant amount of these balances has been collected by the managed care segment subsequent to September 30, 2008.

In the 2008 period the proceeds from short-term borrowings exceeded payments of short-term borrowings by $31.8 million. Short-term borrowings are used to address timing differences between cash receipts and disbursements from operations as well as to take advantage of some investment opportunities.

The increase in the other sources of cash of $0.7 million is attributed to a higher balance in outstanding checks over bank balances in the 2008 period, which as of December 31, 2007 were presented within cash and cash equivalents and within accounts payable and accrued liabilities.

Net acquisitions of investment securities increased by $181.4 million during the nine months ended September 30, 2008, principally as the result of acquisitions of available for sale securities mainly in our managed care segment and the effect of purchases of investments with trade date in December 2007 and a settlement date in January 2008, amounting to $117.5 million.

Capital expenditures increased by $5.8 million as a result of the capitalization of costs related to the new systems initiative in our managed care segment.

The net proceeds from policyholder deposits increased by $2.0 million during the nine months ended September 30, 2008 primarily due to the receipt of deposits during the period.

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We repaid upon its maturity on August 1, 2007 the outstanding balance of $10.5 million of one of our secured term loans.

In March 2007, we declared and paid dividends to our stockholders amounting to $2.4 million.

Financing and Financing Capacity

We have several short-term facilities available to meet our liquidity needs. These short-term facilities are mostly in the form of arrangements to sell securities under repurchase agreements. As of September 30, 2008, we had $111.0 million of available credit under these facilities. There were $31.8 million outstanding short-term borrowings under these facilities as of September 30, 2008.

As of September 30, 2008, we had the following senior unsecured notes payable:

On January 31, 2006, we issued and sold $35.0 million of our 6.7% senior unsecured notes payable due January 2021 (the 6.7% notes).

On December 21, 2005, we issued and sold $60.0 million of our 6.6% senior unsecured notes due December 2020 (the 6.6% notes).

On September 30, 2004, we issued and sold $50.0 million of its 6.3% senior unsecured notes due September 2019 (the 6.3% notes).

The 6.3% notes, the 6.6% notes and the 6.7% notes contain certain covenants. At September 30, 2008, we and our managed care subsidiary, as applicable, are in compliance with these covenants.

In addition, as of September 30, 2008 we are a party to a secured term loan with a commercial bank, FirstBank Puerto Rico. This secured loan bears interest at a rate equal to the London Interbank Offered Rate (LIBOR) plus 100 basis points and requires monthly principal repayments of $0.1 million. As of September 30, 2008, this secured loan had an outstanding balance of $24.7 million and average annual interest rates of 4.0%.

This secured loan is guaranteed by a first lien on our land, buildings and substantially all leasehold improvements, as collateral for the term of the agreements under a continuing general security agreement. This secured loan contains certain covenants which are customary for this type of facility, including, but not limited to, restrictions on the granting of certain liens, limitations on acquisitions and limitations on changes in control. As of September 30, 2008, we are in compliance with these covenants. Failure to meet these covenants may trigger the accelerated payment of the secured loan s outstanding balance.

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

Further details regarding the senior unsecured notes and the credit agreements are incorporated by reference to Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2007.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to certain market risks that are inherent in our financial instruments, which arise from transactions entered into in the normal course of business. We have exposure to market risk mostly in our investment activities. For purposes of this disclosure, market risk is defined as the risk of loss resulting from changes in interest rates and equity prices. No material changes have occurred in our exposure to financial market risks since December 31, 2007. A discussion of our market risk is incorporated by reference to Item 7A. Quantitative and Qualitative Disclosures about Market Risk of our Annual Report on Form 10-K for the year ended December 31, 2007.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2008. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2008. There were no significant changes in our disclosure controls and procedures, or

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in factors that could significantly affect internal controls, subsequent to the date the Chief Executive Officer and Chief Financial Officer completed the evaluation referred to above.

Changes in Internal Controls Over Financial Reporting

No changes in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) occurred during the fiscal quarter ended September 30, 2008 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II Other Information

Item 1. Legal Proceedings

For a description of legal proceedings, see note 13 to the unaudited consolidated financial statements included in this quarterly report on Form 10-Q.

Item IA. Risk Factors

The following risk factors contain updated information from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2007.

Heirs of certain of our former shareholders may bring materially dilutive claims against us.

For much of our history, we and our predecessor entity have restricted the ownership or transferability of our shares, including by reserving to us or our predecessor a right of first refusal with respect to share transfers and by limiting ownership of such shares to physicians and dentists. In addition, we and our predecessor, consistent with the requirements of our and our predecessor s bylaws, have sought to repurchase shares of deceased shareholders at the amount originally paid for such shares by those shareholders. Nonetheless, former shareholders heirs who were not eligible to own or be transferred shares because they were not physicians or dentists at the time of their purported inheritance (non-medical heirs), may claim an entitlement to our shares or to damages with respect to the repurchased shares notwithstanding applicable transfer and ownership restrictions. Our records indicate that there may be as many as approximately 450 former shareholders whose non-medical heirs may claim to have inherited up to 10,500,000 shares after giving effect to the 3,000-for-one stock split. As of the date of this Quarterly Report on Form 10-Q, four judicial claims seeking the return of or compensation for 81 shares (prior to giving effect to the 3,000-for-one stock split) had been brought by non-medical heirs of former shareholders whose shares were repurchased upon their death. In one claim, heirs purport to represent as a class all non-medical heirs of deceased shareholders whose shares we repurchased. In addition, we have received inquiries from non-medical heirs with respect to over 600 shares (or 1,800,000 shares after giving effect to the 3,000-for-one stock split).

We believe that we should prevail in litigation with respect to these matters; however, we cannot predict the outcome of any such litigation regarding these non-medical heirs. The interests of our existing shareholders could be materially diluted to the extent that any such claims are successful.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

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Item 4. Submissions of Matters to a Vote of Security Holders

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibits	*Description*
3(i)(a)	Amended and Restated Articles of Incorporation, incorporated herein by reference to Exhibit 3(i)(d) to TSM s Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 001-33865).
3(i)(b)	Amendment to Article Tenth of the Amended and Restated Articles of Incorporation of Triple-S Management Corporation, incorporated herein by reference to Exhibit 3(i)(b) to TSM s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (File No. 001-33865).
3(i)(c)	Articles of Incorporation of Triple-S Management Corporation, as currently in effect, incorporated herein by reference to Exhibit 3(i)(c) to TSM s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (File No. 001-33865).
10.1*	Agreement between the Puerto Rico Health Insurance Administration and Triple-S, Inc. for the provision of health insurance coverage to eligible population in the North and South-West regions.
10.2	Extension to the agreement between the Puerto Rico Health Insurance Administration and Triple-S, Inc. for the provision of health insurance coverage to eligible population in the North and South-West regions, incorporated by reference to Exhibit 10.1 to TSM s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 (File No. 001-33865).
11	Statement re computation of per share earnings; an exhibit describing the computation of the earnings per share for the three months and nine months ended September 30, 2008 and 2007 has been omitted as the detail necessary to determine the computation of earnings per share can be clearly determined from the material contained in Part I of this Quarterly Report on Form 10-Q.
12	Statements re computation of ratios; an exhibit describing the computation of the loss ratio, expense ratio and combined ratio for the three months and nine months ended September 30, 2008 and 2007 has been omitted as the detail necessary to determine the computation of the loss ratio, operating expense ratio and combined ratio can be clearly determined from the material contained in Part I of this Quarterly Report on Form 10-Q.
31.1*	Certification of the President and Chief Executive Officer required by Rule 13a-14(a)/15d-14(a).
31.2*	Certification of the Vice President of Finance and Chief Financial Officer required by Rule 13a-14(a)/15d-14(a).

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Exhibits	*Description*
32.1*	Certification of the President and Chief Executive Officer required pursuant to 18 U.S.C Section 1350.
32.2*	Certification of the Vice President of Finance and Chief Financial Officer required pursuant to 18 U.S.C Section 1350.

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

* Filed herein.

SIGNATURES

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

Triple-S Management Corporation

Registrant

Date: October 30, 2008

By: /s/ Ramón M. Ruiz-Comas
Ramón M. Ruiz-Comas, CPA
President and
Chief Executive Officer

Date: October 30, 2008

By: /s/ Juan J. Román
Juan J. Román, CPA
Vice President of Finance
and Chief Financial Officer