

TRIPLE-S MANAGEMENT CORP
 Form 424B4
 December 10, 2007

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Filed pursuant to 424(b)(4)
 Registration No. 333-142402

14,000,000 Shares

Class B Common Stock

Prior to this offering, there has been no public market for our common stock. The initial public offering price of our Class B common stock is \$14.50 per share. Our shares of Class B common stock have been approved for listing on the New York Stock Exchange under the symbol "GTS".

We are selling 5,000,000 shares and the selling shareholders are selling 9,000,000 shares. We are not offering or listing our shares of Class A common stock. Upon completion of this offering, assuming the underwriters fully exercise the option to purchase additional shares described below, 16,100,000 of our shares of Class B common stock, representing approximately 50.1% of our share capital, will be held by the public and 16,042,809 shares of Class A common stock, representing approximately 49.9% of our share capital, will be held by our current shareholders. We will not receive any of the proceeds from the sale of shares by the selling shareholders. The two classes of common stock differ due to the conversion rights of the Class A common stock and the anti-dilution rights of the Class B common stock. See "Description of Capital Stock" on page 141.

Our amended and restated articles of incorporation prohibit any institutional investor from owning 10% or more of our outstanding voting securities, any noninstitutional investor from owning 5% or more of our outstanding voting securities and any person or entity from owning equity securities representing a 20% or greater ownership interest in our company. These ownership restrictions will apply to the shares sold in this offering. See "Description of Capital Stock" on page 141 for a more detailed discussion of these restrictions.

The underwriters have an option to purchase up to 286,809 and 1,813,191 additional shares of Class B common stock from us and the selling shareholders, respectively, to cover over-allotments of shares.

Investing in our Class B common stock involves risks. See "Risk Factors" on page 10.

	<u>Price to Public</u>	<u>Underwriting Discounts and Commissions</u>	<u>Proceeds to Triple-S Management Corporation</u>	<u>Proceeds to the Selling Shareholders</u>
Per Share	\$ 14.50	\$ 0.9425	\$ 13.5575	\$ 13.5575
Total	\$ 203,000,000	\$ 13,195,000	\$ 67,787,500	\$ 122,017,500

Delivery of the shares of Class B common stock will be made on or about December 12, 2007.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Joint Book Running Managers

Credit Suisse

UBS Investment Bank

CIBC World Markets
Popular Securities

Citi
Santander Securities

The date of this prospectus is December 6, 2007.

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You should rely only on the information contained in this prospectus or to which we have referred you. We have not authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus may only be used where it is legal to sell these securities. The information in this prospectus may only be accurate on the date of this prospectus.

Puerto Rico insurance laws require the prior approval of the Commissioner of Insurance of the Commonwealth of Puerto Rico (the Commissioner of Insurance) for (1) any offer to acquire or sell any issued and outstanding voting securities of Triple-S Management Corporation or any of its insurance subsidiaries that constitutes 10% or more of our or our subsidiary's stock, and (2) any solicitation or receipt of funds in exchange for the issuance of new shares of our or our insurance subsidiaries' capital stock. See "Description of Capital Stock".

Dealer Prospectus Delivery Obligation

Until December 31, 2007 (25 days after the commencement of this offering), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

PROSPECTUS SUMMARY

In this prospectus, "Triple-S", "TSM", the "Company", the "Corporation", "we", "us", and "our" refer to Triple-S Management Corporation, a Commonwealth of Puerto Rico corporation, and, as the context requires, its subsidiaries. References to "shares" or "common stock" refer collectively to our Class A common stock and Class B common stock, unless the context indicates otherwise. All share and per share amounts in this prospectus have been restated to reflect the 3,000-for-one stock split of our common stock effected by us on May 1, 2007. This summary highlights information contained elsewhere in this prospectus and may not contain all of the information that may be important to you. You should read this entire prospectus carefully, including the information set forth in "Risk Factors", before making an investment decision.

Our Company

We are the largest managed care company in Puerto Rico, serving approximately one million members across all regions, and hold a leading market position covering approximately 25% of the population. We have the exclusive right to use the Blue Shield name and mark throughout Puerto Rico 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, Medicare and Puerto Rico Health Reform (similar to Medicaid) markets.

We serve a full range of customer sectors, from corporate accounts, federal and local government employees and individuals to Medicare recipients and Puerto Rico Health Reform (the Reform) enrollees, with a wide range of managed care products. We market our managed care products through both an extensive network of independent agents and brokers located throughout Puerto Rico as well as an internal salaried sales force.

We also offer complementary products and services, including life insurance, accident and disability insurance, and property and casualty insurance. As a result of our acquisition of Great American Life Assurance Company of Puerto Rico (GA Life) (now Triple-S Vida, Inc.) in January 2006, we are the leading provider of life insurance policies in Puerto Rico.

In the year ended December 31, 2006, we generated total revenue of approximately \$1.6 billion, of which approximately 88% was derived from our managed care businesses and 12% from our life insurance and property and casualty insurance businesses. In the nine months ended September 30, 2007, we generated total revenue of approximately \$1.2 billion, of which approximately 87% was derived from our managed care businesses and 13% from our life insurance and property and casualty insurance businesses.

Our Competitive Strengths

Strong Brand Recognition and Reputation in Puerto Rico. We believe that the strength of the Triple-S brand, which we have built through our longstanding presence in Puerto Rico, and our exclusive license to use the Blue Shield mark, gives us a significant competitive advantage. With an operating history of over 45 years, Triple-S is the second largest locally-owned company and one of the most widely recognized brands in Puerto Rico based on several studies conducted in recent years. We have a loyal customer base, with an average yearly customer retention rate of over 90% in our corporate accounts business since 2003. In addition, we believe we enjoy a strong competitive advantage as a result of our participation in the Blue Cross Blue Shield Association's BlueCard® PPO (BlueCard) program, which provides our members with coverage for medical attention throughout the United States, the primary travel destination of Puerto Rico residents.

Leading Market Positions with Broad Range of Managed Care Products. We are the largest managed care company in Puerto Rico according to filings with the Commissioner of Insurance. We

serve approximately one million Blue Shield members across all regions of Puerto Rico and hold a leading market position covering approximately 25% of the population. We enjoy leading market positions in many customer sectors, including corporate accounts, Medicare Supplement, federal government employees and individual accounts. We offer customized managed care products including health maintenance organizations (HMOs) to our Medicare Advantage and Reform customers and preferred provider organizations (PPOs) on both a fully insured and self-funded basis to our Commercial customers, and as a result we believe that we have the most comprehensive range of managed care products in Puerto Rico.

Broad Provider Networks. We believe we have the broadest geographic coverage of any managed care provider in Puerto Rico, including hospital and physician networks consisting of some of the most well-recognized physicians and hospitals in Puerto Rico. This is particularly important to large corporate accounts, which typically require that a single managed care provider cover all of their employees. For example, we believe that a number of corporate clients have contracted with us because we offer an island-wide provider network, as well as access to U.S. providers through the BlueCard program. We maintain strong provider relationships in all of our markets.

Commitment to Quality Care. We have demonstrated our commitment to quality care, implementing a number of disease management and health education programs, including programs that target asthma, diabetes, heart failure, hypertension and selected nutrition-related conditions, as well as a prenatal program and a medication therapy management program. We have had a contract with McKesson Health Solutions since 1998 pursuant to which it provides us with 24-hour nurse triage (for all of our customer sectors) and utilization management program services for the Reform segment, Medicare Advantage programs and certain Commercial customers.

Strong Complementary Businesses. To enhance our relationships with managed care customers, we offer life, disability and property and casualty insurance products designed to complement the sale of our managed care products and services. As a result of our acquisition of GA Life in January 2006, we are the leading provider of life insurance policies in Puerto Rico. Our broad range of managed care and complementary products provides us with significant opportunities to develop additional points of distribution, particularly among the insurance agencies of Puerto Rico-based financial institutions. In addition, approximately 42% of the sales agents employed by us are licensed to sell both life insurance and managed care products.

Proven and Experienced Management Team. We have been a market leader in managed care in Puerto Rico for over 45 years and believe that the extensive experience of our management team provides us with a strong competitive advantage. We also have a strong record of management continuity, which has allowed for efficiency of operations and retention of valuable knowledge. Our senior management team has an average of 13 years of experience at Triple-S.

Our Strategy

Expand Operating Margins and Realize Operating Efficiencies. Our managed care business was exempt from Puerto Rico income taxes from 1979 until 2003, and was operated as if it was a not-for-profit until that time, as required by the terms of the exemption. Beginning in 2004, we increased our efforts to manage medical costs and generate profits as a for-profit managed care company. Even more recently, in anticipation of becoming a public company and to compete more effectively, we have begun to implement or, in some cases, expect to implement, a number of initiatives to reduce utilization and overall medical costs. Some of these initiatives include:

re-pricing unprofitable customer contracts or permitting such contracts to lapse;

refining our provider network;

expanding existing Reform sector disease management programs to other sectors, such as Commercial and Medicare;

implementing radiology benefits management initiatives to reduce spending on high-tech imaging; and

refining our pharmacy network.

We believe that increased scale in each of our segments will provide efficiencies and greater opportunities to sustain profitable growth.

Grow Medicare Advantage Business. We intend to leverage our brand recognition to further penetrate the Medicare Advantage (a managed care program available to Medicare beneficiaries) market. We entered the Medicare Advantage market in 2005 and as of September 30, 2007 had approximately 11.3% of the Medicare Advantage market in Puerto Rico. As of December 31, 2006, Puerto Rico had over 600,000 persons eligible for Medicare. Puerto Rico is a particularly attractive growth opportunity, as the population over the age of 65 is expected to grow at an average of 2.4% per annum between 2005 and 2010, as compared to 1.7% in the continental United States, according to the Puerto Rico Planning Board and U.S. Census Bureau. We believe our Medicare Advantage business will continue to grow, driven by the following:

Leveraging our position in the Reform business to expand our Medicare Advantage coverage of dual-eligibles (individuals who qualify for both Medicare and Reform benefits). As of December 31, 2006, approximately 35% of Medicare beneficiaries in Puerto Rico were considered dual-eligibles.

Targeting the conversion of Medicare Supplement members (members with Medicare coverage who purchase supplemental coverage to pay for Medicare deductibles and co-insurance and additional non-Medicare covered benefits) to the more comprehensive benefits structure offered by the higher revenue-generating Medicare Advantage products. We introduced for the January 2007 enrollment period a variety of new Medicare Advantage products and benefits, including an integrated prescription drug plan and a Commercial Medicare Advantage HMO product. In addition, we expect to grow our Medicare Advantage business through the conversion of Medicare Part D prescription drug plan members to Medicare Advantage products.

Develop New Products to Attract and Retain Customers. We intend to leverage our strong brand recognition and extensive history to drive profitable growth by introducing new products to the Puerto Rico market. Our particular focus is on the Commercial sector within our managed care segment, where we intend to introduce new products such as reduced benefits packages targeted at part-time employees, a new preferred provider network targeted at low salary industries and the uninsured, various new products for individual markets, a lower cost limited provider network and other new group products. We believe that such new products will also help us to retain existing customers by meeting their evolving needs for managed care products. We believe that Puerto Rico is a highly cost-effective market in which to introduce new products because of its dense population.

Pursue Cross-Selling and Related Opportunities. To expand our relationships with our managed care customers, we intend to capitalize on cross-selling opportunities by taking advantage of our leading brand name and using our internal and external sales forces to sell both managed care and complementary products such as life, disability and property and casualty insurance. Only 13 of our 30 largest corporate customers currently purchase both managed care and complementary products from us. We believe that our acquisition of GA Life, through which we acquired individual life insurance products and a substantial sales force, will allow us to further capitalize on cross-selling opportunities. We have established relationships with leading financial institutions in Puerto Rico, which we believe

will allow us to develop our business opportunities in property and casualty and life insurance products through these institutions' agency operations.

Disciplined Expansion Strategy. We believe that profitable growth, both organic and through acquisitions, is an important part of our business. Increased scale can allow us to improve operating margins, while maintaining competitive prices for our products. We believe that we have the ability to efficiently integrate acquisitions, as evidenced by our successful integration of GA Life. We intend to focus on acquiring managed care plans that expand our product offering. We also may seek to expand our business outside Puerto Rico in the Caribbean or the continental United States, with a particular focus on Hispanic communities, although we currently are not able to sell our managed care products in these areas under the Blue Shield name and will not be able to do so in any area in which a licensee already operates. In addition, we believe that Puerto Rico's Reform managed care model is similar to that of many U.S. states' Medicaid programs. We may seek to leverage our expertise in the Reform business by expanding into the U.S. Medicaid managed care market via a joint venture with a U.S. managed care company or an acquisition.

History and Corporate Information

We have been owned since our founding in 1959 by doctors and dentists that are or were providers in our managed care networks. We were incorporated under the laws of Puerto Rico and commenced operations in January 1999 as part of a reorganization pursuant to which our current holding company structure was created. The purpose of the reorganization was to increase our flexibility, as holding companies are not insurance companies within the meaning of the Puerto Rico Insurance Code and are therefore generally not directly subject to the limitations applicable to insurance companies.

We operate our managed care business through our subsidiary Triple-S, Inc. (TSI), our life insurance business through our subsidiary GA Life and our property and casualty insurance business through our subsidiary Seguros Triple-S, Inc. (STS). Each of our operating subsidiaries is a regulated entity under the laws of Puerto Rico.

Our principal offices are located at 1441 F.D. Roosevelt Avenue, San Juan, Puerto Rico and our telephone number is (787) 749-4949. Our website address is www.triplesmanagement.com. The information contained therein is not incorporated by reference in this prospectus.

THE OFFERING

Common Stock Offered by	
Us	5,000,000 shares of Class B common stock
Selling Shareholders	9,000,000 shares of Class B common stock
Total	14,000,000 shares of Class B common stock
Over-Allotment Option	
Us	286,809 shares of Class B common stock
Selling Shareholders	1,813,191 shares of Class B common stock
Total	2,100,000 shares of Class B common stock
Common Stock to be Outstanding After This Offering	31,856,000 shares (32,142,809 shares if the over-allotment option is exercised in full), consisting of 17,856,000 shares of Class A common stock and 14,000,000 shares of Class B common stock (16,042,809 shares of Class A common stock and 16,100,000 shares of Class B common stock if the over-allotment option is exercised in full)
Use of Proceeds	We estimate that our proceeds from this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately \$63.7 million. We intend to use the net proceeds from this offering for general corporate purposes, including working capital and possible acquisitions and investments. We will not receive any proceeds from the sale of shares by the selling shareholders. See "Use of Proceeds".
Voting Rights	Each share of common stock is entitled to one vote on every matter properly submitted to the shareholders for their vote. There shall be no cumulative voting of a class or series of capital stock in the election of our directors.
Dividend Policy	We do not expect to pay any cash dividends for the foreseeable future. We currently intend to retain future earnings, if any, to finance operations and expand our business. See "Dividend Policy".
Conversion Rights of Class A Common Stock	At any time after the first anniversary of the completion of this offering, our board of directors may, in its sole discretion and after considering relevant factors, including market conditions at the time, cause shares of our Class A common stock to be converted to shares of Class B common stock, including in connection with one or more underwritten public offerings; provided, that the aggregate number of shares of Class A common stock that may be converted, together with

all shares of Class A common stock that shall have been converted on any prior occasion, shall be limited to two-thirds of the number of shares of common stock outstanding immediately prior to the consummation of this offering. In addition, at any time after the fifth anniversary of the completion of this offering, or such earlier date after the first anniversary of the completion of this offering as all claims with respect to which anti-dilution protections are afforded to Class B common stock have been resolved, all or any portion of our shares of Class A common stock may, at the sole discretion of our board of directors and after considering relevant factors, including market conditions at the time, be converted to shares of Class B common stock, at which time the anti-dilution protections described under "Description of Capital Stock Anti-Dilution Rights" will terminate. Our Class B common stock is not convertible into any other shares of our capital stock.

Anti-Dilution Protections of Class B
Common Stock

For a period of five years from the completion of this offering, subject to extension or shortening under certain circumstances, each holder of our shares of Class B common stock will benefit from anti-dilution protections provided in our amended and restated articles of incorporation, pursuant to which each holder of shares of Class B common stock will be entitled to receive, upon any issuance of our shares to certain potential claimants at a price or prices below the then-prevailing market price, such number of additional shares of Class B common stock as is necessary to maintain the approximate market value of such holder's investments in us as of the date immediately prior to the first public announcement of the proposed issuance of shares to such claimants. See "Risk Factors Risks Relating to Our Capital Stock" and "Description of Capital Stock". We believe that these protections should be sufficient to prevent dilution of the shares of Class B common stock resulting from the issuance of shares to claimants at a price or prices below the then-prevailing market price, but cannot provide assurances that the protections will be effective in all potential scenarios. Our Class A common stock does not have these anti-dilution protections.

New York Stock Exchange Symbol

"GTS"

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Unless otherwise indicated, the information in this prospectus:

reflects the 3,000-for-one stock split effected by us on May 1, 2007;

assumes no exercise of the underwriters' option to purchase up to 286,809 and 1,813,191 additional shares from us and the selling shareholders, respectively, to cover over-allotments.

The number of shares of our Class B common stock to be outstanding after this offering does not take into account:

999,310 shares of Class B common stock issuable upon the exercise of stock options outstanding as of the closing of this offering exercisable at the initial price to the public in this offering; and

an aggregate of 4,700,000 shares of Class B common stock that will be reserved for future issuances under our stock incentive plan as of the closing of this offering.

Risk Factors

Investing in our common stock involves substantial risk. Please read "Risk Factors" beginning on page 10 for a discussion of certain factors you should consider in evaluating an investment in our common stock.

SUMMARY CONSOLIDATED FINANCIAL AND ADDITIONAL DATA

The table below provides a summary of our historical consolidated financial data for each of the three years in the period ended December 31, 2006 and for the nine-month periods ended September 30, 2007 and 2006. We derived the statement of earnings data for the three years in the period ended December 31, 2006, and the balance sheet data as of December 31, 2006, 2005 and 2004 from our audited consolidated financial statements.

Our unaudited consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and, in our opinion, reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of this data in all material respects. The results for any interim period are not necessarily indicative of the results that may be expected for a full year or any other period.

You should read this summary consolidated financial data together with "Selected Consolidated Financial and Additional Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements and unaudited condensed consolidated financial statements and accompanying notes and schedules included elsewhere in this prospectus.

Until October 31, 2006, we had contracts with the government of the Commonwealth of Puerto Rico (the government of Puerto Rico) to be the Reform insurance carrier for three of the eight geographical areas into which Puerto Rico is divided for purposes of the Reform. In October 2006, we were informed that the new contract to serve one of these regions, Metro-North, had been awarded to another managed care company effective November 1, 2006. The contracts for the other two regions were renewed for additional terms ending June 30, 2008 and applicable premium rates were negotiated, resulting in an average increase in rates of 8.7%. The premiums earned, net and operating income related to the operations of the Metro-North region for the nine months ended September 30, 2006 amounted to \$145.8 million and \$6.9 million, respectively. The premiums earned, net and operating income related to the operations of the Metro-North region amounted to \$161.6 million and \$5.4 million, respectively, for the year ended December 31, 2006, and \$200.9 million and \$3.5 million, respectively, for the year ended December 31, 2005.

(in millions, except per share data)	Nine months ended September 30,		Year Ended December 31,		
	2007	2006(1)	2006(1)	2005	2004
Statement of Earnings Data					
Revenues:					
Premiums earned, net	\$ 1,101.6	\$ 1,158.6	\$ 1,511.6	\$ 1,380.2	\$ 1,299.0
Administrative service fees	11.0	10.4	14.1	14.4	9.2
Net investment income	33.4	31.3	42.7	29.1	26.8
Total operating revenues	1,146.0	1,200.3	1,568.4	1,423.7	1,335.0
Net realized investment gains	6.2	1.3	0.8	7.2	11.0
Net unrealized investment gain (loss) on trading securities	(0.8)	3.7	7.7	(4.7)	3.0
Other income, net	1.8	1.2	2.3	3.7	3.4
Total revenues	1,153.2	1,206.5	1,579.2	1,429.9	1,352.4
Benefits and expenses:					
Claims incurred	915.4	974.3	1,259.0	1,208.3	1,115.8
Operating expenses	173.4	170.5	236.1	181.7	171.9
Total operating costs	1,088.8	1,144.8	1,495.1	1,390.0	1,287.7
Interest expense	11.9	12.4	16.6	7.6	4.6
Total benefits and expenses	1,100.7	1,157.2	1,511.7	1,397.6	1,292.3
Income before taxes	52.5	49.3	67.5	32.3	60.1
Income tax expense	11.7	10.5	13.0	3.9	14.3

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	Nine months ended September 30,		Year Ended December 31,		
Net income	\$ 40.8	\$ 38.8	\$ 54.5	\$ 28.4	\$ 45.8

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(in millions, except per share data)	Nine months ended September 30,		Year Ended December 31,		
	2007	2006(1)	2006(1)	2005	2004
Weighted average number of shares outstanding giving effect to 3,000-for-one stock split	26,741,333	26,728,333	26,733,000	26,712,000	26,757,000
Basic net income per share giving effect to 3,000-for-one stock split	\$ 1.53	\$ 1.45	\$ 2.04	\$ 1.06	\$ 1.71

(in millions)	As of September 30,		As of December 31,		
	2007	2006(1)	2005	2004	

Balance Sheet Data

Cash and cash equivalents	\$ 96.0	\$ 81.6	\$ 49.0	\$ 35.1
Total assets	1,345.5	1,137.5	919.7	
Long-term borrowings	171.4	183.1	150.6	95.7
Total shareholders' equity	382.9	342.6	308.7	301.4

	Nine months ended September 30,		Year Ended December 31,		
	2007	2006	2006	2005	2004

Additional Managed Care Data(2)

Medical loss ratio	87.7%	88.2%	87.6%	90.3%	88.3%
Operating expense ratio	11.0%	11.0%	11.5%	10.8%	10.8%
Medical membership (period-end)	977,613	1,189,206	979,506	1,252,649	1,236,108

(1) On January 31, 2006, we completed the acquisition of GA Life. The results of operations and financial condition of GA Life are included in this table for the period following the effective date of the acquisition. See note 3 to the audited consolidated financial statements included elsewhere herein.

(2) Does not reflect inter-segment eliminations.

RISK FACTORS

You should carefully consider the following risks and all other information set forth in this prospectus before investing. These risks and other factors could materially affect our business, results of operations or financial condition and cause the trading price of our common stock to decline. You could lose part or all of your investment.

Risks Relating to Our Capital Stock

Certain of our current and former providers may bring materially dilutive claims against us.

Beginning with our founding in 1959 and until 1994, we encouraged, and at times required, the doctors and dentists that comprised our provider network to acquire our shares. Between approximately 1985 and 1994, our predecessor managed care subsidiary, Seguros de Servicios de Salud de Puerto Rico, Inc. (SSS), generally entered into an agreement with each new physician or dentist who joined our provider network to sell the provider shares of SSS at a future date (each agreement, a share acquisition agreement). These share acquisition agreements were necessary because there were not enough authorized shares of SSS available during this period and afterwards for issuance to all new providers. Each share acquisition agreement committed SSS to sell, and each new provider to purchase, five \$40-par-value shares of SSS at \$40 per share after SSS had increased its authorized share capital in compliance with the Puerto Rico Insurance Code and was in a position to issue new shares. Despite repeated efforts in the 1990s, SSS was not successful in obtaining shareholder approval to increase its share capital, other than in connection with our reorganization in 1999, when SSS was merged into a newly-formed entity, TSI, having authorized capital of 25,000 \$40-par-value shares, or twice the number of authorized shares of SSS. SSS's shareholders and the Commissioner of Insurance did not, however, authorize the issuance of the newly formed entity's shares to providers or any other third party. In addition, subsequent to the reorganization, our shareholders did not approve attempts to increase our share capital in 2002 and 2003.

Notwithstanding the fact that TSI and its predecessor, SSS, were never in a position to issue new shares to providers as contemplated by the share acquisition agreements because shareholder approval for such issuance was never obtained, and the fact that SSS on several occasions in the 1990s offered providers the opportunity to purchase shares of its treasury stock and such offers were accepted by very few providers, providers who entered into share acquisition agreements may claim that the share acquisition agreements entitle them to acquire our or TSI's shares at a subscription price equivalent to that provided for in the share acquisition agreements. SSS entered into share acquisition agreements with approximately 3,000 providers, the substantial majority of whom never came to own shares of SSS. Such share acquisition agreements provide for the purchase and sale of approximately 15,000 shares of SSS. If we or TSI were required to issue a significant number of shares in respect of these agreements, the interest of our existing shareholders would be substantially diluted. As of the date of this prospectus, only one judicial claim to enforce any of these agreements has been commenced. Additionally, we have received inquiries with respect to over 600 shares under share acquisition agreements. The share numbers set forth in this paragraph reflect the number of SSS shares provided for in the share acquisition agreements. Those agreements do not include anti-dilution protections and we do not believe that the amounts of any claims under the agreements with SSS should be multiplied to reflect our 3,000-for-one stock split. We cannot provide assurances, however, that claimants will not successfully seek to increase the size of their claims by reference to the stock split.

We have been advised by our Puerto Rico counsel that, on the basis of a reasoned analysis, while the matter is not free from doubt and there are no applicable controlling precedents, we should prevail in any litigation of these claims because, among other defenses, the condition precedent to SSS's obligations under the share acquisition agreements never occurred, and any obligation it may, or we may be deemed to, have had under the share acquisition agreements should be understood to have

expired prior to our corporate reorganization, which took effect in 1999, although the share acquisition agreements do not expressly provide for any expiration.

We believe that we should prevail in any litigation with respect to these matters; however, we cannot predict the outcome of any such litigation, including with respect to the magnitude of any claims that may be asserted by any plaintiff, and the interests of our shareholders could be materially diluted to the extent that claims under the share acquisition agreements are successful. The shares of Class B common stock we are offering with this prospectus include anti-dilution protections designed to offset the dilutive effect of the issuance of shares of Class A common stock in respect of such claims at below market prices on the shares of Class B common stock during a period of up to five or more years from the date that this offering is completed. See "Description of Capital Stock".

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 prospectus, one judicial claim seeking the return of or compensation for 16 shares (prior to giving effect to the 3,000-for-one stock split) had been brought by the non-medical heirs of a former shareholder whose shares were repurchased upon his death. These 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. The shares of Class B common stock we are offering with this prospectus include anti-dilution protections designed to offset the dilutive effect of the issuance of shares of Class A common stock in respect of such claims at below market prices on the Class B common stock during a period of up to five or more years from the date that this offering is completed. See "Description of Capital Stock".

The dual class structure may not successfully protect against significant dilution of your shares of Class B common stock.

We designed the dual class structure of capital stock described in "Description of Capital Stock" to offset the potential impact on the value of our Class B common stock attributable to any issuance of shares of common stock for less than market value in respect of a successful claim against us under any share acquisition agreement or by a non-medical heir. We believe that this mechanism will effectively protect investors in our shares of Class B common stock against any potential dilution attributable to the issuance of any shares in respect of such claims at below market prices. We cannot, however, provide any assurances that this mechanism will be effective under all circumstances.

While we expect to prevail against any such claims brought against us and, to the extent that we do not prevail, would expect to issue Class A common stock in respect of any such claim, there can be no assurance that the claimants in any such lawsuit will not seek to acquire Class B common stock. The

issuance of a significant number of shares of Class B common stock, if followed by a material further issuance of shares of common stock to separate claimants, could impair the effectiveness of the anti-dilution protections of the Class B common stock. In addition, we cannot provide any assurances that the anti-dilution protections afforded our Class B common stock will not be challenged by share acquisition providers and/or non-medical heir claimants to the extent that these protections limit the percentage ownership of us that may be acquired by such claimants. We believe that such a challenge should not prevail, but cannot provide any assurances of the outcome.

In the event that claimants acquire shares of our managed care subsidiary, TSI, at less than fair value, we will not be able to prevent dilution of the value of the Class B shareholders' ownership interest in us to the extent that the net value received by such claimants exceeds the value of our outstanding shares of Class A common stock. Finally, the anti-dilution protection afforded by the dual class structure may cease to be of further effect five years following completion of this offering, at which time all remaining shares of Class A common stock may, at the sole discretion of our board of directors and after considering relevant factors, including market conditions at the time, be converted into shares of Class B common stock even if we have not resolved all claims against us by such time.

Risks Relating to Our Business

We could be subject to possible regulatory actions in connection with alleged illegal political contributions.

Miguel Vázquez Deynes, who was president and chief executive officer of the Company from January 1990 to April 2002, prior to the time that we became an SEC registrant, stated during a radio interview in October 2007 that he had testified to a federal grand jury to having caused the Company to effect illegal political contributions totaling over \$100,000 between 1996 and 2000. Mr. Vázquez Deynes has stated publicly that the payments in question were made to Puerto Rico public relations firms for the purpose of concealing the fact that they exceeded the amounts permitted by applicable Puerto Rico election laws. Mr. Vázquez Deynes' testimony was given in connection with an ongoing investigation by the U.S. Attorney's Office for the District of Puerto Rico into illegal political contributions in Puerto Rico. The Puerto Rico Legislative Assembly and the Puerto Rico Department of Justice have subsequently launched separate investigations into the matters described by Mr. Vázquez Deynes. The Company is cooperating fully with all requests made of it in connection with these investigations.

There may be, or could in the future be, other investigations by governmental authorities relating to these matters. The current and any such future investigations could result in actions against us or certain of our current or former employees. These actions could result in fines, penalties, sanctions, injunctions against future conduct, third party litigation or other actions that could have a material adverse effect on our business, financial condition, share price and reputation, including by impairing government contracts and adversely affecting our ability to obtain future contracts and participate in governmental payor programs.

Following the airing of Mr. Vázquez's allegations, the Company's board of directors hired outside counsel from Clifford Chance US, LLP, a law firm that had no prior relationship with the Company, to conduct an internal investigation into these allegations. The internal investigation is ongoing but substantially advanced. The Company believes that any misconduct was limited to the matters publicly described by Mr. Vázquez Deynes and isolated to the period when Mr. Vázquez Deynes was an officer of the Company. Although we cannot predict the outcome of the government investigations described above, management does not currently believe that they will result in actions having a material adverse effect on the Company.

Our inability to contain managed care costs may adversely affect our business and profitability.

Substantially all of our managed care revenue is generated by premiums consisting of monthly payments per member that are established by contracts with our Commercial customers, the government of Puerto Rico (for the Reform programs) or the Centers for Medicare and Medicaid Services (CMS) (for our Medicare Advantage plans), all of which are typically renewable on an annual basis. If our medical expenses exceed our estimates, except in very limited circumstances or as a result of risk score adjustments for member acuity, we will be unable to increase the premiums we receive under these contracts during the then-current terms. As a result, our profitability in any year depends, to a significant degree, on our ability to adequately predict and effectively manage our medical expenses related to the provision of managed care services through underwriting criteria, medical management, product design and negotiation of favorable provider contracts with hospitals, physicians and other health care providers. The aging of the population and other demographic characteristics and advances in medical technology continue to contribute to rising health care costs. Government-imposed limitations on Medicare and Reform reimbursement have also caused the private sector to bear a greater share of increasing health care costs. Also, we have in the past and may in the future enter into new lines of business in which it may be difficult to estimate anticipated costs. Numerous factors affecting the cost of managed care, including changes in health care practices, inflation, new technologies such as genetic laboratory screening for diseases including breast cancer, the cost of prescription drugs, clusters of high cost cases, changes in the regulatory environment including the implementation of the Health Insurance Portability and Accountability Act of 1996 (HIPAA), as well as others, may adversely affect our ability to predict and manage managed care costs, as well as our business, financial condition and results of operations.

Our inability to implement increases in premium rates on a timely basis may adversely affect our business and profitability.

In addition to the challenge of managing managed care costs, we face pressure to contain premium rates. Our customers may move to a competitor at the time of policy renewal to obtain more favorable premiums. Future Medicare and Reform premium rate levels may be affected by continuing government efforts to contain medical expenses or other federal budgetary constraints. In particular, the government of Puerto Rico has adopted several measures to control Reform expenditures, such as closer and continuous scrutiny of participants' eligibility, redesign of benefits, co-payments, deductibles, and requiring the establishment of disease management programs. Changes in the Medicare and Reform programs, including with respect to funding, may lead to reductions in the amount of reimbursement, elimination of coverage for certain benefits, or reductions in the number of persons enrolled in or eligible for Medicare and the Reform. A limitation on our ability to increase or maintain our premium levels could adversely affect our business, financial condition and results of operations.

Our profitability may be adversely affected if we are unable to maintain our current provider agreements and/or are unable to enter into other appropriate agreements.

Our profitability is dependent upon our ability to contract on favorable terms with hospitals, physicians and other managed care providers. We face heavy competition from other managed care plans to enter into contracts with hospitals, physicians and other providers in our provider networks. Consolidation in our industry, both on the provider side and on the managed care side, only exacerbates this competition. Currently certain providers are pressing for legislation that would allow providers to negotiate service fees by group. The failure to maintain or to secure new cost-effective managed care provider contracts may result in a loss in membership or higher medical costs. In addition, our inability to contract with providers could adversely affect our business.

A reduction in the enrollment in our managed care programs could have an adverse effect on our business and profitability.

A reduction in the number of enrollees in our managed care programs could adversely affect our business, financial condition and results of operations. Factors that could contribute to a reduction in enrollment include: failure to obtain new customers or retain existing customers; premium increases and benefit changes; our exit from a specific market; reductions in workforce by existing customers; negative publicity and news coverage; failure to maintain the Blue Shield license; reductions in the number of persons enrolled in or eligible for Medicare or the Reform; and any general economic downturn that results in business failures.

We are dependent on a small number of government contracts to generate a significant amount of the revenues of our managed care business.

Our managed care business participates in government contracts that generate a significant amount of our consolidated premiums earned, net, as follows:

Reform: We participate in the government of Puerto Rico Health Reform Program to provide health coverage to medically indigent citizens in Puerto Rico. Our results of operations have depended to a significant extent on our participation in the Reform program. During the nine months ended September 30, 2007 and each of the years ended December 31, 2006, 2005 and 2004, the Reform program has accounted for 22.1%, 30.2%, 37.0% and 37.3%, respectively, of our consolidated premiums earned, net. During these periods, we were the sole Reform provider in three of the eight Reform regions in Puerto Rico. Since we obtained our first Reform contract in 1995, we have been the sole provider for two to three regions each year. The contract for each geographical area is subject to termination in the event of any non-compliance by our managed care subsidiary which is not corrected or cured to the satisfaction of the government entity overseeing the Reform, or on 90 days' prior written notice in the event that the government determines that there is an insufficiency of funds to finance the Reform. These contracts have one-year terms and expire on September 30 of each year. Upon the expiration of the contract for a geographical area, the government of Puerto Rico usually commences an open bidding process for such area. In October 2006, we were informed that the new contract to serve one of these regions, Metro-North, had been awarded to another managed care company effective November 1, 2006. During the nine months ended September 30, 2006, the Metro-North region accounted for 12.6% and 12.4% of our consolidated premiums earned, net and consolidated operating income, respectively. During each of the years ended December 31, 2006, 2005 and 2004, this region accounted for 10.7%, 14.6% and 14.2% of our consolidated premiums earned, net, respectively, and 7.3%, 10.3% and 9.3% of our consolidated operating income, respectively. We intend to continue to participate in the Reform program, but we may not be able to retain the right to service a particular geographical area in which we currently operate after the expiration of our current or any future contracts.

Medicare Advantage: We provide services through our Medicare Advantage health plans pursuant to a limited number of contracts with CMS. These contracts generally have terms of one year and must be renewed each year. Each of our contracts with CMS is terminable for cause if we breach a material provision of the contract or violate relevant laws or regulations. If we are unable to renew, or to successfully re-bid or compete for any of these contracts, or if any of these contracts are terminated, our business would be materially impaired. During the nine months ended September 30, 2007 and the year ended December 31, 2006, contracts with CMS represented 16.9% and 11.3% of our consolidated premiums earned, net, respectively, and 49.5% and 45.9% of our consolidated operating income, respectively, and may in the future represent a greater percentage of our operations.

Commercial: Our managed care subsidiary is a qualified contractor to provide managed care coverage to federal government employees within Puerto Rico. Such coverage is provided pursuant to a contract with the U.S. Office of Personnel Management (OPM) that is subject to termination in the event of noncompliance not corrected to the satisfaction of the OPM. During the nine months ended September 30, 2007 and the years ended December 31, 2006, 2005, and 2004, premiums generated under this contract represented 8.3%, 7.5%, 8.2% and 8.3% of our consolidated premiums earned, net, respectively, and 1.1%, 1.2%, 2.4% and 1.6% of our consolidated operating income, respectively.

If any of these contracts is terminated for any reason, including by reason of any noncompliance by us, or not renewed or replaced by a comparable contract, our premiums would be materially adversely affected. The further loss or non-renewal of either of our Reform contracts could have a material adverse effect on our operating results and could result in the downsizing of certain personnel, the cancellation of lease agreements of certain premises and of certain contracts, and severance payments, among others.

A change in our managed care product mix may impact our profitability.

Our managed care products that involve greater potential risk, such as fully insured arrangements, generally tend to be more profitable than administrative services only (ASO) products and those managed care products where employer groups retain the risk, such as self-funded financial arrangements. There has been a trend in recent years among our Commercial customers of moving from fully-insured plans to ASO, or self-funded, arrangements. In addition, the government of Puerto Rico began a pilot project in 2003 for the Reform in one of the eight geographical areas under which it contracted services on an ASO basis for certain members instead of contracting on a fully insured basis. This project was subsequently extended to the Metro-North region, which was served by us until October 31, 2006. There can be no assurance that the government will not implement such a program in areas served by us. As of September 30, 2007, 83.5% of our managed care customers had fully insured arrangements and 16.5% had ASO arrangements, as compared to approximately 83.9% and 16.1%, respectively, as of December 31, 2006. Unfavorable changes in the relative profitability or customer participation among our various products could have a material adverse effect on our business, financial condition, and results of operations.

Our failure to accurately estimate incurred but not reported claims would affect our reported financial results.

A portion of the claim liabilities recorded by our insurance segments represents an estimate of amounts needed to pay and adjust anticipated claims with respect to insured events that have occurred, including events that have not yet been reported to us. These amounts are based on estimates of the ultimate expected cost of claims and on actuarial estimation techniques. Judgment is required in actuarial estimation to ascertain the relevance of historical payment and claim settlement patterns under each segment's current facts and circumstances. Accordingly, the ultimate liability may be in excess of or less than the amount provided. We regularly compare prior period liabilities to re-estimated claim liabilities based on subsequent claims development; any difference between these amounts is adjusted in the operations of the period determined. Additional information on how each reportable segment determines its claim liabilities, and the variables considered in the development of this amount, is included elsewhere in this prospectus under "Management's Discussion and Analysis of Financial Condition and Results of Operation Critical Accounting Policies and Estimates". Actual experience will likely differ from assumed experience, and to the extent the actual claims experience is less favorable than estimates based on our underlying assumptions, our incurred losses would increase and future earnings could be adversely affected.

The termination or modification of our license agreements to use the Blue Shield name and mark could have a material adverse effect on our business, financial condition and results of operations.

We are a party to license agreements with the Blue Cross Blue Shield Association (BCBSA) which entitle us to the exclusive use of the Blue Shield name and mark in Puerto Rico. We believe that the Blue Shield name and mark are valuable identifiers of our products and services in the marketplace. The termination of these license agreements or changes in the terms and conditions of these license agreements could adversely affect our business, financial condition and results of operations.

Our license agreements with the BCBSA contain certain requirements and restrictions regarding our operations and our use of the Blue Shield name and mark. Failure to comply with any of these requirements and restrictions could result in a termination of the license agreements. The standards under the license agreements may be modified in certain instances by the BCBSA. From time to time there have been proposals considered by the BCBSA to modify the terms of the license agreements to restrict various potential business activities of licensees. To the extent that such amendments to the license agreements are adopted in the future, they could have a material adverse effect on our future expansion plans or results of operations.

Upon any event causing termination of the license agreements, we would no longer have the right to use the Blue Shield name and mark in Puerto Rico. Furthermore, the BCBSA would be free to issue a license to use the Blue Shield name and mark in Puerto Rico to another entity. Events that could cause the termination of a license agreement with the BCBSA include failure to comply with minimum capital requirements imposed by the BCBSA, a change of control or violation of the BCBSA ownership limitations on our capital stock, impending financial insolvency and the appointment of a trustee or receiver or the commencement of any action against a licensee seeking its dissolution. Accordingly, termination of the license agreements could have a material adverse effect on our business, financial condition and results of operations.

In addition, the BCBSA requires us to comply with certain specified levels of risk based capital (RBC). RBC is designed to identify weakly capitalized companies by comparing each company's adjusted surplus to its required surplus (the RBC ratio). Although we are currently in compliance with these requirements, we may be unable to continue to comply in the future. Failure to comply with these requirements could result in the revocation or loss of our BCBSA license.

Upon termination of a license agreement, the BCBSA would impose a "Re-establishment Fee" upon us, which would allow the BCBSA to "re-establish" a Blue Shield presence in the vacated service area with another managed care company. The fee is currently \$86.18 per licensed enrollee. If the re-establishment fee were applied to our total Blue Shield enrollees as of September 30, 2007, we would be assessed approximately \$84.3 million by the BCBSA.

See "Business Blue Shield License" for more information.

Our ability to manage our exposure to underwriting risks in our life insurance and property and casualty insurance businesses depends on the availability and cost of reinsurance coverage.

Reinsurance is the practice of transferring part of an insurance company's liability and premium under an insurance policy to another insurance company. We use reinsurance arrangements to limit and manage the amount of risk we retain, to stabilize our underwriting results and to increase our underwriting capacity. In the nine months ended September 30, 2007, 42.9%, or \$50.3 million, of the premiums written in the property and casualty insurance segment and 9.0%, or \$6.6 million, of the premiums written in the life insurance segment were ceded to reinsurers. In the year ended December 31, 2006, 41.3%, or \$65.7 million, of the premiums written in the property and casualty insurance segment and 10.6%, or \$9.7 million, of the premiums written in the life insurance segment were ceded to reinsurers. The availability and cost of reinsurance is subject to changing market conditions and may vary significantly over time. Any decrease in the amount of our reinsurance

coverage will increase our risk of loss. We may be unable to maintain our desired reinsurance coverage or to obtain other reinsurance coverage in adequate amounts and at favorable rates. If we are unable to renew our expiring coverage or obtain new coverage, it will be difficult for us to manage our underwriting risks and operate our business profitably.

It is also possible that the losses we experience on insured risks for which we have obtained reinsurance will exceed the coverage limits of the reinsurance. See " Large scale natural disasters may have a material adverse effect on our business, financial condition and results of operation". If the amount of our reinsurance coverage is insufficient, our insurance losses could increase substantially.

If our reinsurers do not pay our claims or do not pay them in a timely manner, we may incur losses.

We are subject to loss and credit risk with respect to the reinsurers with whom we deal because buying reinsurance does not relieve us of our liability to policyholders. In accordance with general industry practices, our property and casualty and life insurance subsidiaries annually purchase reinsurance to lessen the impact of large unforeseen losses and mitigate sudden and unpredictable changes in our net income and shareholders equity. In the event that all or any of the reinsurance companies are unable to meet their obligations under existing reinsurance agreements or pay on a timely basis, we will continue to be liable to our policyholders notwithstanding such defaults or delays. If our reinsurers are not capable of fulfilling their financial obligations to us, our insurance losses would increase, which would negatively affect our financial condition and results of operations.

A downgrade in our A.M. Best rating or our inability to increase our A.M. Best rating could affect our ability to write new business or renew our existing business in our property and casualty segment.

Ratings assigned by A.M. Best are an important factor influencing the competitive position of the property and casualty insurance companies in Puerto Rico. In July 2006, as a result of the additional indebtedness we incurred in connection with the acquisition of GA Life, A.M. Best maintained our property and casualty insurance subsidiary's rating of "A-" (the fourth highest of A.M. Best's 16 financial strength ratings) but changed the outlook to negative. A.M. Best ratings represent independent opinions of financial strength and ability to meet obligations to policyholders and are not directed toward the protection of investors. Financial strength ratings are used by brokers and customers as a means of assessing the financial strength and quality of insurers. A.M. Best reviews its ratings periodically and we may not be able to maintain our current ratings in the future. A downgrade of our property and casualty subsidiary's rating could severely limit or prevent us from writing desirable property business or from renewing our existing business. The lines of business that property and casualty subsidiary writes and the market in which it operates are particularly sensitive to changes in A.M. Best financial strength ratings.

Significant competition could negatively affect our ability to maintain or increase our profitability.

Managed Care

The managed care industry in Puerto Rico is very competitive. If we are unable to compete effectively while appropriately pricing the business subscribed, our business and financial condition could be materially affected. Competition in the insurance industry is based on many factors, including premiums charged, services provided, speed of claim payments and reputation. This competitive environment has produced and will likely continue to produce significant pressures on the profitability of managed care companies. In addition, the managed care market in Puerto Rico, other than the Medicare Advantage market, is mature. According to the U.S. Census Bureau, Puerto Rico's population grew by 0.4% between July 2004 and 2005, less than half the national population rate growth of 0.9% during the same period. As a result, in order to increase our profitability we must increase our membership in the new Medicare Advantage program, increase market share in the Commercial sector, improve our operating profit margins, make acquisitions or expand geographically.

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In Puerto Rico, several new managed care plans and other entities were awarded contracts for Medicare Advantage or stand-alone Medicare prescription drug plans and entered that market in 2006 and 2007. We anticipate that these other plans will aggressively market their benefits to our current and our prospective members. Although we believe that we market an attractive offering, there are no assurances that we will be able to compete successfully with these other plans for new members, or that our current members will not choose to terminate their relationship with us and enroll in these other plans. The recently adopted Tax Relief and Health Care Act of 2006 allows Medicare beneficiaries to enroll throughout the year only in Medicare Advantage plans that do not offer Part D prescription drug coverage. Since we do offer such coverage, we can only enroll new Medicare Advantage members between November 15 and December 31 each year, thus placing us at a competitive disadvantage.

Concentration in our industry also has created an increasingly competitive environment, both for customers and for potential acquisition targets, which may make it difficult for us to grow