Pzena Investment Management, Inc.
Form SC 13G/A
February 02, 2015

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G
(Rule 13d-102)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO RULE 13d-1(b), (c), AND (d) AND AMENDMENTS THERETO FILED PURSUANT TO RULE 13d-2(b)

(AMENDMENT NO. 4)*

Pzena Investment Management, Inc.

(Name of Issuer)

Class A Common Stock, par value $0.01 per share

(Title of Class of Securities)

74731Q103

(CUSIP Number)

December 31, 2014

(Date of Event Which Requires Filing of This Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[X]	Rule 13d-1(b)
[ ]	Rule 13d-1(c)
[ ]	Rule 13d-1(d)

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* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

1	NAMES OF REPORTING PERSONS S.S. OR I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS 82-0566501		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP		(a) [ ] (b) [ ]
3	SEC USE ONLY		
4	CITIZENSHIP OR PLACE OF ORGANIZATION Minnesota		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	5	SOLE VOTING POWER 1,658,668	
	6	SHARED VOTING POWER 0	
	7	SOLE DISPOSITIVE POWER 1,658,668	
	8	SHARED DISPOSITIVE POWER 0	
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 1,658,668		
10	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW 9 EXCLUDES CERTAIN SHARES		[ ]
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9 12.566%		
12	TYPE OF REPORTING PERSON 1A		

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Item 1. (a) Name of Issuer:

Pzena Investment Management, Inc.

(b) Address of Issuer's Principal Executive Offices:

120 West 45th Street, 20th Floor
New York, NY 10036

Item 2. (a) Name of Person Filing:

Punch & Associates Investment Management, Inc.

(b) Address of Principal Business Office or, if None, Residence:

3601 West 76th Street; Suite 225
Edina, MN 55435

(c) Citizenship:

Minnesota

(d) Title of Class of Securities:

Class A Common Stock, par value $0.01 per share

(e) CUSIP Number:

74731Q103

Item 3. If This Statement is Filed Pursuant to Rule 13d-1(b), or 13d-2(b) or (c), Check Whether the Person Filing is a:

(a) [ ] Broker or dealer registered under Section 15 of the Exchange Act.

(b) [ ] Bank as defined in Section 3(a)(6) of the Exchange Act.

(c) [ ] Insurance company as defined in Section 3(a)(19) of the Exchange Act.

(d) [ ] Investment company registered under Section 8 of the Investment Company Act.

(e) [X] An investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E);

(f) [ ] An employee benefit plan or endowment fund in accordance with Rule 13d-1(b)(1)(ii)(F);

(g) [ ] A parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G);

(h) [ ] A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;

(i) [ ] A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act;

(j) [ ] Group, in accordance with Rule 13d-1(b)(1)(ii)(J).

Item 4. Ownership.

(a)	Amount beneficially owned:		1,658,668
(b)	Percent of class:		12.566%
(c)	Number of shares as to which the person has:		
	(i)	Sole power to vote or to direct the vote:	1,658,668
	(ii)	Shared power to vote or to direct the vote:	0
	(iii)	Sole power to dispose or to direct the disposition of:	1,658,668
	(iv)	Shared power to dispose or to direct the disposition of:	0

Item 5. Ownership of Five Percent or Less of a Class.

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following [ ]

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

Not applicable

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company or Control Person.

Not applicable

Item 8. Identification and Classification of Members of the Group.

Not applicable

Item 9. Notice of Dissolution of Group.

Not applicable

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Item 10. Certification.

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Punch & Associates Investment Management, Inc.

By:
Name: Howard D. Punch, Jr.
Title: President

Date: January 29, 2015

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Securities available for sale:

Fixed maturities sold
$101,828 16,151
Fixed maturities matured
25,733 30,895
Equity securities
1,000 1,209
Fixed maturity securities held to maturity
7,172 342
Acquisition of investments:

Securities available for sale:

Fixed maturities
(147,357) (54,221)
Equity securities
(16,759) (11,517)
Securities held to maturity:

Fixed maturities
(4,891) (1,688)
Acquisition of business, net of $10,403 of cash acquired
(27,793)

Net disbursements for policy loans
(297) (502)
Net capital expenditures
(6,329) (9,468)
Net cash used in investing activities
(39,900) (56,592)

CASH FLOWS FROM FINANCING ACTIVITIES:

Change in outstanding checks in excess of bank balances
17,477 490
Repayments of short-term borrowings
(43,559) (119,547)
Proceeds from short-term borrowings
43,559 117,807
Repayments of long-term borrowings
(11,730) (2,093)
Proceeds from long-term borrowings
35,000
Dividends paid
(2,448) (6,231)
Proceeds from policyholder deposits
5,133 4,389
Surrenders of policyholder deposits
(5,614) (10,213)
Other
1
Net cash provided by financing activities
2,819 19,602
Net increase in cash and cash equivalents
14,409 14,124
Cash and cash equivalents at beginning of the period
81,564 49,050
Cash and cash equivalents at end of the period
$95,973 63,174

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, 2007
(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) are unaudited, except for the balance sheet information as of December 31, 2006, 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 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, 2006.

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, 2007 are not necessarily indicative of the results for the full year. Certain amounts in the 2006 consolidated financial statements were reclassified to conform to the 2007 presentation.

(2) Recent Accounting Standards

There were no new accounting pronouncements issued during the first nine months of 2007 that have not been disclosed in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations included in the Corporation s Annual Report on Form 10-K for the year ended December 31, 2006.

The Corporation adopted the provisions of the Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109* (FIN 48) on January 1, 2007. See note 10 for details.

(3) Segment Information

The operations of the Corporation are conducted principally through three business segments: Managed Care, Life and Accident and Health Insurance (the Life Insurance segment), 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, 2007 and 2006:

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	Three months ended September 30,		Nine months ended September 30,	
	2007	**2006**	**2007**	**2006**
Operating revenues:				
Managed Care:				
Premiums earned, net	**$330,366**	346,668	**$ 965,909**	1,028,452
Administrative service fees	**3,908**	3,725	**11,034**	10,356
Intersegment premiums /service fees	**1,309**	1,335	**4,717**	4,224
Net investment income	**4,848**	4,770	**14,338**	13,842
Total managed care	**340,431**	356,498	**995,998**	1,056,874
Life Insurance:				
Premiums earned, net	**21,974**	21,936	**66,837**	64,434
Intersegment premiums	**92**	79	**264**	235
Net investment income	**3,695**	3,285	**11,054**	10,117
Total life	**25,761**	25,300	**78,155**	74,786
Property and Casualty Insurance:				
Premiums earned, net	**23,463**	21,827	**68,868**	65,713
Intersegment premiums	**154**	154	**462**	438
Net investment income	**2,566**	2,340	**7,645**	7,020
Total property and casualty	**26,183**	24,321	**76,975**	73,171
Other segments - intersegment service revenues *	**10,683**	12,855	**32,325**	38,320
Total business segments	**403,058**	418,974	**1,183,453**	1,243,151
TSM operating revenues from external sources	**120**	114	**360**	346
Elimination of intersegment premiums	**(1,555)**	(1,568)	**(5,443)**	(4,897)
Elimination of intersegment service fees	**(10,683)**	(12,855)	**(32,325)**	(38,320)
Consolidated operating revenues	**$390,940**	404,665	**$1,146,045**	1,200,280

* 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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	Three months ended September 30, 2007	Three months ended September 30, 2006	Nine months ended September 30, 2007	Nine months ended September 30, 2006
Operating income:				
Managed care	**$17,499**	22,377	**$ 39,396**	33,165
Life insurance	**2,605**	3,089	**8,260**	9,069
Property and casualty insurance	**1,508**	3,756	**6,494**	7,946
Other segments *	**509**	505	**787**	1,009
Total business segments	**22,121**	29,727	**54,937**	51,189
TSM operating revenues from external sources	**120**	114	**360**	346
TSM unallocated operating expenses	**(2,006)**	(1,120)	**(6,279)**	(3,762)
Elimination of TSM intersegment charges	**2,728**	2,746	**8,214**	7,731
Consolidated operating income	**22,963**	31,467	**57,232**	55,504
Consolidated net realized investment gains	**1,183**	363	**6,163**	1,324
Consolidated net unrealized gain (loss) on trading securities	**588**	3,407	**(764)**	3,718
Consolidated interest expense	**(3,938)**	(4,493)	**(11,948)**	(12,387)
Consolidated other income, net	**(525)**	1,295	**1,842**	1,208
Consolidated income before taxes	**$20,271**	32,039	**$ 52,525**	49,367
Depreciation expense:				
Managed care	**$ 1,167**	977	**$ 2,925**	2,786
Life insurance	**193**	195	**532**	512
Property and casualty insurance	**377**	101	**1,114**	340
Total business segments	**1,737**	1,273	**4,571**	3,638
TSM depreciation expense	**281**	283	**842**	1,121
Consolidated depreciation expense	**$ 2,018**	1,556	**$ 5,413**	4,759

* 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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	September 30, 2007	December 31, 2006
Assets:		
Managed care	$ 633,387	600,948
Life insurance	424,326	407,994
Property and casualty insurance	354,444	326,894
Other segments *	8,350	7,807
Total business segments	1,420,507	1,343,643
Unallocated amounts related to TSM:		
Cash, cash equivalents, and investments	10,346	11,879
Property and equipment,net	22,801	23,792
Other assets	3,044	4,096
	36,191	39,767
Elimination entries-intersegment receivables and others	(32,137)	(37,901)
Consolidated total assets	$1,424,561	1,345,509
Significant noncash items:		
Net change in unrealized gain on securities available for sale:		
Managed care	$ (449)	(1,560)
Life insurance	(690)	(1,457)
Property and casualty insurance	2,184	(183)
Total business segments	1,045	(3,200)
Amount related to TSM	92	(12)
Consolidated net change in unrealized gain on securities available for sale	$ 1,137	(3,212)
Net change in defined benefit pension plan liability:		
Managed care	$ 658	3,795
Life	9	212
Property and casualty	69	197
Other segments*	205	614
Total business segments	941	4,818
Amount related to TSM	21	134

Consolidated net change in defined benefit pension plan liability	$	**962**	4,952

* 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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(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, 2007 and December 31, 2006, were as follows:

	September 30, 2007			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Trading securities:				
Equity securities	$ 54,215	16,525	(772)	69,968
Securities available for sale:				
Fixed maturities	735,033	1,969	(8,353)	728,649
Equity securities	65,586	10,200	(2,380)	73,406
	800,619	12,169	(10,733)	802,055
Securities held to maturity:				
Fixed maturities	46,331	53	(710)	45,674
	$901,165	28,747	(12,215)	917,697

	December 31, 2006			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Trading securities:				
Equity securities	$ 66,930	17,436	(919)	83,447
Securities available for sale:				
Fixed maturities	714,113	590	(12,137)	702,566
Equity securities	50,132	13,112	(1,558)	61,686
	764,245	13,702	(13,695)	764,252
Securities held to maturity:				
Fixed maturities	47,989	383	(1,491)	46,881

	$879,164	**31,521**	**(16,105)**	**894,580**

Investment in securities at September 30, 2007 are mostly comprised of U.S. Treasury securities, obligations of government sponsored enterprises and obligations of U.S. government instrumentalities (58.9%), mortgage backed and collateralized mortgage obligations that are U.S. agency-backed (7.6%) and obligations of the government of Puerto Rico and its instrumentalities (6.9%). The remaining 26.6% of the investment portfolio is comprised of corporate bonds, equity securities and mutual funds.

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-maturity security below cost is other than temporary, the carrying amount of the security is reduced to its fair value.

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The impairment is charged to operations and a new cost basis for the security is established. During the nine months ended September 30, 2007 and 2006 the Corporation recognized other-than-temporary impairments amounting to $564 and $1,350, respectively, on its equity securities classified as available for sale.

(5) Premiums and Other Receivables

Premiums and other receivables as of September 30, 2007 and December 31, 2006 were as follows:

	September 30, 2007	December 31, 2006
Premium	**$ 68,696**	53,377
Self-funded group receivables	**30,038**	24,854
FEHBP	**9,942**	9,187
Agents balances	**26,729**	28,813
Accrued interest	**9,368**	8,054
Reinsurance recoverable on paid losses	**57,294**	40,885
Other	**23,099**	18,686
	225,166	183,856
Less allowance for doubtful receivables:		
Premiums	**13,195**	12,128
Other	**6,937**	6,102
	20,132	18,230
Total premiums and other receivables	**$205,034**	165,626

(6) Claim Liabilities

The activity in the total claim liabilities for the three months and nine months ended September 30, 2007 and 2006 is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Claim liabilities at beginning of period	**$344,816**	341,598	**$314,682**	297,563
Reinsurance recoverable on claim liabilities	**(50,003)**	(29,173)	**(32,066)**	(28,720)
Net claim liabilities at beginning of period	**294,813**	312,425	**282,616**	268,843
Claim liabilities acquired from GA Life				8,771
Incurred claims and loss-adjustment expenses:				

Current period insured events	**311,925**	317,413	**931,605**	975,170
Prior period insured events	**(4,815)**	(6,163)	**(25,753)**	(12,471)
Total	**307,110**	311,250	**905,852**	962,699
Payments of losses and loss-adjustment expenses:				
Current period insured events	**288,469**	289,548	**711,175**	748,093
Prior period insured events	**14,776**	20,010	**178,615**	178,103
Total	**303,245**	309,558	**889,790**	926,196
Net claim liabilities at end of period	**298,678**	314,117	**298,678**	314,117
Reinsurance recoverable on claim liabilities	**49,881**	30,416	**49,881**	30,416
Claim liabilities at end of period	**$348,559**	344,533	**$348,559**	344,533

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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 included in the incurred claims and loss-adjustment expenses for prior period insured events for the three months and nine months ended September 30, 2007 and 2006 represents a favorable development of claim liabilities due primarily to better than expected utilization trends.

(7) Capital Stock

The Corporation is authorized to issue 100,000,000 shares of common stock with a par value of $1.00 per share pursuant to an amendment to the Corporation s Article of Incorporation that became effective in February 2007.

On April 24, 2007, the Corporation s Board of Directors (the Board) authorized a 3,000-for-one stock split effected in the form of a dividend of 2,999 shares for every one share outstanding. This stock split was effective on May 1, 2007 to all stockholders of record at the close of business on April 24, 2007. The total number of authorized shares and par value per share were unchanged by this action. The par value of the additional shares resulting from the stock split was reclassified from additional paid in capital to common stock. All references to the number of shares and per share amounts in this consolidated financial statements are presented after giving retroactive effect to the stock split.

In May 2007, the Corporation cancelled 24,000 director qualifying shares. As of February 2007, Board members are no longer required to hold qualifying shares to participate in the Board of Directors of the Corporation.

(8) Borrowings

A summary of the Corporation s borrowings at September 30, 2007 and December 31, 2006 is as follows:

	September 30, 2007	**December 31, 2006**
Secured loan payable of $20,000, payable in various different installments up to August 1, 2007, with interest payable on a monthly basis at a rate reset periodically of 130 basis points over LIBOR selected (which was 6.67% December 31, 2006)	$	10,500
Senior unsecured notes payable of $50,000 due September 2019. Interest is payable semiannually at a fixed rate of 6.30%.	**50,000**	50,000
Senior unsecured notes payable of $60,000 due December 2020. Interest is payable monthly at a fixed rate of 6.60%.	**60,000**	60,000
Senior unsecured notes payable of $35,000 due January 2021. Interest is payable monthly at a fixed rate of 6.70%.	**35,000**	35,000
Secured loan payable of $41,000, payable in monthly installments of $137 up to July 1, 2024, plus interest at a rate reset periodically of 100 basis points over LIBOR selected (which was 6.72% and 6.35% at September 30, 2007 and December 31, 2006, respectively)	**26,357**	27,587
Total borrowings	**$171,357**	183,087

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Notes to Consolidated Financial Statements

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(Dollar amounts in thousands, except per share data)

(Unaudited)

(9) Comprehensive Income

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

	Unrealized gain (loss) on securities	Liability for pension benefits	Cash flow hedges	Accumulated other comprehensive income
BALANCE AT JANUARY 1	**$ 5**	**(19,742)**	**306**	**(19,431)**
Net current period change	**1,137**	**962**	**(185)**	**1,914**
BALANCE AT SEPTEMBER 30	**$ 1,142**	**(18,780)**	**121**	**(17,517)**

(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 January 1, 2007, tax years 2003 through 2006 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.

In June 2006, FASB issued FIN 48, which among other things, provides guidance to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing a minimum recognition threshold which income tax positions must achieve before being recognized in the financial statements. In addition, FIN 48 requires expanded annual disclosures, including a rollforward of the beginning and ending aggregate unrecognized taxes as well as specific detail related to tax uncertainties for which it is reasonably possible the amount of unrecognized taxes will significantly increase or decrease within twelve months. The Corporation adopted FIN 48 on January 1, 2007; no adjustment was required upon the adoption of this accounting pronouncement.

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(11) Pension Plan

The components of net periodic benefit cost for the three months and nine months ended September 30, 2007 and 2006 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2007	**2006**	**2007**	**2006**
Components of net periodic benefit cost:				
Service cost	**$ 1,254**	1,350	**$ 4,194**	4,042
Interest cost	**1,195**	1,151	**3,916**	3,454
Expected return on assets	**(1,034)**	(954)	**(3,395)**	(2,880)
Prior service cost	**14**	12	**44**	36
Actuarial loss	**501**	602	**1,526**	1,794
Net periodic benefit cost	**$ 1,930**	2,161	**$ 6,285**	6,446

Employer contributions

The Corporation disclosed in its audited consolidated financial statements for the year ended December 31, 2006 that it expected to contribute $5,000 to its pension program in 2007. As of September 30, 2007, the Corporation contributed $5,000 to the pension program.

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

The Corporation presents only basic earnings per share, which consists of the net income that is available to common stockholders divided by the weighted-average number of common shares outstanding for the period.

The following table sets forth the computation of basic net income per share after giving retroactive effect to the stock split disclosed in note 7:

	Three months ended September 30,		Nine months ended September 30,	
	2007	**2006**	**2007**	**2006**
Numerator for basic earnings per share:				
Net income available to stockholders	**$ 15,490**	24,830	**$ 40,800**	38,830
Denominator for basic earnings per share:				
Weighted average of outstanding common shares giving effect to 3,000-for-one stock split	**26,772,000**	26,733,000	**26,741,333**	26,728,333
Basic net income per share giving effect to 3,000-for-one stock split	**$ 0.58**	0.93	**$ 1.53**	1.45

(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 our compliance with applicable insurance and other laws and regulations. Management believes, based

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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 have incurred 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.

Sánchez Litigation

On September 4, 2003, José Sánchez and others filed a putative class action complaint against the Corporation, present and former directors of the board of directors of the Corporation and Triple-S, Inc. (TSI), and others, in the United States District Court for the District of Puerto Rico, alleging violations under the Racketeer Influenced and Corrupt Organizations Act (RICO). The class action complaint, which was amended on March 24, 2005, seeks damages in excess of $40 million. The plaintiffs purport to represent, among others, providers of medical products and services covered under policies issued or administered by the defendants, as well as the subscribers to those policies. Among other allegations, the suit alleges a scheme to defraud the plaintiffs by acquiring control of TSI through illegally capitalizing TSI and later converting it to a for-profit corporation and depriving the shareholders of their ownership rights. The plaintiffs base their allegations on the alleged decisions of TSI s board of directors and shareholders, purportedly made in 1979, to operate with certain restrictions in order to turn TSI into a charitable corporation. On May 4, 2006, the Court issued an Opinion and Order awarding summary judgment in favor of all the defendants, thereby dismissing the case. Plaintiffs filed a notice of appeal before the United States Court of Appeals for the First Circuit. On June 13, 2007, the First Circuit issued its Opinion confirming the summary judgment entered by the District Court. The plaintiffs did not move for any type of post-judgment relief before the Court of Appeals. On September 11, 2007, the plaintiffs filed a petition for certiorari with the U.S. Supreme Court, which was docketed on September 17, 2007. We filed an opposition to the petition for certiorari on October 17, 2007.

Jordán et al Litigation

On April 24, 2002, Octavio Jordán, Agripino Lugo, Ramón Vidal, and others filed a suit against the Corporation, TSI and others 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.

On May 9, 2005, the plaintiffs amended the complaint to allege causes of action similar to those dismissed in the Sánchez case 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

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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. On October 16, 2007, the plaintiffs filed an Urgent Motion for acceptance of their petition for certiorari in light of the allegations of improper political contributions made with the Corporation s funds by the Corporation s former CEO, Miguel Vázquez-Deynes, while in office. The Corporation does not believe that the alleged activity referenced by Mr. Vázquez-Deynes relates to the claims asserted in this case by plaintiffs or to legal issues presented in the petition for certiorari. We opposed the Urgent Motion on October 30, 2007. The plaintiffs petition for certiorari was denied by the Puerto Rico Supreme Court on November 9, 2007.

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. The case is pending before the U.S. District Court for the Southern District of Florida, Miami District.

The individual plaintiffs bring this action on behalf of themselves and a class of similarly situated physicians seeking redress for alleged illegal acts of the defendants, which they allege have resulted in a loss of their property and a detriment to their business, and for declaratory and injunctive relief to end those practices and prevent further losses. Plaintiffs alleged 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.

The class action complaint alleges that the health care plans are the agents of BCBSA licensed entities, and as such have committed the acts alleged above and acted within the scope of their agency, with the consent, permission, authorization and knowledge of the others, and in furtherance of both their interest and the interests of other defendants.

Management believes that TSI was brought to this litigation for the sole reason of being associated with the BCBSA. However, on June 18, 2004 the plaintiffs moved to amend the complaint to include the Colegio de Médicos y Cirujanos de Puerto Rico (a compulsory association grouping all physicians in Puerto Rico), Marissel Velázquez, M.D., President of the Colegio de Médicos y Cirujanos de Puerto Rico, and Andrés Meléndez, M.D., as plaintiffs against our managed care subsidiary. Later Marissel Velázquez, M.D. voluntarily dismissed her complaint against TSI.

TSI, along with the other defendants, moved to dismiss the complaint on multiple grounds, including but not limited to arbitration and applicability of the McCarran Ferguson Act.

The parties have been ordered to engage in mediation by the District Court, and twenty four plans, including TSI, are actively participating in the mediation efforts. The mediation resulted in the creation of a Settlement Agreement that was filed with the Court on April 27, 2007, and on May 31, 2007, the District Court preliminarily approved the Settlement Agreement. The Corporation has recorded an accrual for the estimated settlement, which is included within the accounts payable and accrued liabilities in the accompanying unaudited consolidated financial statements. A final approval hearing for the Settlement Agreement has been set for November 14, 2007.

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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.

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 the company. The Company 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. TSI believes that this claim is meritless, as the validity of the share repurchase was decided by the Court of Appeals in 2000, and plans to vigorously contest this matter.

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 will file a motion for reconsideration of the Court s summary judgment decision on November 14, 2007. The Court has not issued a decision with respect to the personal property tax assessment. Management believes that these municipal tax assessments are improper and currently expects to prevail in this litigation.

Puerto Rico House of Representatives Investigation

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 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.

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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, 2007. 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, 2006.

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, Reform and Medicare Advantage (including the Part D stand-alone prescription drug plan (PDP)) markets. The Reform program is a Puerto Rico government-funded managed care program for the medically indigent population, 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, 2007, our managed care segment represented approximately 87.9% of our total consolidated premiums earned, net and approximately 68.9% 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 15% (in terms of premiums written) as of December 31, 2006. Our property and casualty segment had a market share of approximately 9% (in terms of direct premiums) as of December 31, 2006.

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 offer products to the Commercial, Reform and Medicare Advantage (including PDP) market sectors. The Commercial sector includes corporate accounts, U.S. federal government employees, local government employees, individual accounts and Medicare Supplement.

We participate in the life insurance market through our subsidiary, Triple-S Vida, Inc., which resulted from the merger of our former subsidiary Seguros de Vida Triple-S, Inc. (SVTS) into Great American Life Assurance Company of Puerto Rico (GA Life) and in the property and casualty insurance market through our subsidiary, Seguros Triple-S, Inc. (STS), which represented approximately 6.1% and 6.3%, respectively, of our consolidated premiums earned, net for the nine months ended September 30, 2007 and 14.5% and 11.2%, 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

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amounts reported on the financial statement line items for each segment, but are eliminated in consolidation and do not change net income.

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

In June 2007, we renewed the contracts to serve the North and Southwest regions for a twelve-month period ending June 30, 2008.

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.

Managed Care Membership

	As of September 30,	
	2007	**2006**
Managed care enrollment:		
Commercial [1]	**576,600**	589,785
Reform [2]	**352,722**	554,996
Medicare Advantage	**48,291**	44,425
Total	**977,613**	1,189,206
Managed care enrollment by funding arrangement:		
Fully-insured	**816,068**	1,032,083
Self-insured	**161,545**	157,123
Total	**977,613**	1,189,206

(1) Commercial membership includes corporate accounts,

self-funded employers, individual accounts, Medicare Supplement, Federal government employees and local government employees.

(2) Enrollment as of September 30, 2006 includes 198,301 members of the Metro-North region. The contract for this region was not renewed effective November 1, 2006.

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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. On January 31, 2006 we completed the acquisition of GA Life. The results of operations of GA Life are included in this table for the period following the effective date of the acquisition.

	Three months ended September 30,		Nine months ended September 30,	
(Dollar amounts in millions)	**2007**	**2006**	**2007**	**2006**
Revenues:				
Premiums earned, net	**$375.8**	390.4	**$1,101.6**	1,158.6
Administrative service fees	**3.9**	3.7	**11.0**	10.4
Net investment income	**11.2**	10.5	**33.4**	31.3
Total operating revenues	**390.9**	404.6	**1,146.0**	1,200.3
Net realized investment gains	**1.2**	0.4	**6.2**	1.3
Net unrealized gain (loss) on trading securities	**0.6**	3.4	**(0.8)**	3.7
Other income (expense), net	**(0.5)**	1.3	**1.8**	1.2
Total revenues	**392.2**	409.7	**1,153.2**	1,206.5
Benefits and expenses:				
Claims incurred	**310.0**	317.4	**915.4**	974.3
Operating expenses	**58.0**	55.8	**173.4**	170.5
Total operating expenses	**368.0**	373.2	**1,088.8**	1,144.8
Interest expense	**3.9**	4.5	**11.9**	12.4
Total benefits and expenses	**371.9**	377.7	**1,100.7**	1,157.2
Income before taxes	**20.3**	32.0	**52.5**	49.3
Income tax expense	**4.8**	7.2	**11.7**	10.5
Net income	**$ 15.5**	24.8	**$ 40.8**	38.8

Three Months Ended September 30, 2007 Compared to Three Months Ended September 30, 2006

Operating Revenues

Consolidated premiums earned, net and administrative service fees decreased by $14.4 million, or 3.7%, to $379.7 million during the three months ended September 30, 2007 compared to the three months ended September 30, 2006. The decrease was primarily due to a decrease in the premiums earned, net in our managed care segment, principally due to the decreased volume of the Reform business after the termination of the contract for the Metro-North region, offset in part by the growth of our Medicare Advantage business.

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

The combined balance of our consolidated net unrealized gain on trading securities and other income, net decreased by $4.6 million, to a gain of $0.1 million during the three months ended September 30, 2007. The decrease is principally due to a decrease in the unrealized gain on trading securities and the derivative component of our investment in structured notes due to market fluctuations. The change in the fair value of the derivative component of these structured notes is included within other income, net.

Claims Incurred

Consolidated claims incurred during the three months ended September 30, 2007 decreased by $7.4 million, or 2.3%, to $310.0 million when compared to the claims incurred during the three months ended September 30, 2006. This decrease is principally due to decreased claims in the managed care segment as a result of the decreased volume of the Reform business due to the termination of the contract for the Metro-North region, net of increased enrollment in the Medicare Advantage business. The consolidated loss ratio increased by 1.2 percentage points to

82.5%, primarily due to favorable reserve developments in the Medicare Advantage claims reserve during the 2006 period and to higher utilization trends in the Reform business during the 2007 period.

Operating Expenses

Consolidated operating expenses during the three months ended September 30, 2007 increased by $2.2 million, or 3.9%, to $58.0 million as compared to the operating expenses during the 2006 period. This increase is primarily attributed to normal increases in payroll and payroll related expenses, an increase in net commission expense, as well as an increase in professional services expenses (mainly legal expenses). These increases are offset in part by the decrease in the operating expenses for the Reform business resulting from the reduction in volume of this business. The consolidated operating expense ratio increased by 1.1 percentage points during the 2007 period mainly due to the aforementioned reduction in volume.

Income Tax Expense

The consolidated effective tax rate increased by 1.1 percentage points, from 22.5% in 2006 to 23.6% in 2007, primarily due to a higher taxable income in 2007 from our managed care segment, which has a higher effective tax rate than our other segments.

Nine Months Ended September 30, 2007 Compared to Nine Months Ended September 30, 2006

Operating Revenues

Consolidated premiums earned, net and administrative service fees decreased by $56.4 million, or 4.8%, to $1,112.6 million during the nine months ended September 30, 2007 compared to the nine months ended September 30, 2006. The decrease was primarily due to a decrease in the premiums earned, net in our managed care segment, principally due to the decreased volume of the Reform business after the termination of the contract for the Metro-North region, offset in part by the growth of our Medicare Advantage business and the increases in premium rates of the Reform business during 2007.

Consolidated net investment income increased by $2.1 million, or 6.7%, to $33.4 million during the nine months ended September 30, 2007. This increase is primarily the result of an increase of $1.1 million attributed to a higher yield in 2007 and a higher balance of invested assets and the acquisition of GA Life effective January 31, 2006. Net investment income earned by GA Life during the month of January 2006 amounted to $1.0 million, which is not included in our consolidated financial statements.

Net Realized Investment Gains

Consolidated net realized investment gains increased by $4.9 million to $6.2 million during the nine months ended September 30, 2007. This increase is primarily the result of higher sales in 2007 of investments, particularly in trading securities, in order to keep the portfolio within our established targets in each investment sector.

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

The combined balance of our consolidated net unrealized gain (loss) on trading securities and other income, net decreased by $3.9 million, to a gain of $1.0 million during the nine months ended September 30, 2007. The decrease is primarily the net result of an increase in the fair value of the derivative component of our investment in structured notes linked to foreign stock indexes, offset in part by the unrealized loss on the trading portfolio. This unrealized loss on trading securities is due to the sale of one equity portfolio which had a net unrealized gain at the time of sale. This sale has the effect of eliminating the unrealized gain that was offsetting unrealized losses in our trading portfolio.

Claims Incurred

Consolidated claims incurred during the nine months ended September 30, 2007 decreased by $58.9 million, or 6.0%, to $915.4 million when compared to the claims incurred during the nine months ended September 30, 2006. This decrease is principally due to decreased claims in the managed care segment as a result of the decreased volume of the Reform business due to the termination of the contract for the Metro-North region, net of increased

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enrollment in the Medicare Advantage business. The consolidated loss ratio decreased by 1.0 percentage points, to 83.1% in the 2007 period. The lower loss ratio is mainly the result of an overall increase in premium rates and a change in the mix of business. During the nine months ended September 30, 2007, the weight in the mix of business of the managed care segment corresponding to the Reform business decreased as a result of the termination of the contract for the Metro-North area. The Reform business has a higher loss ratio than other businesses within this segment. On the other hand, the Medicare Advantage business, which has a lower loss ratio than other businesses within the managed care segment, has a higher weight in the mix of business in the 2007 period.

Operating Expenses

Consolidated operating expenses during the nine months ended September 30, 2007 increased by $2.9 million, or 1.7%, to $173.4 million as compared to operating expenses during the 2006 period. This increase is primarily attributed to increases in professional services expense (mainly legal expenses), normal increases in payroll and payroll related expense, as well as higher technology related costs due to the new systems initiative of our managed care subsidiary. This increase is offset in part by the decrease in the operating expenses for the Reform business resulting from the reduction in volume of this business. The consolidated operating expense ratio increased by 1.0 percentage points during the 2007 period mainly due to fixed expenses not affected by a reduction in volume.

Income Tax Expense

The consolidated effective tax rate increased by 1.0 percentage points, from 21.3% in 2006 to 22.3% in 2007, primarily due to a higher taxable income in 2007 from our managed care segment, which has a higher effective tax rate than our other segments.

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Managed Care Operating Results

(Dollar amounts in millions)	Three months ended September 30, 2007	2006	Nine months ended September 30, 2007	2006
Medical operating revenues:				
Medical premiums earned, net:				
Commercial	**$ 177.8**	180.2	**$ 538.7**	540.7
Reform	**85.4**	118.9	**243.8**	366.7
Medicare Advantage	**67.9**	48.3	**185.7**	123.2
Medical premiums earned, net	**331.1**	347.4	**968.2**	1,030.6
Administrative service fees	**4.5**	4.3	**13.5**	12.4
Net investment income	**4.8**	4.8	**14.3**	13.9
Total medical operating revenues	**340.4**	356.5	**996.0**	1,056.9
Medical operating costs:				
Medical claims incurred	**287.6**	295.6	**848.9**	909.4
Medical operating expenses	**35.3**	38.5	**107.7**	114.3
Total medical operating costs	**322.9**	334.1	**956.6**	1,023.7
Medical operating income	**$ 17.5**	22.4	**$ 39.4**	33.2
Additional data:				
Member months enrollment:				
Commercial:				
Fully-insured	**1,242,254**	1,304,711	**3,743,350**	3,995,526
Self-funded	**483,459**	469,318	**1,447,287**	1,387,341
Total commercial member months	**1,725,713**	1,774,029	**5,190,637**	5,382,867
Reform	**1,066,016**	1,673,229	**3,199,546**	5,211,533
Medicare Advantage	**142,831**	132,209	**407,675**	327,289
Total member months	**2,934,560**	3,579,467	**8,797,858**	10,921,689
Medical loss ratio	**86.9%**	85.1%	**87.7%**	88.2%
Operating expense ratio	**10.5%**	10.9%	**11.0%**	11.0%

Three Months Ended September 30, 2007 Compared to Three Months Ended September 30, 2006

Medical Operating Revenues

Medical premiums earned for the three months ended September 30, 2007 decreased by $16.3 million, or 4.7%, to $331.1 million when compared to the medical premiums earned during the three months ended September 30, 2006, principally as a result of the following:

Medical premiums earned in the Reform business decreased by $33.5 million, or 28.2%, to $85.4 million during the 2007 period. This fluctuation is due to a decrease in member months enrollment in the Reform business by 607,213, or 36.3%, mainly as the result of the termination of the contract for the Metro-North region effective November 1, 2006. The member months enrollment of the Metro-North region was 598,765 during the three months ended September 30, 2006. The effect of this decrease in membership was mitigated by an increase in premium rates of approximately 8.7% effective July 1, 2007 and an increase of approximately 6.7% effective November 1, 2006.

Medical premiums generated by the Commercial business decreased by $2.4 million, or 1.3%, to $177.8 million during the three months ended September 30, 2007. This fluctuation is primarily the result of a decrease in member months enrollment of 62,457, or 4.8%, partially offset by an increase in average premium rates of 3.6%.

Medical premiums generated by the Medicare Advantage business increased during the three months ended September 30, 2007 by $19.6 million, or 40.6%, to $67.9 million, primarily due to an increase in member months enrollment of 10,622, or 8.0%. The increase in member months is the net result of an increase of 30,391, or 38.7%, in the membership of our Medicare Advantage products and a decrease of 19,769, or 36.8%, in the membership of our PDP product. We expect that Medicare Advantage enrollment will continue to experience growth, but a slower pace than in prior periods. In addition, during this period the segment received a higher than expected retroactive payment of $2.5 million from the Centers for Medicare and Medicaid Services (CMS) corresponding to premiums for active members during the first two quarters of 2007.

Medical Claims Incurred

Medical claims incurred during the three months ended September 30, 2007 decreased by $8.0 million, or 2.7%, to $287.6 million when compared to the three months ended September 30. 2006. The decrease in medical claims incurred is mostly related to the medical claims incurred of the Reform business, which decreased by $27.6 million due to its decreased enrollment, offset in part by a combined increase of $23.4 million in the medical claims incurred of the Medicare Advantage and PDP businesses due to an increase in members. The medical loss ratio increased by 1.8 percentage points during the 2007 period, to 86.9%, primarily due to favorable reserve developments in the Medicare Advantage claims reserve during the 2006 period and to higher utilization trends in the Reform business during the 2007 period.

Medical Operating Expenses

Medical operating expenses for the three months ended September 30, 2007 decreased by $3.2 million, or 8.3%, to $35.3 million when compared to the three months ended September 30, 2006. This decrease is primarily attributed to the decrease in the direct costs of the Reform business due to its reduction in volume. The segment s operating expense ratio decreased by 0.4 percentage points in the 2007 period.

Nine Months Ended September 30, 2007 Compared to Nine Months Ended September 30, 2006

Medical Operating Revenues

Medical premiums earned for the nine months ended September 30, 2007 decreased by $62.4 million, or 6.1%, to $968.2 million when compared to the medical premiums earned during the nine months ended September 30, 2006, principally as a result of the following:

Medical premiums earned in the Reform business decreased by $122.9 million, or 33.5%, to $243.8 million during the 2007 period. This fluctuation is due to a decrease in member months enrollment in the Reform business by 2,011,987, or 38.6%, mainly as the result of the termination of the contract for the Metro-North region, the tightening of membership restrictions by the Puerto Rico government, and the shift in membership of dual eligibles to Medicare Advantage policies offered by us and our competitors. The member months enrollment of the Metro-North region was 1,841,815 during the nine months ended September 30, 2006. The effect of this decrease in membership was mitigated by an increase in premium rates, effective July 1, 2007, of approximately 8.7% and a retroactive increase in rates of approximately 6.7% effective November 1, 2006.

Medical premiums generated by the Commercial business decreased by $2.0 million, or 0.4%, to $538.7 million during the 2007 period. This decrease is primarily the result of a decrease in member months enrollment of 252,176, or 6.3%, partially offset by an increase in average premium rates of 6.3%.

Medical premiums generated by the Medicare Advantage business increased during the nine months ended September 30, 2007 by $62.5 million, or 50.7%, to $185.7 million, primarily due to an increase in member months enrollment of 80,386, or 24.6%. The increase in member months is the net result of an increase of 110,540, or 57.2%, in the membership of our Medicare Advantage products and a decrease of 30,154, or 22.5%, in the membership of our PDP product. We expect that Medicare Advantage enrollment will

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continue to experience growth, but a slower pace than in prior periods. In addition, the segment recognized an additional premium adjustment of $3.2 million related to the 2006 risk scores review performed by CMS.

Administrative service fees increased by $1.1 million, or 8.9%, to $13.5 million during the 2007 period due to an increase in member months enrollment of self-funded arrangements of 59,946, or 4.3% and to a shift of several self-funded groups to arrangements where the administrative service fee is based on contracts instead of claims paid.

Medical Claims Incurred

Medical claims incurred during the nine months ended September 30, 2007 decreased by $60.5 million, or 6.7%, to $848.9 million when compared to the nine months ended September 30, 2006. The decrease in medical claims incurred is mostly related to the medical claims incurred of the Reform business, which decreased by $112.3 million due to its decreased enrollment, partially offset by a combined increase of $53.4 million in the medical claims incurred of the Medicare Advantage and PDP businesses due to an increase in members. The medical loss ratio decreased by 0.5 percentage points during the 2007 period, to 87.7%, primarily due to an overall increase in premium rates and a change in the mix of business of the segment. During the nine months ended September 30, 2007 the weight in the mix of business corresponding to the Reform business decreased as a result of the termination of the contract for the Metro-North area. The Reform business has a higher medical loss ratio than other businesses within the segment. On the other hand, the Medicare Advantage business, which has a lower medical loss ratio than other businesses, has a higher weight in the mix of business in the 2007 period.

Medical Operating Expenses

Medical operating expenses for the nine months ended September 30, 2007 decreased by $6.6 million, or 5.8%, to $107.7 million when compared to the nine months ended September 30, 2006. This decrease is primarily attributed to the decrease in the direct costs of the Reform business due to its reduction in volume. The segment s operating expense ratio remained the same as the prior period at approximately 11%.

Life Insurance Operating Results

On January 31, 2006 we completed the acquisition of GA Life. The results of operations of GA Life are included in this table for the period following the effective date of the acquisition.

	Three months ended September 30,		**Nine months ended September 30,**	
(Dollar amounts in millions)	**2007**	**2006**	**2007**	**2006**
Operating revenues:				
Premiums earned, net:				
Premiums earned	**$24.1**	24.3	**$73.5**	67.2
Premiums earned ceded	**(2.1)**	(2.2)	**(6.6)**	(7.1)
Assumed premiums earned				4.4
Net premiums earned	**22.0**	22.1	**66.9**	64.5
Commission income on reinsuarance	**0.1**	(0.1)	**0.2**	0.1
Premiums earned, net	**22.1**	22.0	**67.1**	64.6
Net investment income	**3.7**	3.3	**11.1**	10.1
Total operating revenues	**25.8**	25.3	**78.2**	74.7
Operating costs:				
Policy benefits and claims incurred	**11.1**	11.2	**34.4**	32.4
Underwriting and other expenses	**12.1**	11.0	**35.5**	33.3
Total operating costs	**23.2**	22.2	**69.9**	65.7

Operating income	**$ 2.6**	3.1	**$ 8.3**	9.0
Additional data:				
Loss ratio	**50.2%**	50.9%	**51.3%**	50.2%
Operating expense ratio	**54.8%**	50.0%	**52.9%**	51.5%

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Three Months Ended September 30, 2007 Compared to Three Months Ended September 30, 2006

Operating Revenues

Premiums earned for the segment decreased by $0.2 million, or 0.8%, to $24.1 million during the three months ended September 30, 2007 as compared to the three months ended September 30, 2006. This decrease was primarily the result of a decrease in the premiums generated by the group disability and life insurance businesses. This decrease was offset in part by an increase in sales of individual life policies.

Policy Benefits and Claims Incurred

Policy benefits and claims incurred during the three months ended September 30, 2007 decreased by $0.1 million, or 0.9%, to $11.1 million in the 2007 period when compared to the 2006 period. This decrease is primarily the result of decreases in benefits corresponding to the individual life and group disability businesses, partially offset by increases in the benefits of the group life and cancer businesses during the 2007 period. This resulted in a 0.7 percentage points decrease in the loss ratio, from 50.9% in 2006 to 50.2% in 2007.

Underwriting and Other Expenses

Underwriting and other expenses for the segment increased by $1.1 million, or 10.0%, during the three months ended September 30, 2007 primarily as a result of a higher allocation of corporate operating expenses due to the changes in volume within the group, a decrease in net commission expenses and a lower amortization of deferred policy acquisition costs and value of business acquired.

Nine Months Ended September 30, 2007 Compared to Nine Months Ended September 30, 2006

Operating Revenues

Premiums earned for the segment increased by $6.3 million, or 9.4%, to $73.5 million during the nine months ended September 30, 2007 as compared to the nine months ended September 30, 2006, principally reflecting the acquisition of GA Life effective January 31, 2006. Premiums earned by GA Life during the month of January 2006 were $6.6 million, which are not reflected in our consolidated financial statements. Eliminating the effect of GA Life s premiums for the month of January 2006, the premiums earned in the segment decreased by $0.3 million. During the nine months ended September 30, 2007 the premiums generated by the segment s group disability and group life businesses decreased by $1.6 million and $0.8 million, respectively, offset in part by an increase in the individual life and cancer businesses of $1.6 million and $0.5 million, respectively.

On December 22, 2005, we entered into a coinsurance funds withheld agreement with GA Life pursuant to which our former subsidiary SVTS assumed 69% of all the business written by GA Life (prior to its acquisition by us) as of and after the effective date of the agreement. We acquired GA Life effective January 31, 2006, and our results reflect premiums assumed under this agreement of $4.4 million, which represents our share of premiums for the month of January 2006. The effects of the reinsurance transactions corresponding to this agreement were eliminated for consolidated financial statement purposes for the period following January 31, 2006.

Policy Benefits and Claims Incurred

Policy benefits and claims incurred during the nine months ended September 30, 2007 increased by $2.0 million, or 6.2%, to $34.4 million in the 2007 period when compared to the 2006 period, principally reflecting the acquisition of GA Life effective January 31, 2006. Policy benefits and claims incurred by GA Life during the month of January 2006, net of the effect of the coinsurance agreement, were $1.0 million. Eliminating the effect of GA Life s policy benefits and claims incurred for the month of January 2006, this segment presented an increase of $1.0 million. This increase is primarily driven by increases in the benefits of the cancer and group life business of $1.5 million and $1.0 million, respectively, and to an increase in policy surrenders of $0.7 million. These increases were partially offset by decreases in the benefits of the group disability and individual life businesses of $1.0 million in each business. The segment s loss ratio increased by 1.1 percentage points, from 50.2% in 2006 to 51.3% in 2007, principally as a result of the inclusion of nine months of GA Life benefits and claims incurred in the 2007 period and a higher loss ratio in the cancer business.

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Underwriting and Other Expenses

Underwriting and other expenses for the segment increased by $2.2 million, or 6.6%, during the nine months ended September 30, 2007. Considering the effect of underwriting and other expenses of $1.7 million incurred by GA Life during the month of January 2006, net of the effect of the coinsurance agreement, the underwriting and other expenses of the segment increased $0.5 million. This is mostly related to a higher allocation of corporate operating expenses.

Property and Casualty Insurance Operating Results

	Three months ended September 30,		Nine months ended September 30,	
(Dollar amounts in millions)	**2007**	**2006**	**2007**	**2006**
Operating revenues:				
Premiums earned, net:				
Premiums written	**$ 39.1**	41.5	**117.3**	112.6
Premiums ceded	**(17.0)**	(17.4)	**(50.3)**	(46.7)
Change in unearned premiums	**1.5**	(2.1)	**2.3**	0.2
Premiums earned, net	**23.6**	22.0	**69.3**	66.1
Net investment income	**2.5**	2.3	**7.6**	7.0
Total operating revenues	**26.1**	24.3	**76.9**	73.1
Operating costs:				
Claims incurred	**11.4**	10.6	**32.1**	32.5
Underwriting and other expenses	**13.3**	10.0	**38.4**	32.7
Total operating costs	**24.7**	20.6	**70.5**	65.2
Operating income	**$ 1.4**	3.7	**6.4**	7.9
Additional data:				
Loss ratio	**48.3%**	48.2%	**46.3%**	49.2%
Operating expense ratio	**56.4%**	45.5%	**55.4%**	49.5%
Combined ratio	**104.7%**	93.7%	**101.7%**	98.7%

Three Months Ended September 30, 2007 Compared to Three Months Ended September 30, 2006

Operating Revenues

Total premiums written during the three months ended September 30, 2007 decreased by $2.4 million, or 5.8%, to $39.1 million, principally as a result of a decrease in volume in the commercial multi-peril business.

The change in unearned premiums for the three months ended September 30, 2007 increased by $3.6 million, to $1.5 million, primarily as the result of the segment s lower volume of business during the period, which caused an increase in the net amortization of unearned premiums.

Claims Incurred

Claims incurred during the three months ended September 30, 2007 increased by $0.8 million, or 7.5%, to $11.4 million. The loss ratio increased by 0.1 percentage points, to 48.3% during the three months ended September 30, 2007.

Underwriting and Other Expenses

Underwriting and other operating expenses for the three months ended September 30, 2007 increased by $3.3 million, or 33.0%, to $13.3 million. The operating expense ratio increased by 10.9 percentage points during the same period, to

56.4% in 2007. This increase is primarily due to increases in net commissions, provision for a possible contingency, payroll and payroll related costs, and depreciation expense, including the depreciation and amortization expense related to the segment s investment in technology. In addition, the segment has experienced increases in the allocation of corporate operating expenses.

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Nine Months Ended September 30, 2007 Compared to Nine Months Ended September 30, 2006

Operating Revenues

Total premiums written during the nine months ended September 30, 2007 increased by $4.7 million, or 4.2%, to $117.3 million, principally as a result of an increase in the commercial multi-peril and auto lines of business. Premiums ceded to reinsurers increased by $3.6 million, or 7.7%, to $50.3 million during 2007. The ratio of premiums ceded to premiums written increased by 1.4 percentage points, from 41.5% in 2006 to 42.9% in 2007, primarily as the result of higher costs of non-proportional reinsurance treaties and to the increase in the volume of business of the segment in lines of business that have reinsurance.

The increase in the change in unearned premiums of $2.1 million, to $2.3 million, during the nine months ended September 30, 2007 is principally the result of the segment s lower volume of business during the last three months of the nine-month period ended September 30, 2007, which caused an increase in the amortization of unearned premiums.

Claims Incurred

Claims incurred during the nine months ended September 30, 2007 decreased by $0.4 million, or 1.2%, to $32.1 million. The loss ratio decreased by 2.9 percentage points during this period, to 46.3% in the 2007 period, primarily as a result of the segment s adherence to underwriting guidelines and enhancements to the claims handling process, which included hiring additional in-house claim adjusters. These efforts have resulted in improved loss ratios in the commercial multi-peril, general liability, auto liability and commercial auto physical damage lines of business.

Underwriting and Other Expenses

Underwriting and other operating expenses for the nine months ended September 30, 2007 increased by $5.7 million, or 17.4%, to $38.4 million. The operating expense ratio increased by 5.9 percentage points during the same period, to 55.4% in 2007. This increase is primarily due to increases in net commission expense, payroll and payroll related expenses, and in provision for a possible contingency. The segment has also experienced an increase in its depreciation expense, including the depreciation and amortization expense related to the segment s investment in technology, and in the allocation of corporate operating expenses.

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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:

	Nine months ended September 30,	
(Dollar amounts in millions)	**2007**	**2006**
Sources of cash:		
Cash provided by operating activities	**$ 51.5**	51.1
Proceeds from long-term borrowings		35.0
Proceeds from short-term borrowings	**43.6**	117.8
Proceeds from policyholder deposits	**5.1**	4.4
Other	**17.4**	0.4
Total sources of cash	**117.6**	208.7
Uses of cash:		
Net purchases of investment securities	**(33.3)**	(18.8)
Acquisition of GA Life, net of cash aquired		(27.8)
Capital expenditures	**(6.3)**	(9.5)
Dividends	**(2.4)**	(6.2)
Payments of long-term borrowings	**(11.7)**	(2.1)
Net payments of short-term borrowings	**(43.6)**	(119.5)
Net surrenders of policyholder deposits	**(5.6)**	(10.2)
Other	**(0.3)**	(0.5)
Total uses of cash	**(103.2)**	(194.6)
Net increase in cash and cash equivalents	**$ 14.4**	14.1

Cash flows from operating activities increased by $0.4 million, or 0.8%, to $51.5 million for the nine months ended September 30, 2007, principally due to the net effect of a reduction in cash paid to suppliers and employees of $7.5 million, a reduction in claims paid of $48.0 million and a reduction in premiums collected of $55.0 million, that is mainly attributed to the termination of the contract for the Metro-North region of our Managed Care segment. In addition, in the 2007 period there was an increase of $21.7 million in the amount of income taxes paid that is the result of the higher taxable income in 2007 of our managed care subsidiary, which has a higher effective tax rate than the other segments. These decreases are offset in part by an increase of $19.6 million in net proceeds received from trading securities.

Proceeds from long-term borrowings during 2006 amounted to $35.0 million as a result of the issuance and sale of our 6.7% senior unsecured notes during the first quarter of 2006. These proceeds were used for the acquisition of GA Life.

The increase in the other sources of cash of $17.0 million is principally the result of a higher balance in outstanding checks over bank balance in the 2007 period.

Net purchases of investment securities increased by $14.5 million during the 2007 period, primarily as the result of purchases of investments classified as available-for-sale securities with the net proceeds obtained from trading securities.

On January 31, 2006, we acquired GA Life at a cost of $27.8 million, net of $10.4 million of cash acquired.

Capital expenditures decreased by $3.2 million mainly as the result of the completion of the renovation of a building adjacent to our corporate headquarters which was completed during the last quarter of 2006. In addition, our property and casualty insurance segment acquired new hardware and software as part of its new insurance application during 2006.

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

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

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, 2007, we had $53.0 million of available credit under these facilities. There were no outstanding short-term borrowings under these facilities as of September 30, 2007 and December 31, 2006.

As of September 30, 2007, 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, 2007, we and our managed care subsidiary, as applicable, are in compliance with these covenants.

In addition, as of September 30, 2007 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, 2007, this secured loan had an outstanding balance of $26.4 million and average annual interest rates of 6.4%.

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, 2007, 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 have an interest rate swap agreement, which changes the variable rate of the credit agreement and fixes the rate at 4.72%. We continually monitor existing and alternative financing sources to support our capital and liquidity needs.

We were also a party to another secured loan, which outstanding balance of $10.5 million was repaid upon its maturity on August 1, 2007. The average annual interest rate of this second secured loan was 6.7%.

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, 2006.

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, 2006.

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, 2006.

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Item 4. 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, 2007. 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, 2007. There were no significant changes in the our disclosure controls and procedures, or in factors that could significantly affect internal controls, subsequent to the date the Chief Executive Officer and Chief Financial Officer completed the evaluation referred to above.

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. 2006.

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 quarterly report, 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.

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, 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 of ours whose shares were repurchased upon his death. These heirs purport to represent as a class all non-medical heirs of deceased shareholders of ours 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.

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 impairing government contracts and adversely affecting our ability to obtain future contracts.

Following the airing of Mr. Vázquez-Deynes 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.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

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)	Amendment to Triple-S Management Corporation s Amended and Restated Articles of Incorporation, incorporated herein by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (File No. 0-49762).
10.1	Amendment to agreement between 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	Agreement between 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 herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 0-49762).
10.3	Blue Shield License and other Agreements with Blue Cross Blue Shield Association, incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (File No. 0-49762).
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, 2007 and 2006 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, 2007 and 2006 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).
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.

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SIGNATURES

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

	Triple-S Management Corporation
	Registrant
Date: November 14, 2007	By: /s/ Ramón M. Ruiz-Comas Ramón M. Ruiz-Comas, CPA *President and Chief Executive Officer*
Date: November 14, 2007	By: /s/ Juan J. Román Juan J. Román, CPA *Vice President of Finance and Chief Financial Officer*

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