

MIAMI TODAY



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SOUTH FLORIDA'S MOST IMPORTANT AUDIENCE

Parlaying relationships initiated when he was assigned as a US Army lieutenant to the Dominican Republic during civil strife there in the mid-1960s, Michael Carricarte over the years has built a niche business serving prominent people in Latin America and the Caribbean.

What Mr. Carricarte offers them, he says, is health insurance tailored to meet an individual's specific needs with a highly personalized touch through his family-owned, Kendall-based Amedex Insurance Group, which includes the associated USA Medical Services.

The companies have been successful from the outset, today writing \$85 million in premiums and claims, and insuring and servicing more than 1 million wealthy individuals in Latin America and the Caribbean.

Between his military service and founding Amedex, Mr. Carricarte for a couple of year served as a senior executive with Scott Paper and then entered the life insurance business.

Mr. Carricarte was interviewed by Miami Today international editor Michael Hayes.

Q: How did you make your start in the insurance business?

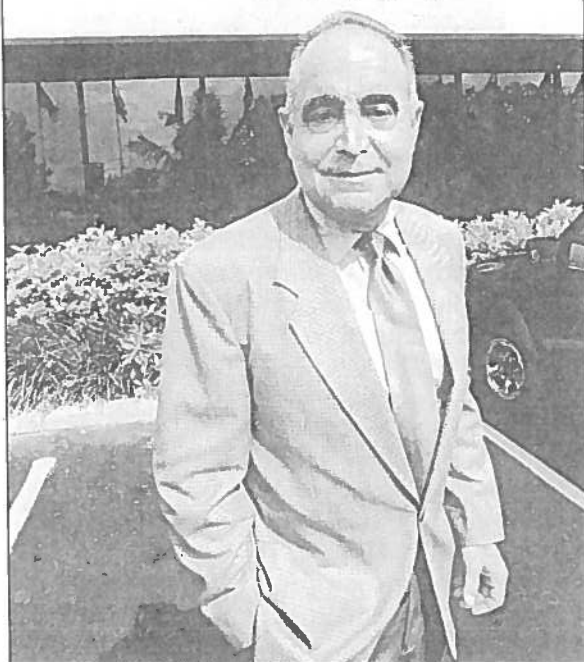
A: I entered the life insurance business in 1968, the same day my son Michael was born.

I left a very secure job as assistant vice president for Latin America with Scott Paper because I didn't want to leave the Miami area. Scott Paper had planned to transfer me to Philadelphia.

Two years earlier, my last assignment in the military was in the Dominican Republic. There I got to know most of the major people that for the next 20 years

THE ACHIEVER

AMEDEX
USA MEDICAL SERVICES



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Born: Havana, Cuba
Higher education: University of Miami (B.B.A., M.A., international business)
Personal philosophy: "The more you give the more you receive."

would be running Latin America.

Q: This was at the time of the uprising to restore Juan Bosch to the presidency in the Dominican Republic?

A: Yes. I was in the first plane that went over there, with my parachute on - I was with the 82nd Airborne.

It's ironic, because right now my son Andrew is going to the same unit I was in.

I was just a lieutenant. I didn't know what was going on in the world but I thought I was going to save the world.

Q: Although born in Cuba, you had been in the US for some time?

A: Our family came to Miami in the 1940s. I went to school here.

Q: The Dominican posting turned out to be a key development for you?

A: I got to know all the people from the OAS, the Organization of American States. Even though I was a combat officer I was assigned additional duties for the transition of the governments.

I began a lifelong relationship with people who eventually would be running their countries.

Q: You later went into the insurance business: Why that choice?

A: As I said, it was because I was being transferred to Philadelphia to run Scott Paper's international department. I just never wanted to leave Miami. And I always wanted to be in charge of my destiny.

So I went into the insurance business, with American General. I had a very small draw and I was told by the general agent that if I did not sell \$1 million worth of insurance that first year I would starve.

Aviv Tzur presides at new Avborne maintenance hangar...

He told me that I had two kids and needed to make two sales a week. He told me I could not sell to any of my friends. He would spend all his time training me, but if I didn't do that I wouldn't have a job and I would lose my home that I'd just purchased. He also told me that rejection is part of victory, which is a model that I have kept for years.

About two years later the people in Latin America starting finding out that I was in the insurance business and my life insurance sales started to rise. As a result, I became a member of the "Top of the Million Dollar Roundtable," which is the highest honor in the company.

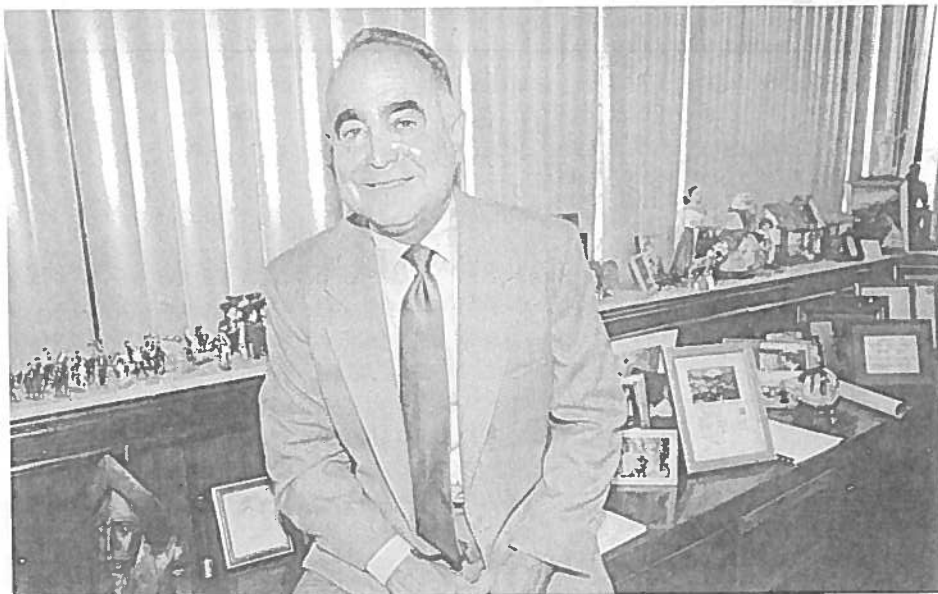
The more I traveled the more people would ask for health insurance. I hated health insurance, because with all health insurance there's always a claim while with life insurance there's only one claim and a lot of sales. But the more people would ask for health insurance the more I realized there was a special niche among the high-income people in Latin America.

All major medical health insurance that was being sold in the 1970s and early '80s was a reimbursement plan where the clients had to pay upfront and then the company would reimburse them three, four or five months later, creating tremendous turmoil, high anxiety and a disruption of business.

I had some money in the bank, I went and got an insurance company to back us and we went after the market in the '80s with direct payments. It took us three years to set up a network of hospitals both in Latin America and in the US for direct payments.

We did this through a company called USA Medical Services, which is downstairs in this building – upstairs is Amedex.

We decided that the only point of difference we would have was that after the deductible we would pay the hospital directly. This has made Amedex the most successful major medical insurance company in Latin America and the Caribbean –



this is our point of difference.

Today, Amedex and USA Medical insure and service more than 1 million people.

Q: What is the role of each of the two companies?

A: Amedex is a risk company, which means we take risks. USA Medical services that risk.

We have numerous companies, such as American Express, Cigna, Aetna and other large companies where we pay their claims. The Amedex block – insurance policies – are also serviced by USA Medical Services. So there are two arms. And our point of difference has been USA Medical Services.

We're the largest medical referral service in Latin America and the Caribbean. And we're one of the largest providers of air ambulances to the US. Our economic impact to South Florida hospitals, hotels and economy is more than \$100 million because every Latin who comes here to a hospital in the US brings a family member.

Q: You are a family-owned and -operated business?

A: Yes.

Q: What size revenues do you have?

A: Our revenues with sales and claims are approximately \$85 million a year.

Q: A substantial figure?

A: No. This is quite small considering that we've had 28 competitors enter and leave the market – the biggest one being a \$60 billion company.

We maintain and increase our niche by out-servicing everyone – so much so that we send flowers to any one of our clients who goes into the hospital, in the name of the agent and our company.

We create goodwill wherever we go and have a persistency ratio, which is unheard of in this business, of 90% – meaning 90% of our people stay with us.

We're not satisfied with that, because we still lose 10% of our people every year – and you only lose the healthy ones. We're trying to achieve our goal in the next years of a 95% rate.

Q: You have also set a financial goal?

A: Yes, \$100 million a year.

We used to ring bells when an application would come in – and I still get excited. We have six people on the road a lot. My two sons and I and the country managers each make about 25 to 30 trips to Latin America a year.

We have a quality of life standard in our company where we don't want to be gone in excess of 60

...filling niche in air cargo industry at Miami International

nights year, which out of Miami gives you 120 days on the road out of the country. It's the only city where you could do that.

I go to Mexico on the early flight and come back on the late flight. I do that a lot. That doesn't even count as a trip.

My son Michael, who is president of Amedex, has intensive travel and my other son, Louis, the Caribbean manager, has already racked up close to 40 trips this year.

We have four outstanding sales vice presidents who also rack up the same number of trips.

The reason that we've been successful is that we're always in front of our clients and our sales force.

Q: How large is that force?

A: We have a sales force in Latin America of more than 1,500 people and we own companies in four countries there. We are currently trying to acquire companies in Mexico and Venezuela.

Q: So you are bullish on the future?

A: We believe that the opportunities today for positioning after the Sept. 11 crisis will be excellent. We believe that as people exit, that leaves great opportunity for entrances. Everybody is exiting Latin America.

There's a shakeout coming right now in the insurance business, because the investment profits that insurance companies were used to are not there. Very few companies have had underwriting profits – the amount of money you make on risk.

Amedex is a very conservative company. It's rated "excellent" by AM Best and "A-" by Standard & Poor's. We have had underwriting profits every year we have been in business.

This year, our investment profits will be less, but we will still have investment profits. We've done this through extreme conservatism and very serious underwriting. We're long-term players and want to stay as long-term players.

Q: It was reported that at one time as part of your growth strate-

gy you acquired a large block of insurance policies from a major Swiss-German company: Do you plan to repeat such a tactic?

A: That was a mistake. We were in a service position. We have learned that we don't want to do any acquisitions unless we personally underwrite the business.

Acquiring blocks of business that have not been underwritten by us is usually disastrous. We're very good at servicing the business, but we don't want to acquire risk that has not been underwritten by us.

Q: So you would not do that again?

A: Never.

Q: But acquisitions are still in your plan?

A: Acquisition of companies. The companies that we want to acquire in Latin America would be more shell companies, or companies that have very little risk – a risk that we can control.

Two successful examples of this have been Ecuador and the Dominican Republic, where there were two dormant companies that we've been able to do quite well with.

We were able to do a lot of the local business. You see, 75% of all claims that we pay are paid in the US and 70% of that comes to Miami, the medical capital of the Americas, as we say on our stationery.

We're trying to go into some of these markets with local risk and we're going into the life insurance at a local level. So these companies give us a tremendous instrument to do that.

Q: Are you looking further ahead to possible acquisitions in other countries?

A: Yes, we're targeting the five countries of Central America, two countries in the Caribbean and we're looking very seriously at Peru.

Banks and strategic alliance partners are very eager to facilitate funds for these purchases, although Amedex is averse to debts.

Following the Sept. 11 crisis there are bargains to be found in Latin America. Amedex wants to continue to be growing within its niche, to become the major provider of major medical health products to the highly affluent people of Latin America and the Caribbean.

Q: Is there a typical profile of your clients?

A: Our average client is aged 42, has almost three kids, and 50% of the clients are second generation wealth or more, making on average four trips to the US a year.

Sixty percent of our clients received their higher education in the US or Canada.

So we have highly sophisticated client. Amedex takes great pride in having insured most of the presidents of Latin America and prime ministers of the Caribbean.

Q: What kind of competition do you face?

A: We've had 28 companies come at us and none of them seems to do it right. That's because sales are easy in this market but servicing is very difficult.

As the Internet becomes widespread in Latin America servicing will be easier, but most of the companies going in forget that this market is a specialized one of tremendous personal interactions. As an example, in the US the first question an American asks when he goes into hospital is, doctor, how quickly do I get out?

The first thing a Latin says is, I'm bringing my family with me.

We have two mentalities and the hospital entrance of a sophisticated client has to be completely different than what we're used to for the average group insurance person in the US. Yet our competitors just don't seem to get that. We have the best entrance at the hospitals of any company in the world.

Q: You offer other unusual features:

A: We have 15 doctors who work for us to make sure that there's a proper entrance. And our claims system takes great pride in services

before, during and after the claim.

When a client who is to use our services calls, he speaks to a real doctor who guides him as to who the best provider is for his condition. No other company does this in this manner. The doctor is in constant touch with the patient and the family on a daily basis as long as the patient is in the hospital.

Q: What do you see ahead for your company?

A: We see Amedex grabbing a major share. We just had a large competitor, a \$60 billion company, pull out of the market and that market share will come to Amedex within the next year.

This year we have a growth of over 30% in new sales and Amedex seems to do very well when there's a market shakeup, because insureds look for consistency and long-term players – which we have been.

Q: You play an active role in the communities you work in and encourage your employees to do the same?

A: It's mandatory here. Amedex takes great pride in giving back to the countries that we participate in.

In Ecuador, for example, Amedex maintains one of the biggest schools and orphanages, in Mindo. Through the Ecuadorean military, which Amedex services medically, we have provided eight tons of clothes to this orphanage and have rebuilt the school completely.

We have made an investment

there of some half a million dollars in contributions and in kind. And we have gotten local schools here, such as Lourdes high school, to send kids every summer down there.

I have seven kids and three of them have participated and have lived in Mindo, spending part of their summer helping out. People in our company and local schools have "adopted" kids there. Those kids have nothing.

We have done projects like these in other countries.

In Miami, my son Michael and I adopted Corpus Christi inner city school and St. Francis school, where we both teach one day a month. The way it works is we have gotten everybody who works here to adopt – for example one person might be responsible for the 6th grade and you've got to go there once a month. If any kid in that school needs something, you're responsible.

We believe that Miami has so many heroes and so many of them are unsung. I consider the sisters and teachers who run these schools my heroes. They're putting out a product that is fit for life and will contribute to our great community.

We have so much to give and everybody wants to help. Last year my son and I ran a New York City marathon, we sold miles for these schools and raised about \$50,000 of

donations. Many checks were anonymous. We got a check for \$10,000 and the guy wouldn't tell us who it was – we never found out.

My son Michael has done incredible work with St. Francis Xavier inner city school, a school that was being closed and today has close to 200 kids. He has taken it all the way to the 8th grade.

We're so proud of Miami and of our community that the more we've given to it the more we have received. I'm humbled when I go to the schools. When I leave there I do nothing but count my blessings that we have so much. We're very proud that at these schools Americanism is taught, that we live in the greatest country in the world. There are no minorities in these schools; there's no underdog. If you attend these schools, you're a big dog. Those nuns tell the kids that if you were born in this country you can become president of the US. And they start off with the pledge of allegiance, the Star Spangled Banner and God Bless America sung every day at these schools.

Our family is honored to be able to help out in these schools.

Q: The Sept. 11 attacks have strengthened your patriotism?

A: In this crisis that America faces as I travel I have one word to the world: Don't ever bet against America – America will come back stronger than ever and more united than ever. And this too shall pass.