

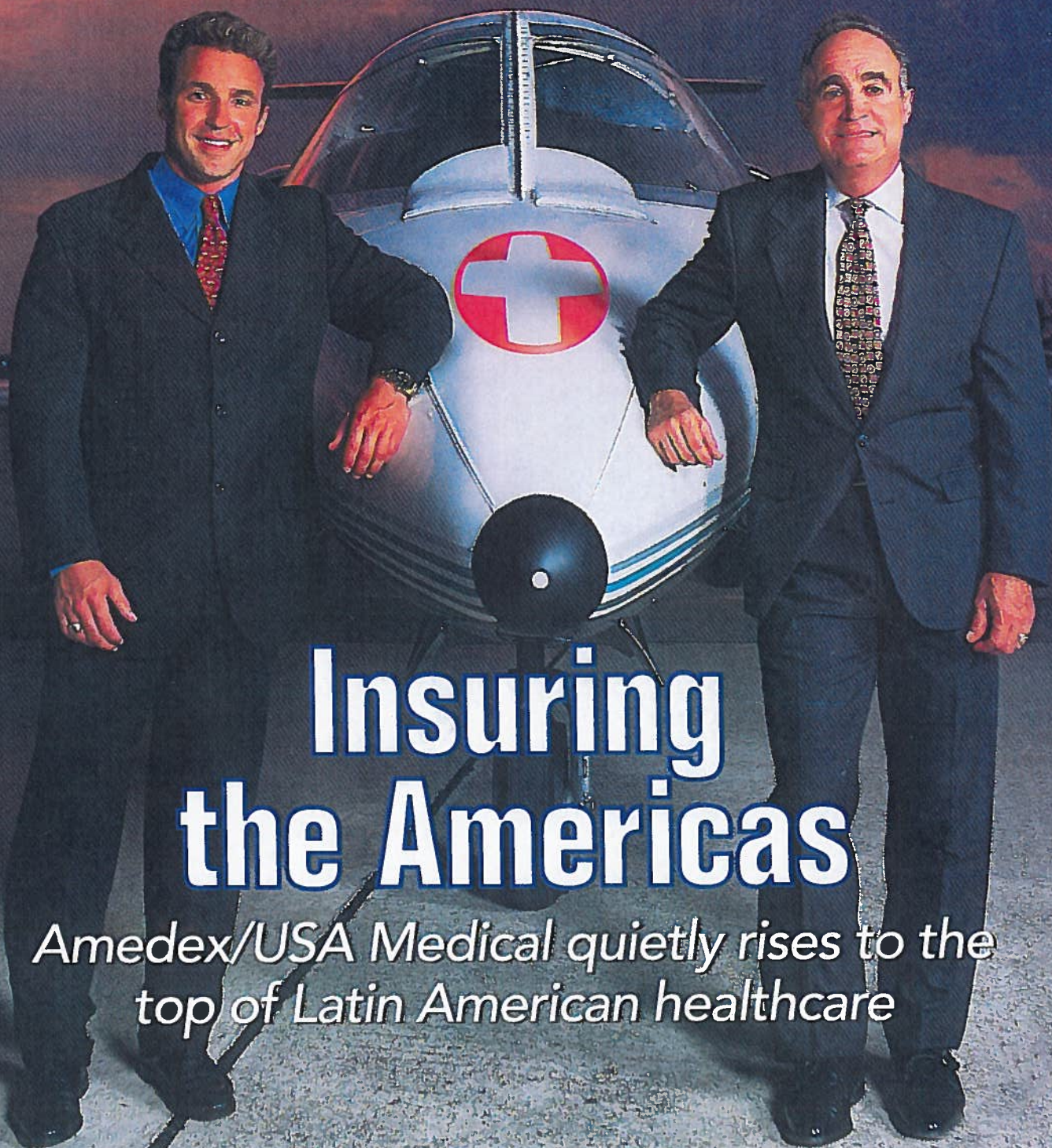
The Latin Beat • Computers To Go • Rx for IVX • Total Banking

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July/August 1998

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Insuring the Americas

*Amedex/USA Medical quietly rises to the
top of Latin American healthcare*

Amedex President Michael Carricarte Jr. (left),
with Chairman and CEO Michael Carricarte Sr.

MIAMI BUSINESS contents

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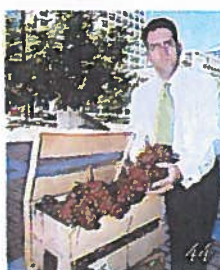
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This month's cover shot is by photographer Daniel Portnoy. Aircraft provided courtesy of Air Response Inc., the leading provider of fixed-wing air ambulance service in the United States.

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USA Medical Services

When Every Second Of Your Life Counts...

If you or a family member had an accident or became sick in a foreign country, what would you do? Does your local insurance cover you abroad? Where would you turn?

**Turn to the
Travel Assistance Card.**

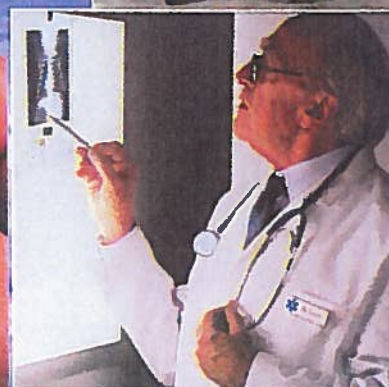
The Travel Assistance Card gives you quality medical care and peace of mind when you are traveling abroad, and costs just pennies a day.

Some of the benefits include:

- Air Ambulance for medical emergencies, up to \$25,000
- Accident medical coverage for hospital and physician bills, up to \$25,000
- Emergency sickness benefits, up to \$25,000
- Accidental Death and Dismemberment protection, up to \$100,000, when traveling via common carrier
- Emergency dental treatment, up to \$500

USA Medical Services is one of the largest companies in the United States providing worldwide medical benefits and services to more than one million people in Latin America and the Caribbean.

With over 3,800 hospitals and more than 300,000 affiliated physicians under contract around the world, and with 14 doctors full-time on staff and available 24 hours a day, USA Medical Services directs you to the nearest and best facilities wherever you are in the world. And all medical bills are paid for you, up to the prescribed limits.



USA Medical Services
7001 SW 97 Avenue
Miami, Florida 33173
(305) 275-1500; Fax: (305) 275-8484
Email: usamed@usamedicalservices.com
Internet: <http://www.usamedicalservices.com>

Insuring the

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INSURANCE GROUP
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**USA
MEDICAL**

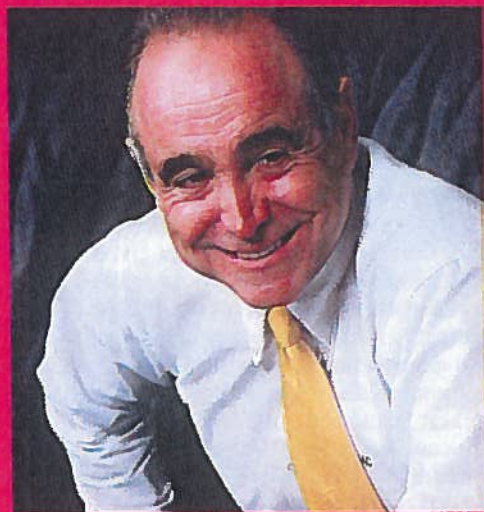
Photos by Daniel Portnoy

By Eddie Dominguez

Americas

If they are rich and Latin American they probably get their health care through Amedex Group.

Back in 1965, as a young lieutenant in the Army's 82nd Airborne, Michael Carricarte was ready to change the world. With social unrest and Marxist guerrillas threatening to take over the Dominican Republic, he was one of the first American soldiers sent to the Caribbean country to contain communist expansion there.





The US intervention and subsequent elections set up by the Organization of American States (OAS) helped stabilize the DR. But what it did for Carricarte is still paying off today. He didn't get to change the world, but he did make contacts that would later snowball into a multimillion-dollar Miami-based insurance company.

One of Carricarte's first missions in the country was to go to the airport pick up a top politico and protect him. Little did he know that the small man he drove from the airport and spent two weeks protecting – Joaquin Belaguer – would later become the president and strongman at the top of a right-wing, US-backed dictatorship. It was the beginning of Carricarte's insurance company. He just didn't know it yet.

When it was discovered that the young lieutenant spoke Spanish, he became an important asset. He started attending meetings with the US commander and was later appointed as liaison with the Dominican military. He met virtually every notable who visited the DR during that year, especially OAS officials from throughout the hemisphere. "I got to meet the people who would be running Latin America for the next 20 years," Carricarte says.

In 1966, Carricarte got out of the Army and went to work for Scott Paper, where he quickly was promoted to assistant vice president for Latin America. But he decided that wasn't for him, and he quit to sell life insurance. The main reason for his decision: He wanted to stay in Miami. He started selling multimillion-dollar plans to many of his military contacts in Latin America, as well as less costly insurance to regular kinds of folks back home. But that was just the tip of the iceberg. "All of the guys I knew in Latin America were calling me for insurance," Carricarte remembers. "Everybody would ask for health insurance, but to sell health insurance in those days was awful. I would tell them, 'No, you want life insurance.'"

A company is born

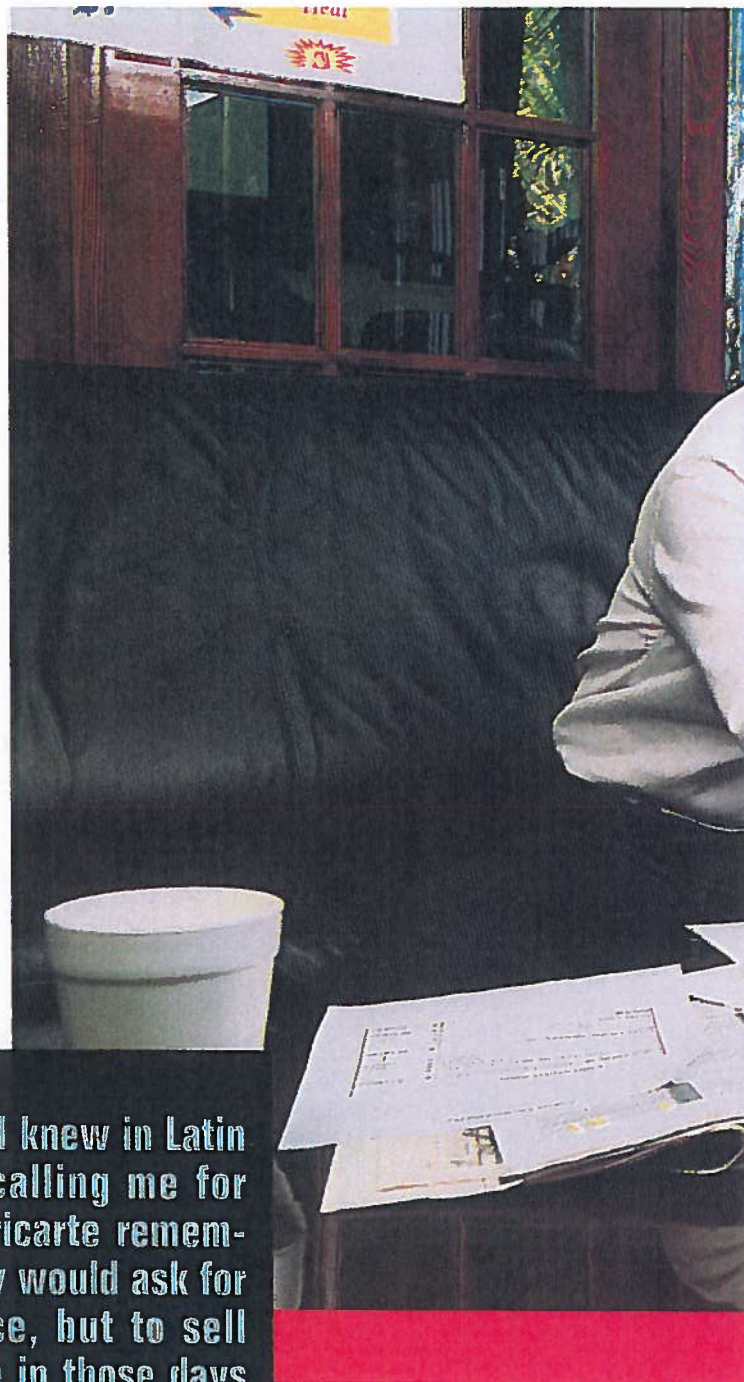
Carricarte hadn't found his niche yet, nor did he realize the potential of his contacts in Latin America. In 1986 he sold his stock in a Florida insurance company he had been selling policies for. The take: \$1.2 million. He planned to retire and perhaps teach and write a book.

That's when Michael Carricarte Jr. approached his father with an idea. Carricarte's clients had been asking for health insurance for years, so why not give it to them? Sell major medical health insurance in Latin America, but with access to US medical care. Only the elite could afford it, but with his dad's connections and experience in the business, it could work.

The Carricartes put \$1 million into founding American Medical Express. A derivative name (anyone heard of American Express?), but the point was simple: This was a US product, offering stability and access to the best healthcare. And the slogan was even more derivative of credit-card marketing: "Don't enter a hospital without us." But the Carricartes had a big vision, which they are beginning to realize today.

In the first year the company climbed to \$1 million in premiums. In the second, it added \$2 million more. By year three they were up to almost \$6 million. Eventually, American Express caught

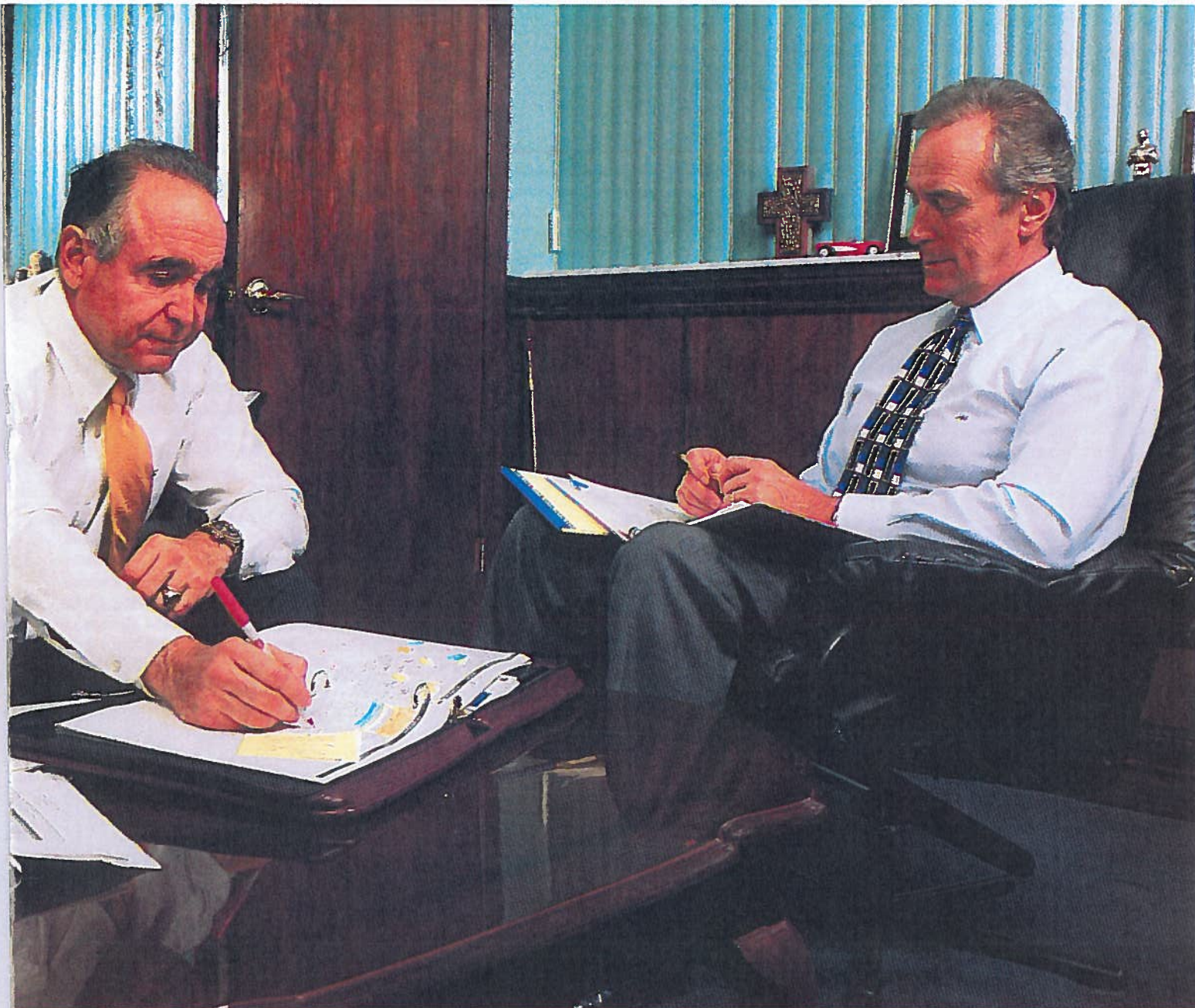
"All of the guys I knew in Latin America were calling me for insurance," Carricarte remembers. "Everybody would ask for health insurance, but to sell health insurance in those days was awful. I would tell them, 'No, you want life insurance.'"



onto the name and slogan and threatened legal action. The Carricartes dropped the slogan, changed the name to Amedex, and American Express became one of their first big clients.

"In the early days of Amedex we were striving for an application a day, and then we hit a million in premiums the first year. It was outstanding," says Carricarte Sr. And they have made money from the start. Today, Amedex Insurance Group is the parent company with four subsidiaries. USA Medical provides medical assistance and claims servicing for 34 insurance companies. Amedex Insurance Co. underwrites the insurance policies. Amedex Worldwide is the marketing and sales branch. And Americas International Network runs the preferred provider network of hospitals and physicians.

While they won't divulge revenues, the Carricartes say growth has been brisk in recent years – especially at USA Medical Services. Carricarte Jr. says that in the first quarter of '98, USA



Medical experienced a 104 percent boom in new business over first quarter '97. Amedex and USA Medical together account for about \$100 million annually in premiums and claims, and the company estimates their economic impact on Miami – where most of the clients come for treatment – at \$120 million in medical care, hotel rooms, dining and other expenses related to medical tourism.

According to Standard & Poor's, Amedex Insurance Co. has not experienced a quarterly underwriting loss since 1987 and has enjoyed large earnings jumps. In 1996, the company had \$1 million in pre-tax income. In 1997 it was more than \$3.3 million. And S&P estimates Amedex Insurance Co. will earn at least \$4 million this year. That does not include revenue from the other subsidiaries.

The Amedex/USA Medical interplay

Since the beginning, word of mouth has been a major driving force for Amedex. Carricarte Sr. estimates it's responsible for about 50 percent of their business, the other half coming from a network of 3,000 agents who sell the company's insurance exclu-

sively throughout Latin America and the Caribbean. Today, Amedex insures 150,000 of the most affluent people in the region, while USA Medical Services handles claims and customer service not only for Amedex but for the Latin American clients of 33 other insurance companies (more than 800,000 policies in all), such as Cigna, Chubb and Visa.

Despite its size, Amedex remains a family business. Dad is the chairman and CEO, owning a majority of the company, while junior is the president and runs marketing and sales. Sister Missy Carricarte de Kardonski, the oldest, runs day-to-day operations. And younger sister Jennifer keeps an eye on the family's money,

Above: Carricarte and Carlson meet to go over a host of projects and schedule them around rigorous travel. Amedex Group handles healthcare for about 800,000 people, bringing \$120 million in medical tourism to Miami.



running the accounting section and human resources. Each of the siblings owns an equal share.

While more than a dozen companies tried to go into Latin America and sell insurance at about the same time as Amedex, most failed. Today, only a couple dozen health insurers do so profitably, and most have hired Amedex's subsidiary, USA Medical Services, to do their claims and servicing. Covering only major medical claims, Amedex offers two basic plans, one with a maximum coverage of \$5 million and the other \$2 million, with an average deductible of \$2,500. The plans are tailored to the elite of Latin America to give them access to US medical care when they need it and want it most.

Amedex's network includes about 3,800 hospitals and thousands of physicians, and it has negotiated favorable rates throughout its managed care network — one of the first to cover Latin America. It's a network that impresses even the big players like Cigna, which uses USA Medical because it can service clients less expensively than anybody else. "My scope is worldwide, and for the niche that they are in, I have not seen anyone as far reaching as them," says Cigna Assistant Vice President for Claims Joseph Convery. "There is no one that I've seen that can compare."

The Carricartes reinvented the wheel when they set up their company, inverting the claims pyramid and involving their agents deeply from the start. Instead of dealing with the patient after discharge, USA Medical is involved with its telemedicine unit even before the patient gets to the hospital. There, doctors who are trained to handle claims, answer phones around the clock, 365 days a year; with doctors as case managers, the company is able to avoid unnecessary treatments and extra time in the hospital. And clients appreciate the added touch of an insurance company that is interested in their health, says Carricarte Jr. "Our doctors talk to them everyday when they [patients] are in the hospital, and check on them," he says. "And we talk to their doctors, too." By the time a patient is better and discharged from the hospital, USA Medical is finished, and a check is cut in about 20 days, much faster than most insurance companies — one reason hospitals like to do business with USA Medical.

USA Medical also has an innovative way of billing other insurance companies for its services. The company figures out what the cost would have been without their intervention, subtracts from that the hospital bill after their negotiated rates and services, and charges the client 30 percent of the savings. "We go to guys like Chubb and say, 'If we don't save you money, we don't charge you money,'" says Carricarte Jr. "It's a great selling point." And companies like Chubb, Cigna and American Express are buying and saving. "They have saved us a significant amount of money over the years," says Cigna's Convery. "That's why we stick with them, and because of the service. We wish they had a broader market. If they were duplicating this in other places like the Pacific Rim and Southeast Asia, we'd be happy."

Growth Strategies

Amedex has big plans for growth, but with little emphasis on expanding geographically. The company will continue to focus on Latin America, say the Carricartes, but they definitely want a bigger piece of the pie. The target is \$100 million in premium revenues by the year 2000. "Sales are really what drives this train," says Carricarte Jr.

Carricarte Jr. says the growth will be achieved in part by the aggressive acquisition of insurance blocks — policy portfolios — from other companies who aren't having as much success in Latin America. Right now, they are negotiating to buy one \$9 million and another \$1.5 million block, he says, and that's just the tip of the iceberg. Late last year, they completed the acquisition of a \$32

million block that more than doubled the size of Amedex's insurance portfolio overnight. The negotiations were intense, says Missy Carricarte, who negotiated the purchase from Winterthur, a Swiss-German insurance megalith. USA Medical had been administering the block since 1993, she says, but had problems with policies which had too many variations, loop holes and not enough restrictions for most of the losses. "We needed to make aggressive changes," she says.

Winterthur ended up paying Amedex to take the block off its hands. Amedex immediately cut the number of policies and tailored them to be more in line with their own — adding restrictions such as no plastic surgery, covering only major medical expenses and increasing the deductibles. "From one minute to the next we had a huge company," Missy says. It was a major risk for Amedex, but the Carricartes say they will have the block in the black by next year; renewals have already risen to Amedex's average of about 92 percent.

So what is Amedex's growth secret? As the insurance-rating company AM Best puts it, they have "a high quality liquid investment portfolio, favorable level of risk-adjusted capital and an established affiliated marketing, servicing and managed care network." But AM Best also recognized the risk the company took in buying such a big block of business from Winterthur, going from the servicer to insurer overnight. In their rating letter AM Best said the acquisition would have negative effects on profitability and risk level, but went on to say that the management team "will ensure that the historical profitability... will continue." AM Best gave the company a B+ (very good) rating. And in June, Standard & Poor's gave Amedex a BBB+ rating, citing good business position, strong operating performance and good capitalization.

The same boldness and creative thinking behind the Winterthur buy won the company Arthur Andersen's 1997 Enterprise Award for Best Practices in Going International, as well as this year's Greater Miami Chamber of Commerce Cutting Edge Award. "It was pretty clear that in their industry they are cutting edge," says Shelley Stein, the chairperson of the Cutting Edge Award. "I think one of the things that was most impressive is the kind of service that they give the people who need the medical attention," says Stein, managing partner of accounting firm Grant Thornton's South Florida office. "From the phone call asking for help, to the end, they have doctors handling the calls. They stick with the families and communicate with them. It's far and beyond what you would see an insurance company normally do."

Ready for Takeoff

Acquisition isn't the only way Amedex and USA Medical are planning to grow. Sales are a big part of the picture. Pasted all around Amedex/USA Medical's offices are signs proclaiming the \$100 million target. The figure appears under the glass of Carricarte Jr.'s conference table, on his computer monitor and on the mirror of his office bathroom. There is even a money tree in the lobby with \$100-million bills hanging in it.

As the person responsible for sales and marketing, the job falls to Carricarte Jr. to make the new sales happen, and more than doubling premium revenue within two years is not going to be easy. The question is whether the company can maintain its pace of expansion. So far, the four family members, Medical Director Thomas Briggie and Senior Vice President John Carlson — Carricarte Sr.'s military buddy and former deputy press secretary and acting press secretary in the Ford and Nixon administrations — are keeping up, but with the coming growth they predict a need for more managers. "We do not need an infusion of capital to grow," says Carricarte Jr. "We need an infusion of management."

The family is looking to create new offices at two Florida airports to help drive new sales. Beginning in October, the company

will be able to sell its insurance plans at Miami International and Orlando International airports thanks to a change in Florida law, which the company lobbied for. "The potential there is unlimited," says Carricarte Jr. "You're capturing a population of people who travel to the US and are interested in the product." More than 8 million Latin Americans came through Miami International last year, and they are the right demographics; they can afford travel to the US and therefore can afford some of the Amedex plans.

Also in the works for USA Medical are joint ventures with companies like HBO and Citibank, who want access to the thousands of rich Latin Americans and the marketing network the company has developed. The average Amedex client is in his 40s and has a household income of over \$250,000. "You could sell them insurance products, you could sell them golf balls, you could sell them electric toothbrushes," says Carricarte Jr. "You're talking millions of dollars. We've had everyone and his mother trying to do something with us."

A different corporate culture

When you walk through the door at Amedex's headquarters, nestled behind a McDonald's at the edge of a commercial section of Kendall, you immediately notice it isn't like most offices. It's



Missy (far left) is a no non-sense type and keeps her kids a top priority. Brother Michael (right), a former model, is more laid back and handles the marketing. Sister Jennifer (left), is a marathon runner, and crunches the numbers.



non-descript from the outside, except for a couple dozen flags, but on the inside, it's a special place. For one thing, there is the money tree in the lobby. The receptionist is almost too friendly, and a sign welcomes every visitor expected that day by name.

As you walk the halls you notice every one of the 200 employees seems happy. And they say hello. It seems bizarre for a place this busy. When you meet Missy you begin to realize why. Her intensity and desire to build a different kind of company are hard to match. As she talks about her company she gets excited, working her way to the edge of her chair, a beaming, almost girlish smile gracing her face.

But make no mistake. Despite the name and the smile, she is a tiger with a singular mission: to make Amedex run like a top, whatever it takes. That includes incentive programs, appointing a company motivator, opening a day care center, instituting flex time for employees with kids, and even group meditation to help tackle problems and deal with stress. "I know that people want more. They don't just want to come to a job," she says. "You have to do things that are different to get a different response from people."

She relies on Jennifer to hire the right people. Says Jennifer: "If you're looking for the law firm mentality, this company is not for you. You don't have a formal job description."

They expect nothing less than 100 percent from their employees, setting incredibly high standards for quality and effi-

ciency in the workplace. "It's all about service," says Missy, a point which her father seconds. "Anybody can sell a policy, but not anyone can do the service," says Carricarte Sr.

An example of how Amedex works was the peso crisis of 1995 in Mexico, one of the company's top markets. The peso devaluation was a serious problem when it came time for clients to pay their premiums; Mexican money was suddenly worth half what it had been just weeks earlier. "They didn't have money to pay," Missy recalls.

So she quickly assembled people from each of the teams responsible for Mexico and instructed them to call clients, to find out what the company could do to help them meet their premium payments. "We took a proactive approach. We regrouped," she says. "I wasn't going to sit around for 30 days to see our renewals drop. We knew people were going to need extensions. We worked with them personally." Every client in Mexico was called. They moved some clients to other plans, including some home-based plans Amedex reinsures. Others just needed an extension or more flexible financing. "We created a lot of loyalty," Missy boasts. ■

Above: Another busy day at Amedex, which divides its staff by country so it can quickly and effectively handle the needs of the 800,000 people it serves in its network.

When every second of your

The Amedex Insurance Group is one of the largest providers of products and services to Latin America and the Caribbean.

AMEDEX
INSURANCE GROUP
Worldwide Insurance Services

Wherever you are, and in any emergency, you can count on the superior service, products and experience of the Amedex Insurance Group. We insure and service more than one million clients in Latin

America and the Caribbean. Amedex provides comprehensive benefit packages up to \$5,000,000 in Worldwide Medical Coverage at competitive rates.

USA Medical Services gives you peace of mind. From assistance, to medical referrals, to claims processing, you can count on us, 24 hours a day, 365 days a year. You have access to 20 full time doctors and our network of more than 3,800 hospitals and 300,000 physicians, worldwide.



**USA
MEDICAL
SERVICES**

Our Travel Assistance Card provides superb benefits such as:

- Air ambulance for life threatening emergencies
- Accident and sickness coverage up to \$50,000
- Accidental death benefits up to \$100,000



The Amedex Insurance Group is a leader in healthcare services in Latin America and the Caribbean.

- Winner of the Greater Miami Chamber of Commerce 1998 Cutting Edge Award
- Recipient of the Arthur Andersen 1997 South Florida Enterprise Award for "Best Practices in Going International"



Amedex / USA Medical Services

International Headquarters

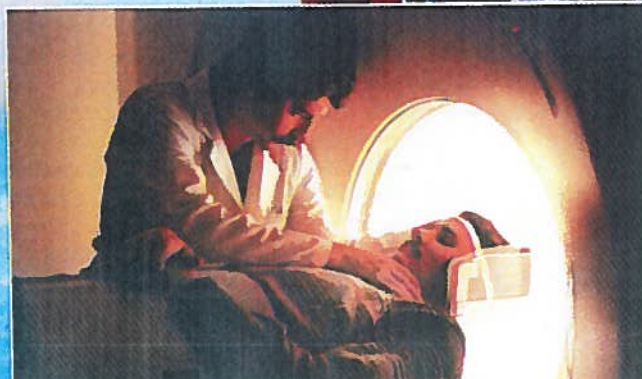
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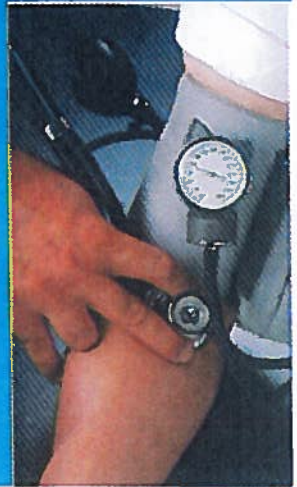
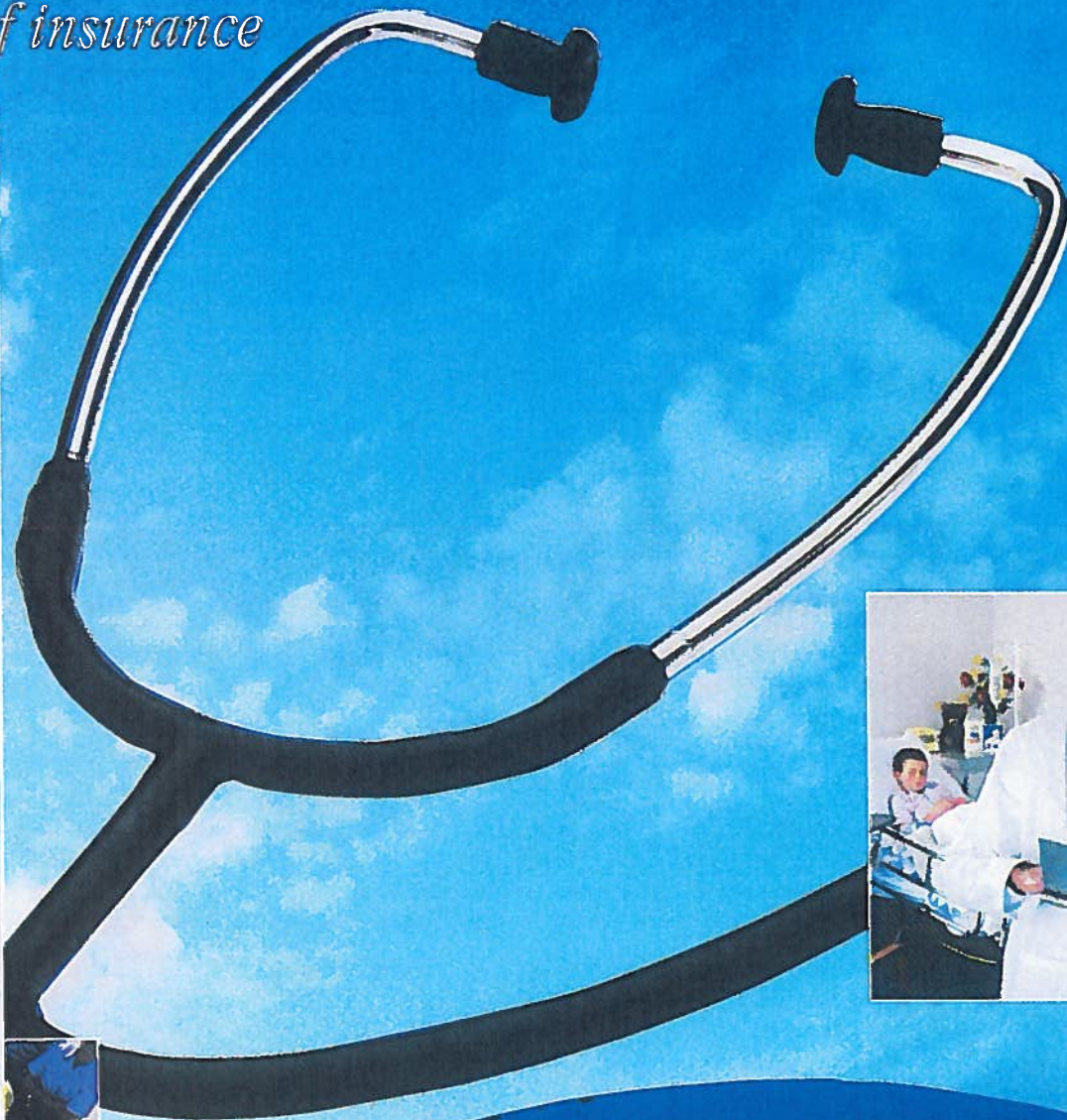
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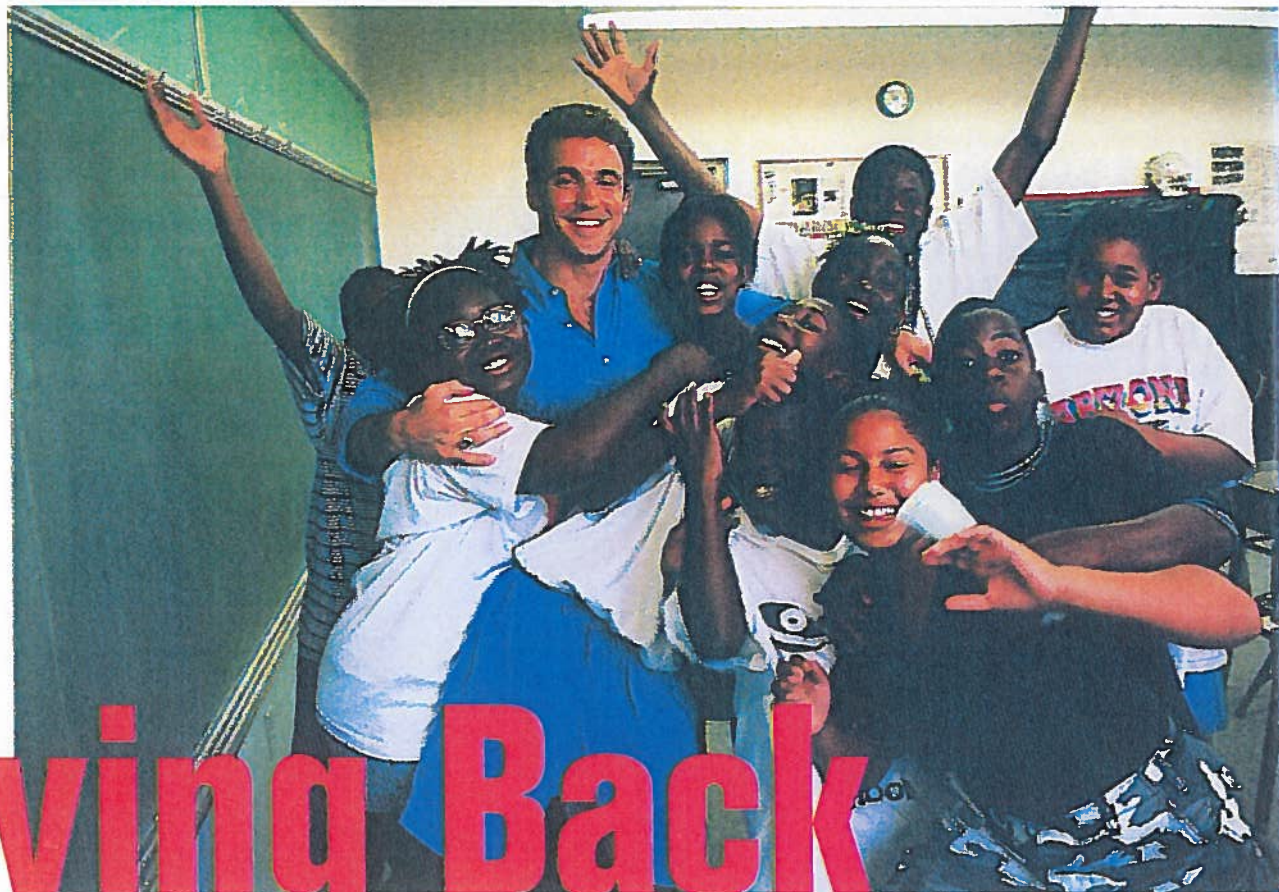
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life counts...count on us.

of insurance





Giving Back

Amedex Group makes the inner-city and orphans in Latin America their corporate charity priority.

It seemed like every kid won something at the end of school awards ceremony at St. Francis Xavier Catholic school in Overtown: academic awards, citizenship recognition, attendance certificates, you name it. But it was one of the last awards that drew the only standing ovation. It wasn't a popular student, or a highly regarded faculty member. This award was reserved, as Sister Michelle put it, for "one very special person." As if Michael Carricarte Jr. already didn't stand out enough with his gold Rolex, neatly pressed blue dress shirt, dark slacks and perfectly coifed blonde hair.

Carricarte Jr. and his family have made St. Francis and Corpus Christi, another minority, inner-city, Catholic private school, top priorities for corporate – and personal – giving. "They [the Carricartes] believe in you as individuals," Sister Michelle tells the students. "That's why they help. That's why they reach out."

Carricarte Jr. teaches sixth grade at St. Francis once a week and shows up at least once or twice more to be with the students. He takes the kids on field trips and tries to be a positive role model, telling kids to stay out of trouble, giving advice, and just listening. As he walks the halls, he gets endless hugs and kisses. Some of the young girls giggle as he walks by. One is bold enough to ask for his phone number, which he gives to her, telling her to call whenever she needs him.

In 1992, St. Francis was going to close down. Michael Carricarte Sr. brought an article in The Miami Herald to his son's attention. "He said, 'We can't let this happen,'" recalls Carricarte Jr. They worked with Herald publisher Dave Lawrence to raise \$260,000 to keep the school open. Since then, the Carricartes have put in about

half a million, sponsoring children to go to school there, refurbishing the church, even paying rent for teachers so they can afford to stay at the school while earning less than they would at other schools. Carricarte Jr. himself took out a \$250,000 loan from Republic National Bank in 1994, which has a branch down the street; the money went to build new and much-needed classrooms. "Giving money is easy when you have it; but giving you're time, being here always, that's difficult," Carricarte Jr. says. As the tag on his black Lexus sport utility vehicle puts it: "Hug'em."

Carricarte Jr.'s involvement with St. Francis has now grown into the dream of helping to rebuild and re-invigorate the area of Overtown near the school. He wants to buy nearby apartments and rent them out, giving tenants incentives and the ability to "rent to own."

In addition to the two schools in Overtown, the Carricartes have also adopted an orphanage in Ecuador, taking responsibility for its 750 kids. They have rebuilt several buildings in the orphanage and regularly take collections at the office. They just sent two tons of clothing and plan to send another two tons in August. Seventeen-year-old Gracie Carricarte is spending part of her summer there, helping out with a group of friends she recruited at Lourdes Academy.

The company is also about to start offering its employees "community time" – time off to be used helping charities and other community groups which rely on volunteers.

"What we've decided is to go into the different countries where we make money and give back," says Missy Carricarte. "That's just part of our family principles." – *Eddie Dominguez* **MB**

Schoolhouse Rock: Michael Carricarte Jr., above, with some students from the sixth grade class he teaches at St. Francis.