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# PUERTO RICO

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## PUERTO RICO: FORGING TOWARDS ECONOMIC PROSPERITY



**THE "PARADISE ISLAND",** is one of the world's top tourist destinations, but it is home to world-class multinational companies, and a hub for global industries in advanced manufacturing, technology development and legal and consulting services.

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# PUERTO RICO, beyond the headlines



Over the past sixty years, the Commonwealth of Puerto Rico, officially an unincorporated territory of the United States in the Caribbean, went from being a largely rural society to becoming a fully industrialized nation, home to some of the largest and most sophisticated multinational industries in the world, such as pharmaceuticals and electronics, and boasting a highly competitive workforce and a booming middle class. Attracted by the island's equally qualified and yet cheaper labor and strategic geographic location, whole sectors of the American industry began to move their operations to Puerto Rico during the 1970's, particularly in the sectors of textiles and petrochemicals, and the country quickly developed a collective set of skills, know-how and expertise around industrial manufacturing from which it still benefits today. Following the crash of oil companies, and thus forced to reinvent itself in order to attract different sectors, Puerto Rico was able to push through the crisis and to resurface mainly due to a US program of tax incentives designed to bring new life into the economy and secure the continuation of the professional development of Puerto Ricans. The impulse that ensued ushered the island into the twenty-first Century, on a path marked by growth and financial stability until 2008, when the global economic recession and the ensuing crises both in the island and in the US mainland forced the country once again to stem the tide of hardship.

Today, and surely as a result of the numerous challenges it has faced, Puerto Rico is again on the road to growth and improvement, and it stands looking firmly towards the future. Through the Department of Economic Development (DDEC), created in 1994, it is set on carrying out a model for economic development designed to make the most of the country's natural, professional and commercial strengths, and on seizing once and for all the opportunity of not being completely dependent on US tax incentives, and developing a system focused on productivity and added value. "We want companies operating in Puerto Rico to be



Manuel Laboy Rivera, Secretary of Economic Development and Commerce.

actually competitive, efficient, and in constant evolution", says Mr. Manuel Laboy, Secretary of Economic Development of the DDEC, "and added value is always the result of innovation and of creativity".

Accordingly, the private sector has been witnessing unparalleled improvements in areas such as technology, with more and more startups specializing on the internet of things, healthcare and cyber security, and supported by two different government programs. A second area in which the DDEC is focusing on is that of export services, and there have been widely visible improvements not only in foreign companies using the island as a hub, but in local companies exporting services and products abroad. The other areas that have been proving extremely promising, and in which innovation and technology play central roles, are sustainable agriculture, the aerospace sector, and advanced manufacturing. In fact, research-based manufacturing companies, such as pharmaceuticals, have successfully begun to penetrate the markets of Europe, Japan and the US, with some of the strictest regulatory bodies in the world, like the FDA. A different area is that of tourism, which the DDEC has chosen to term 'visitor economy' so as to encompass the complete range of economic activities triggered when people visit the island. "Puerto Rico has some of the most beautiful beaches in the world, but its appeal to visitors today goes well beyond them", explains Mr. Laboy. To this purpose, the new government created the Destination Marketing Organization (DMO), in charge of

promoting the country in all its splendor, and making tourism a real pillar of the economy.

Without a doubt this was the sector more directly hurt by the devastation caused by hurricane Maria earlier this year, as it not only brought great material damage to the island but may have altered the plans of thousands of potential visitors, precisely when they are more desperately needed in order to boost the reconstruction efforts. Nevertheless, the hurricane also brought about an impressive display of local and international solidarity, of cohesion and of optimism in the face of hardship, sending a clear and certainly brave message to the world: we're open for business. In fact, by putting to the test the limits of the country's infrastructure, the hurricane has also drawn awareness to the urgent need to restructure the island's electric power system, and has lent momentum to the efforts of the Public-Private Alliances Authority (AAPP) to carry out their project for modernizing and diversifying energy production and distribution in the country. "Projects such as these have become an absolute priority after hurricane Maria", explains Mr. Omar Marrero Díaz, director of the AAPP, "and mark the way towards economic recovery and efficiency in our services".

The key to bringing such changes to completion is to keep securing foreign investment in the country, for which purpose the government entrusted the private sector through Enterprise Puerto Rico, an organization equivalent to the DMO but at the industrial level, in charge of placing Puerto Rico on the map of the global flow of capital. This goes hand in hand with the implementation of Acts 20 and 22, which have proven so successful in fostering domestic growth by creating incentives for foreign investment, that it can be said they mark a new era in Puerto Rico's

### Act 20 and 22

Enacted in 2012, Acts 20 and 22 have arguably transformed Puerto Rican economy by offering a series of unparalleled incentives to foreign companies to invest in the island, and for local companies to export their services abroad. Offering a 4% tax rate for companies based in Puerto Rico, Act 20 has encouraged numerous service providers to seek partnerships abroad in the search for new clients, while Act 22 allows investors and traders residing in the island to exclude 100% of all short-term and long-term capital gains from the sale of personal property accrued after moving to Puerto Rico.

economic development. "The impact of these acts is blatant", says Mr. Marrero, "a company or a person settles here and it immediately things start sprouting around it, jobs, services, partnerships, investments, etc. We have seen so many successful cases".

With their will power still intact, a fruitful relationship between the private and the public sectors, and with a solid, ambitious plan for the future, Puerto Rico seems to be in fact "open for business", and on the path towards stable growth, a healthy economy and a collective society. "Doing business in Puerto Rico is doing business with the US, except no other state can match the incentives we offer", concludes Mr. Laboy. "Indeed, this is the time to invest in Puerto Rico", adds Mr. Marrero, "our country is on the rise, and our best days are still ahead of us" ●



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## MANUFACTURING

Composing one of the country's fastest-growing sectors and working in a highly-coordinated effort, Puerto Rican manufacturers are leading a wide range of industries, from aerospace maintenance to construction, from wheat flour products to one of the best coffees in the world.

# Puerto Rico's Undisputed Competitive Advantage

Composing more than 45% of the country's GDP and providing employment for 20% of the island, the Puerto Rican manufacturing industry has been one of the most diversified, vibrant and attractive industrial powerhouses in the world for over fifty years. Enjoying a highly-skilled, experienced and yet inexpensive workforce, a well-developed infrastructure that allows for easy communications within and without the island, and protection under the financial and intellectual property legal framework of the US, the country has provided a safe and stimulating environment for hundreds of foreign companies looking to base their operations abroad.

Of the many advanced manufacturing activities carried out in the island, among which those of biotechnology, medical devices and food manufacturing stand out, the most important one is certainly the pharmaceutical sector, which encompasses more than half of all industrial production, comprises nearly half of total exports, and hosts more than 80 plants of some of the top multinational companies, in which sixteen of the top twenty selling drugs in the US mainland are produced.

Coordinating such efforts and promoting the growth and development of the sector is the Puerto Rico Manufacturers Association (PRMA), which today provides 60% of contributions on revenues to the Treasury Department and plays a major role in the economic activity of the country. "We have a board that represents all sectors," explains Mr. Rodrigo Masses, President of PRMA, "and we are expanding our services to cover non-traditional sectors such as tourism and health because they are having a major impact on the local economy". In fact, the Association is intent not only on expanding the opportunities of current companies, but on fostering the



PUERTO RICO BOASTS A WORKFORCE with over fifty years of experience as highly-skilled manufacturers in a wide variety of sectors.

development of young or new sectors, such as the aerospace, defense and agricultural industries, mainly by encouraging government reforms regarding the distribution of incentives and the transitioning of costs to the private sector in order to modernize its activities. "We need to have, for example, a sustainable and competitive energy system in Puerto Rico", explains Mr. Masses, "and the same goes for the state's Health Fund, and other government programs that need to be

effective, result-oriented and collaborative with the private sector, so as to foster an innovative, world-class industry".

Overall, Mr. Masses believes that the broad role of the Association is to promote an atmosphere of optimism regarding the many possibilities of one of the most privileged places in the world for doing business. "And this is how we will make Puerto Rico a real 'puerto rico', a rich port", Mr. Masses concludes.

the most advanced technology in the industry, Molinos de Puerto Rico produces not only the renowned Amapola Products, but also industrial flours such as Buccaneer, Special 50, Triunfador, Garland Cracker and Queen Quality, among the most recognized in the baking industry. As part of the larger Ardent Mills flour-milling network, the company also supplies its Tampa mill with specialized products manufactured in Puerto Rico, such as white whole-wheat flour Ultragrain, destined for the Florida market. "The Tampa mill is running at full capacity producing Ultragrain,

#### Molinos de Puerto Rico

Founded in 1958, Molinos de Puerto Rico is today the largest food manufacturer in the country according to the Caribbean Business listing, leading the flour production industry and enjoying the support of numerous important manufacturers at the local level. With a hundred direct employees and providing indirect employment to close to 5000 people, Molinos de Puerto Rico found a way to maintain stable growth in the face of a difficult economic recession and a decreasing consumer market, a feat that its Director, Mr. Jon Stuewe, sees as the result of their efforts to adapt their strategy, method and products to the rapidly changing circumstances. "We are constantly working alongside our clients to help them increase their exports or adapt their products to the requirements of exportations", he explains.

With a daily production of 10,000 quintals of wheat flour, 1,300 quintals of maize flour and a 30,000-quintal storage capacity, perhaps

"There is a market of over 4 million Puerto Ricans in Florida"

so we supply them from here so that they can continue to serving customers", explains Ramón Hernández Guillemermey, Sales Manager. In return, Ardent Mills allows them access to part of their 7,000-container monthly transportation at a reduced cost, which allows the company to take their product to Jacksonville, New Jersey at a fraction of the price and thus offer tremendously competitive prices.

But the company has also had to face difficult challenges, among the most pressing of which is

## MANUFACTURING

perhaps the reduction in their consumer market due to a decreasing local population. This has led them to find ways to increase exports and reach the markets of neighboring Caribbean islands and mainly of the US mainland, where they see the most potential for growth. A second important challenge has been the one posed by the high cost of energy in Puerto Rico and the need to submit to tougher FDA regulations and US labor laws, which make it difficult to compete with the Dominican Republic. Nevertheless, the company has found a way out of the impasse by producing bulk product, which lowers the cost of transportation of a product made superior to that of their competitors precisely because of the stricter regulations. "That is the basic difference", explains Mr. Stuewe, "we save in transport what we lose in production, but as a result of both things we come out being more competitive".

For these reasons, management is positive the company will continue to grow as it has been, for which it is paramount to secure further connections with large groups such as Publix that would allow them to bring their products to the Puerto Rican diaspora in the US, always on the lookout for the original ingredients of their favorite dishes. "In the state of Florida there are more than four million Puerto Ricans", adds Mr. Ramón Hernández Guillemermey, "and so that is the natural direction for our market presence to increase".

In order to meet their expectations, the company is ready to make a series of important changes, such as a new energy project based on switching to Liquid Nitrogen (LNG), which will allow them to save USD 1 million per year, and to focus their production strategy on replacing products now being imported from foreign manufacturers.

Through a strong marketing campaign and sponsoring of a series of community initiatives such as their Gulf Tournament for the benefit of the children of "Hogar del Niño Ave María", or the Vietnam Estudios tutorial program for the young students of the drug-afflicted neighborhood of Vietnam, Mr. Stuewe is convinced the company will succeed in achieving its goals, while at the same time contributing to a healthier community. "For the second year in a row, we have been awarded by the Chamber of Commerce of the Food Industry for providing the best-quality products more widely-appreciated by consumers", explains Mr. Ramón Hernández Guillemermey. "And I think that says a lot about who we are as a company". Mr. Stuewe nods in agreement, and then adds: "The people made our product a tradition by passing it down the generations, and so we want to stay loyal to them, and continue to provide them with the best quality available".

#### Puerto Rico Coffee Roasters

Another leading player to take note of is Puerto Rico Coffee Roasters, which began in 2008 as a coffee distributor and manufacturer, and over the past nine years have grown to manage ten brands among the most successful in Puerto Rican history such as, Café Rico, Yaucono and Café Crema, and to dominate around 70% of the national market. In 2011 the company began to be in charge of the whole growing process from beginning to end, and today their tasks also include technological development and support of the growers who provide them with the raw material. "Puerto Rican coffee has a great reputation worldwide", explains Germán Negron, President of the PRCR, "and being the leading coffee company is a responsibility which we take very seriously". As the only company in the island and the Caribbean to have received an ISO 22000 certification from the FDA, and having just opened their first café-bar designed to showcase their whole range of products, the PRCR is intent on leading the industry and taking Puerto Rican coffee production to a global level.

Among the challenges the company has had to face in order to reach its current status is the difficulty of finding new distributors, and it was only after extensive research and planning that they secured partnerships with some of the largest retailers in the US, such as Walmart and Wholefoods, through which they have made a strong appearance in the Florida market. The aim of such efforts was to make the coffee available to the millions of Puerto Ricans resettled in the US mainland without making them pay more for it, which involved maximizing efficiency in order to produce more competitive prices. "The first objective was to reach the Puerto Rican market", explains Mr. Negron, "but now it is clear that in order to reach that 15% in exports we also need to cater to all other customers as well".

In order to continue growing, Mr. Negron is aware that company like his must adapt to global standards of food production, rely on a strict business structure and maintain the reputation of the brand. For this reason they have begun to follow a more aggressive strategy based on working with local distributors, American shops and American large-scale distributors such as Grace Kennedy, which is now distributing their



THE PUERTO RICO MANUFACTURERS ASSOCIATION represents all traditional sectors, and is focused on expanding its services to non-traditional sectors as well, like tourism and healthcare.

products in 15 US states, as well as duplicating their marketing budget. "And we have many other plans", adds Mr. Negron "such as developing capsules, now booming in Europe, in order to adapt to changing local tastes". Moreover, by committing to support coffee growers, the company has managed to help them make their plantations more efficient, yielding better quality in return. "Last year we gave 200 thousand plants to 100 growers through a technology transfer program, and it was so successful they came back asking for more, asking how else to improve their crops", explains Mr. Negron.

Enjoying a professional manufacturing process,

"We reached full capacity in two years, so we will keep investing here"

and offering some of the best-quality coffees in the country, the PRCR is ready to compete globally, confident it will succeed in providing Puerto Ricans with their most beloved brands, while at the same time winning over coffee lovers from all over the world with a consistent, mature product of the highest possible quality. "Give our Puerto Rican coffees a try", concludes Mr. Negron with a smile, "and you will see why we think they are the best in the world".

#### Lufthansa Technik Puerto Rico

After a thorough study of the region, and finding the government in Puerto Rico willing to develop the aerospace sector, Lufthansa Technik AG decided to open its branch in the island in 2015 and offer services specialized in the maintenance, repair and overhaul (MRO) of narrow body aircrafts of the Airbus A320 family. Part of the reason why the company chose Puerto Rico over other candidates such as Mexico was the security instilled by being on American soil, which meant that they would have access to financial incentives and to assistance from an administration fully supported by Washington DC. "We signed the contract in April 2014 and opened one year later", tells Mr. Elmar Lutter, President of the company. "We had a lot of support from the Local Administration and the Federal Government".

In little over three years, Lufthansa Technik have tripled their employees, now more than 350 and expected to grow to 400 by the end of the year, and are now running five lines in the hangar at full capacity, making it one of the biggest players in the market, not only in heavy maintenance, but also in components and engines. "We did not have this offer two years ago", explains Mr. Lutter, "we have successfully reached full capacity in just two years, which means we can keep hiring people and keep investing in the island". In fact, the company does not only repair Lufthansa planes, but is working with third party companies such as Jet Blue and Spirit and providing them their wide range of services, from single base maintenance events to total base maintenance support.

Despite such rapid success, the company is focused on its strategy for future growth, aimed at expanding their client base to include more American airlines and also many from South America, where they have been looking with interest towards Chile, Brazil and Mexico. "We definitely want to grow", explains Mr. Lutter, "not only here but in different places, because we cannot penetrate the markets of the whole continent from here. The US West Coast, for example, is too far for us, and that's where Mexico comes into play, with four major airlines, good position and good labor costs".

By reaching full capacity, assuring an efficient production system and a safe workplace, Mr. Lutter believes the company will reach its goals of

as well. "Manufacturing high-quality products in a GMP environment requires having the right people, training them on a qualified process and using facilities and equipment suitable for the process", explains Mr. David Shenberger, vice president of the company. "We deliver the solutions that meet these requirements, and the result is an operation that runs smoothly from the beginning".

Simultaneously, the company's consulting team is in charge of creating a sustainable culture of ongoing operational excellence and low-cost manufacturing, in order to deliver high-quality products to both customers and patients. "The idea is that we provide the cutting-edge knowledge and experience to accelerate the project schedule of a company, while at the same time ensuring that they keep on budget", explains Mr. Shenberger, "and that is what differentiates us from many others". This is achieved by identifying opportunities and potential weak links in the asset management program of the company through a series of analyses focused on LifeCycle Cost (LCC), asset criticality, operability and maintenance, in order to minimize risk and operational performance. "Our maintenance program is highly effective because we get accurate, timely and relevant information for technicians to take action", explains Mr. Shenberger. "We don't just talk the talk, we roll up our sleeves and deliver real results". In fact, having delivered more than USD 300 million of services to more than 500 customers globally, the company has made it more than clear that they have the financial strength and the scale to execute projects wherever they are.

Among the major challenges faced by the company in Puerto Rico is that of developing awareness of the brand and of the fact that its services are unlike those of any of their competitors. For this reason they have developed a marketing strategy strongly focused on content, with equal presence online and in relevant industry events, so that potential customers can learn about the company while the company learns about them. "We believe that being aware of who our partners are is the key to reaching new clients", explains Mr. Shenberger. Accordingly, the company's team is composed in its entirety of Puerto Rican professionals, all of whom are bilingual, and are familiar with the culture of the country, and especially with the way in which the local pharmaceutical industry operates and behaves. As a result, the company enjoys numerous recognitions and awards from professional societies and customers for performance, leadership and safety, and is sure to keep reaping the rewards of its achievements and of its hard work.

#### CAI, Commissions Agents Inc.

As part of a strategic to move to extend their service coverage in the Caribbean, opening the door to the rest of the continent, Commissioning Agents Inc. began operations in Puerto Rico. In helping customers design, deliver, operate and maintain quality-critical manufacturing or mission-critical facilities, CAI has proven tremendously successful, and a valuable partner to many companies in the thriving manufacturing sector of Puerto Rico. By offering engineering, technical and consulting services, CAI is able to handle all aspects of operation, from equipment, automation and process, to human performance

For the local hero.

## CONSULTING AND PROFESSIONAL SERVICES

With the success of Acts 20 and 22 in fostering foreign investment, consulting firms have played a key role in helping newly-arrived companies to settle successfully.

# Delivering Sophistication at Scale

Representing nearly 10% of the Intangible Services Economy of Puerto Rico, consulting firms contributed last year to GDP for that part of the economy of almost USD 5,000 million, placing it among the fastest-growing sectors in the island. Part of this success is certainly due to the opportunities afforded to them by the instatement of Acts 20 and 22, through which the government sought to foster foreign investment in the country by creating different economic incentives, and improving the legal process of establishing a business with aims to enter the American market. Already attracted by Puerto Rico's solid infrastructure and its highly-skilled yet cost effective workforce, businesses have been rushing into the island since the enactment of the laws, and have been finding in consulting firms the only way to navigate successfully around the intricacies of both US and Puerto Rican business culture, their shared legal system and the application of the new laws.

With fully-bilingual teams of lawyers, the know-how of how business works both in the island and in the mainland, and offering top-quality integrated consulting services designed to assist companies on all stages of their establishment of their investments, many Puerto Rican consulting firms have found an invaluable opportunity for improvement and for growth.

## V2A Vision to Action

V2A Strategic Management Consultants was founded in 2004, and is one of the top consulting firms in Puerto Rico. They began working in financial services, mainly with banks and insurance companies, but since then they have carved for themselves a niche as strategic management consultants, following the example and methodology of global firms such as McKinsey, BCG and Bain. Valuing quality over quantity, V2A has preferred to offer highly specialized services to fewer clients, which today are some of the largest companies in the Caribbean, both in the public and the private sector. For the past 8 years, the firm publishes a quarterly report on the Puerto Rico banking industry directed at banking executives and other stakeholders in the industry, a practice that has affirmed their position in that sector, but their activities expand over a wider range of areas, such as pharmaceuticals, telecommunications, and the public sector.

With offices in San Juan, Santo Domingo and Miami, V2A has been named two years in a row as "one of the fastest growing consulting firms" by Consulting Magazine, a feat about which its directors, Graciela Salcedo and Manuel Calderón, are certainly proud of, but one that they do not take as their main goal

or achievement. "Growth has never been our main objective", says Mr. Calderón, "but we have been growing organically and steadily since the beginning". In fact, their presence in three locations has opened the door to the Caribbean, Latin America and the US, where they have a growing number of projects. "We are expecting to grow considerably during the next three years, both in the public and the private sectors", explains Ms. Salcedo, "as we consolidate our presence in South Florida and the Dominican Republic".

To fulfill its social purpose and fuel its growth, the firm is also involved in a number of social projects with the local communities where they work, mainly centered on education, and plays a central role in attracting some of the many Puerto Rican, Dominican, Venezuelan and other bi-lingual young professionals who have gone to seek their education in top US schools and want to go back to their family and community to have an impact. "We are attracting a great deal of top talent in all of our locations", explains Ms. Salcedo, "offering enticing work and benefiting as well from their intelligence, positive personalities and critical thinking and problem-solving skills".

Yet, one of the firm's biggest challenges as a boutique firm has been competing with large global consulting companies. However, their clients attest to the fact that V2A offers world class services defining strategies and providing long-term, cost-effective, on the ground support for their implementations, effectively helping them to go from "Vision to Action".

Despite the many challenges the Puerto Rico economy is facing, particularly after Hurricane María, V2A remains optimistic about the future. "Puerto Rico now has a chance to reinvent itself, and V2A is already helping", explains Mr. Calderón, "along with the upcoming massive infrastructure rebuild, many sectors of the economy continue to present huge potential for growth, including tourism, life sciences, financial services, general manufacturing and the aerospace sector, among others".

With years of experience working with large, complex multi-cultural organizations, the directors of V2A are positive new clients will keep flowing towards them attracted by the quality of a firm that stands out among the best strategy firms of the Caribbean. "And on top of that", adds Ms. Salcedo with a confident smile, "we have that 'local touch' that allows us to move with ease through the culture and the language of the country and the particularities of the market, and that sets us apart from all the others".

## OCG Human Resources and Management Consultants

Founded in 1997 by Dr. Maritza Soto, OCG Human Resources and Management Consultants has made a name for itself in the consulting



how to run a medical office, which in the end is a business like any other".

Another area in which the company has shown notable success is in the development of economically accessible consulting service packages for small businesses in need of putting their house in order.

Moreover, through the enactment of Laws 20 and 22, the company has been able to offer its services to many companies interested in establishing operations in Puerto Rico, and orienting them through important insights into the way business is done in the country. "We have the know-how of how business works in Puerto Rico and in the US", adds Dr. Soto, "and a great deal of experience working for multinationals, aside from having a completely bilingual team and lawyers of our own".

But despite all its successes, the company has had to face a number of tests, mainly due to economic recessions in Puerto Rico and in the US, and to other nation-wide problems. Among the most trying has been the brain drain of professional Puerto Ricans emigrating for the US mainland.

Thanks to her dual role as business executive and university professor, Dr. Soto has interesting insights as to the causes for this problem and efforts being made to mitigate it, and she believes efforts in this sense should be directed towards fostering a business mentality in the young professionals, which is precisely the aim of one of the projects she runs at the University of Puerto Rico. "Until now we have always fostered an employee mentality in Puerto Rico, and we need to start developing a mentality for business", she explains.

As a matter of fact, Dr. Soto is extremely committed to aligning the plans for growth of her company to the wider needs of the island by focusing less on competitors and more on creating strategic alliances that will benefit the industry as a whole. "Most of our competitors are focused more on the area of recruiting because there are established fees and it tends to be more lucrative", she elaborates. "We are of course interested in profit and in growth, but we are also aware that ensuring the economic wellbeing of the country in the long run is the safest bet for everybody".



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## CONSULTING AND PROFESSIONAL SERVICES

For that reason, OCG Consultants has been working closely over the past few years with non-for-profit organizations, which provide an important service to the community but often have insufficient resources to deal with their administrative needs. "Actually, one of our plans for growth, although it may seem counterintuitive at first, is precisely to work with non-profits", Dr. Soto explains. "As a professor at the University of Puerto Rico for the past 20 years, where I teach management of human resources, I noticed how little practical knowledge students had, and thought of developing a compensation project through which they could acquire practical skills by doing internships in non-profit organizations, which benefits them as well".

Overall, Dr. Soto is optimistic about the possibilities for growth and development of business in an island that today is thriving with startup companies, and that in her view could potentially achieve much more if it manages to alter the mentality of Puerto Rico's future business executives, not once they lose their job and are forced to emigrate, but before they even graduate from university. And in that panorama, OCG Consultants will keep doing what it can to contribute to a brighter future for a country thriving in business possibilities, by putting its trust in its people and continuing to put their experience, specialized knowledge, linguistic versatility and the highest standard of professionalism, to the service of clients, foreign and local, also willing to bet on a bright future.

In Puerto Rico, the Group focuses on Process Optimization in the areas of Commerce, Logistics, Storage, Purchases, Planning, Production, Maintenance and Back Office, and is active in many different industries, such as Health, Banking, Insurance, Manufacturing,

customers, we develop a detailed knowledge of their opportunities, and we work as team with them in order to implement changes and secure a return on their investment".

In fact, over the past three years the Group has managed to secure an average of 5 to 1 Return of Investment (ROI) to all its clients, which today number over a thousand. Finding themselves with qualitative improvements and an important increase in profits, satisfied customers have become the main source of advertisement for the Group, which unlike other consulting companies work side by side with the client through the implementation phases as well and until financial benefits become tangible.

Optimization in the areas of Commerce, Logistics, Storage, Purchases, Planning, Production, Maintenance and Back Office, and is active in many different industries, such as Health, Banking, Insurance, Manufacturing,

**"We are attracting top talent, and benefitting greatly from their intelligence"**

Food Distribution and Retail. Their methodology consists in an initial three-week Operational Performance Assessment that works as an x-ray of the company through which they are able to find troublesome elements, to quantify its chances and to determine its potential for improvement. In this way, clients can see a detailed account of their situation before taking the decision to implement any changes.

Among their most sought-after services is also that of assistance implementing ERPs, which can be traumatic processes for clients due to the amount of resources and time that must be dedicated. Acting as Project Managers, the London Group makes sure that all processes and structures are aligned with the new tool and that all deadlines are met. It has proven to be a great success, and now more and more multinationals are seeking their services looking to optimize their back-office processes as well, looking to create Shared Services that will allow them to become more efficient and provide a better service at a lower operation cost.

The economic crisis in the US forced local businessmen in Puerto Rico to look for new

markets and compete with foreign companies in Central and South America and beyond, and to learn to be less dependent on their northern brother. "It used to be a healthy business relationship", explains Mr. Luzio, "but with the crisis they learned they had to find a way to penetrate markets in other parts of the world". And so the Group focused on enhancing productivity and efficiency through process optimization, skills training and leadership development among the employees, and soon companies began to see their efforts reflected on increases in their profits.

In this sense, the London Group's relationship with the state of Florida plays a fundamental role. As more and more Puerto Rican companies seek to export their products and services, Florida becomes an extremely attractive destination not only due to its geographical situation near the Caribbean but to the shared cultural make up resulting from its important Latin population, to a great extent composed of Puerto Ricans. In fact, many Puerto Rican companies have set up their manufacturing and distribution operations in Florida in order to achieve better cost efficiency by being closer to their consumer markets. "The relationship with Florida is very close", says Mr. Luzio, "and many of the projects we run there involve Puerto Rican companies with operations in Florida". In fact, many of the London Group's Latin American clients, mainly from Mexico, Colombia, Venezuela and Ecuador) have moved their corporate offices to Miami, often due to issues related to security and political or economic uncertainty. This has turned Miami into an excellent corporate hub due to its geographical location and the logistical advantage afforded by easy flight connections to any country in the continent.

The London Consulting Group has had to face its own set of adversities. Among the most pressing is the many shortcomings of the Puerto Rican Government in controlling an economic crisis that has led it to endless indebtedness and therefore to make harsh adjustments in taxation, downsizing within the government, and cutting funds for education, health and infrastructure, thus encouraging citizens to emigrate and operating costs to rise. "This has put all businesses in a complicated situation", explains Mr. Luzio, "exerting pressure on those who did not adjust in preparation for such a crisis but at the same time creating opportunities for those more financially stable".

A priority issue is that of Puerto Rico's decreasing population, which in the last decade has risen to 10%. Moreover, the island has one of the lowest rates of labor participation in the world, today around 45%, a direct result

of a decrease in birth rates, an exodus of professional workers to the American states, and a part of the population solely utilizing social security benefits. Nevertheless, in Mr. Luzio's opinion the situation is difficult but not unsolvable, as there are many initiatives at the national level to bring talent back to the island and encourage greater labor participation in order to strengthen the country's productivity.

Accordingly, the London Consulting Group is investing heavily on the future, and has set in motion a variety of projects for expansion and growth. Among the most promising of these is Mergers & Acquisitions, which in the past few years has taken important steps in the economic sector. "We help clients do the Operative Due Diligence", he explains, "with the aim of identifying possible synergies, process optimization and talent analysis, and then we look at projected profits once the acquisition or consolidation of the business has taken place".

**"Perpetuating capital requires understanding markets, but also patience, empathy and solidarity"**

Another sector in which the Group is making great headway is the government itself, as most of its institutions are financially insolvent and require a complete restructuring of its processes, facilities and human resources. Currently there is a great demand for technical and operative consultants who can help redesign and implement such major changes. The government's fiscal plan, for example, includes the creation of Participative Public-Private Alliances which will include many government institutions in order to make them profitable and improve their services to society. The main challenge of this project is the fact that it requires the creation and approval of a regulatory framework, which could take one or two years to bring about, but the Group is confident it will prove a success.

Another government project about which they are highly optimistic is the new Government Incentive program aimed at attracting foreign investment to Puerto Rico, enacted by Acts 20 and 22. "Thanks to these two acts", explains Mr. Luzio, "many investors

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## CONSULTING AND PROFESSIONAL SERVICES

are looking at Puerto Rico and if they invest in productive sector of the economy that will encourage the creation of direct and indirect jobs and the development of the economy, this could prove extremely important”.

And perhaps one of the most-worthy of mention is their partnership with consulting firm Aptean, an Atlanta-based company specialized in technological development. Among their products is the ERP ROSS tool, designed for manufacturing companies whose production processes require specific formulations. In this case, the Group's role is to align all operative processes to the new ERP as well as handling the Change Management process, fundamental to a successful implementation.

In this regard, the Group itself also launched this year a Technology Division within the firm which specializes on the implementation of Microsoft's Power BI, a leader of the Business Intelligence tools market. The Power BI is a powerful tool that allows companies to

## “Our expertise in technology and insurance can be exported to other countries”

automate their most relevant indicators (KPIs) and to present them on a Dashboard with an interface friendly to all clients, who can now look at their indicators through remote access.

Through innovative strategies like these, and by ensuring a service of the highest quality and professionalism, the London Consulting Group has succeeded in directing its clients towards financial stability and sustainable growth even through times of crisis. “Personally”, confesses Mr. Luzio, “this is what we value most of all, to see our clients grow”. Such promises of growth, furthermore, are afforded not only to its clients, but to the Group itself, as its strategic position in between the Americas, their ability to work in both directions through their bilingual team con consultants and their knowledge of Puerto Rican work culture, opens the way for improvement, evolution and growth in many different directions.

### Consultiva Internacional Inc.

Consultiva Internacional Inc. was founded in 1999, with the particular aim of separating investment advice from product manufacture

and distribution of investments, by acting as an investment officer for clients, whether they are families, businesses or institutions, without acting as their brokers. On this seemingly subtle difference, the company has actually succeeded in establishing a solid brand for over eighteen years, and arguably altering the way in which investment consulting traditionally operates within the industry. “If it was hard or easy, that's a different story”, says founder and chief executive officer Myrna Rivera, “but now we have a brand that is recognized and a company that has seen three generations of professionals.

In fact, the notable success of the company is largely due to their original model of operation, whereby the company's task is to oversee the process from beginning to end, from an assessment of the needs or aspirations of the client to the elaboration of an investment plan, and finally its implementation and supervision. “It is a relation that evolves into a continuous conversation”, explains Ms. Rivera, “we have processes of supervision in our registry that span for over twenty years of capital markets activity. It is an undeniable legacy, an arsenal of intellectual capital”. Moreover, the development of such strong bonds is a direct consequence of the company's system of economic compensation, which works not as a transactional business, but based on fees proportional to the market value of the portfolio they are supervising. In other words, it is in the interests of both company and clients to keep a strong portfolio that will allow them to grow and capitalize on available opportunities. “I entered the industry in 1983”, tells Ms. Rivera, “when hardly anyone operated in this way. Today more and more professionals are realizing that it is the best way to serve their clients, and meanwhile the brokerage industry decreases”.

Handling a wide variety of clients, the company has acquired over the years a wide multi-sector perspective of Puerto Rico. “The point of view of unions, insurance companies or religious groups are not necessarily the same”, explains Ms. Rivera, “and finding the best way to perpetuate their capital is a task that requires understanding markets, but also patience, empathy and solidarity”. The key to success, from this perspective, resides on the company's ability to optimize the portfolio of investments for each particular case, after determining the desired rate of annual growth for each portfolio. This requires, on one hand, the technology that allows them to identify assets with the necessary return and risk characteristics, and on the other, the flexibility to adapt fundamental distribution

models to the particular needs and possibilities of a family or institution. “The difference with brokers, or investment and custodian banks, is we design our strategies based on the needs of the client, but we do not manage them, nor have discretion to buy and sell”, explains Ms. Rivera. “That is the function of the broker, and we are not brokers”.

Supervising a capital of 3000 million USD and working with roughly 150 clients, Consultiva has played an important role in offering investment advice to families and institutions particularly preoccupied about the effects of the crisis in Puerto Rico on changing bond prices and on how to recover from similar drawbacks. In fact, over the past twenty years the community of investors in Puerto Rico has been centered on investments in jurisdiction, that is, on bonds emitted by the State, real estate and business ventures. “When jurisdiction began to weaken, during the late nineties, capital began to weaken as well”, explains Ms.

## “We are a Puerto Rican firm, but with international knowledge and global reach”

Rivera. “Investors had shares in local banks and real estate, areas which suffered a domino effect, as capitals were erased by the banking and real estate crises”. The key to recovery was to understand the importance of the issue of taxes in the process of structuring estates in Puerto Rico. This is due to the fact that from the point of view of the Federal State, Puerto Ricans are seen as North American citizens in a foreign land, and as such, the Federal Government is entitled to taxes ranging from 35 to 40% when such assets are to be inherited. “This created a tendency among Puerto Ricans to keep their assets in the island”, explains Ms. Rivera. “The banking industry took the opportunity to create investment products domiciled in Puerto Rico but with investments in and out of the country, and in this way, investors manage to keep their assets free of inheritance taxes”.

Despite the difficulties inherent in the venture of investing money safely and intelligently, and further complicated by the contradictions and problems in the respective legal framework in Puerto Rico and the US, Ms. Rivera is positive about the company's possibilities for future growth. Among their most concrete aims for

the near future is to begin expanding their services in Latin America and Europe and offering them to foreign nationals, making the most of their dual culture and deep knowledge of the American Rule of Law. In order to achieve the projected 20-25% annual growth over the next ten years, the company has made a notable investment in technology that has allowed it to start seeing itself as a financial technology company, specialized in investment planning and consulting. “The solutions we put together lead us to the ideal custodians”, explains Ms. Rivera”, but this has traditionally been done manually, and now we have found the technological solution that will allow us to collect all the information on investment processes from all of those custodians”.

Yet technological development alone is not enough to set out such an ambitious plan for growth without the complement of a wide network of professional accountants and lawyers able to make the plan a positive reality. Accordingly, the company has been creating alliances law and accounting firms in Miami and Latin America in preparation for the launch of their strategy next year, and has been preparing consultants to represent Consultiva in a way that lives up to the company's long-lasting reputation. “With the right team and the right technology”, adds Ms. Rivera, “we will succeed in expanding our services, as there are many Puerto Ricans in areas such as Florida opening law firms and accounting services, and a growing number of professionals in the diaspora. And we know how to find them, because we're all relatives here!”

Coming from a working-class background, and Ms. Rivera has risen to be the first woman in Puerto Rico to establish and lead a consulting company with presence across the whole continent.

### Kevane Grant Thornton

Kevane Grant Thornton has been the Puerto Rico member firm of GTIL for the past 34 years and ranked third as one of the largest CPAs firms in the island. According to Managing Partner, Mr. Luis Carlos Marciano, the firm has achieved a sustained growth of 34.5% over the past three years as a direct result of their ability to find high-quality professionals and their commitment to provide them with the means and encouragement to keep learning and developing their skills. In fact, apart from being certified as CPAs, many of them possess different certifications as internal auditors, fraud examiners, internal control analysts and appraisers, among others. “And being a member of Grant Thornton is no doubt of great value”, adds Mr. Marciano. “We are a completely

## CONSULTING AND PROFESSIONAL SERVICES

Puerto Rican firm, but with international knowledge and global reach, therefore we are able to support either clients wishing to come to Puerto Rico or do business here, or clients wishing to expand their businesses abroad.”

The firm offers services in auditing, taxation, business consultancy, and outsourcing to local and international companies of all sizes, and among their most sought-after services are those of tax consulting, compliance and planning, due to the high volume of changes in tax legislation approved by the government. Within the auditing sector, the firm has also built a niche around pension plan auditing, a very specialized service that requires a great degree of preparation and knowledge in ERISA laws.

The firm has also been forced to find creative and intelligent ways around changes in the industry and the economy. With the government acting as the main promoter of the economy, the economic recession affected all areas of the private sector, which had to deal with the problem of managing the cash flow in the companies. Another challenge currently faced by the firm is the growing lack of people interested in undertaking a career in public

accountancy, particularly in Puerto Rico, where the most qualified professionals are constantly leaving the country. However, the firm is optimistic about the incentives being promoted by the new government for public-private alliances, partly through the enactment of Acts 20 and 22, which allow foreign companies to invest in the country, creating jobs and a larger market for the firm.

The firm has carried out a number of efforts designed to make the most of the possibilities afforded by the changes in regulations, such as participating in the First China Investment Summit and the P3 Summit, which have allowed them to make a niche under the wing of Acts 20-22 offering new investors all their company establishment services they may need to settle in the country. “We are expecting a growth of no less than 5% per year”, adds Mr. Marciano, “and we want it to be an organic, sustained growth, but with a view to looking for alternatives in mergers and acquisitions.”

Moreover, the firm carried out an integration of services with another CPA firm in 2014, which strengthen their capabilities and enhanced significantly the possibility to provide additional advisory services to potential and existing clients such as business assessment, mergers and acquisitions, restructuring and litigation. In 2016, Grant Thornton certified Kevane Grant Thornton as a Transfer Pricing service provider, making them the only firm in Puerto Rico to be able to provide these services without the need of help of another other firm.

Supported by a network of firms that operates in 130 countries around the world, and enjoying a wide local experience together with a solid global reach, the firm has carved itself a well-deserved reputation as one of the most reliable, professional and dedicated firms in the sector. “Whether you are a company or an individual looking to come to Puerto Rico to do business”, concludes Mr. Marciano with confidence, “you will find in Kevane Grant Thornton a firm attentive to clients' needs, direct partners' involvement, highly qualified personnel and, most importantly, client receive excellent services.”

### FPV & Galindez LLC

FPV & Galindez LLC is the result of a fusion in 2007 between two Puerto Rican firms, FPV & Co. and Galindez CPA Group, and of the addition in 2013 of three new partners, CPAs Axel Ramirez, Rafael Nieves and Kenneth Rivera, now president-elect of the Chamber

of Commerce of Puerto Rico and former president of the Puerto Rico State Society of Certified Public Accountants. With a staff of over 70 people and a shared experience in different aspects of the industry, FPV & Galindez quickly became one of the most sought-after audit, tax and consulting firms in the island. According to managing partner Julio Galindez, the company's strongest asset is its team of compromised, skilled and trustworthy professionals, due to whose efforts the company has been able to extend its services from its original niche in the healthcare sector, to a wide variety of areas such as education, universities, communications, sales and distribution, retail, the government sector, and most importantly, taxes. “I always like to say with pride that we are not just executives here, we are also working partners for our clients”, says Mr. Galindez.

The fusions of 2007 and 2013 have indeed

## “Many of the projects we run involve Puerto Rican companies operating in Florida”

made the firm what it is today, and partly account for their numerous successes and notable growth in the past years. Of course, as Mr. Galindez notes, the rest is explained by the company's solid goodwill in the market, as satisfied customers provide the best marketing for the firm. One definite turning point in that direction was when the firm was hired by the InterAmerican University of Puerto Rico, the largest private university in the country, which opened the door to a whole new and very specialized sector in which the firm has since developed strong and fruitful relationships.

Other areas in which the firm has grown considerably are banking and taxes, partly due to the implementation of laws 20 and 22, which produced for them a great deal of work in tax analysis and advisory services. “In difficult times”, explains Mr. Galindez, “companies need to find new intelligent ways in which to confront all sorts of hardships, and that is where we can be of help”. But the firm has also had to face hardships of its own, and in so doing it has arguably set the best example. Historically constrained by a national legal framework that provided Puerto Rican companies with a narrow margin of action based almost exclusively in tax exemptions, local businesses have faced the tough challenge of finding other mechanisms for attracting US investment not solely based on lower costs. “It is a complex correlation of factors that ultimately forces us to rethink our whole economic model, in order to achieve a high standard of quality in the services we offer, and a continuous growth”, explains Mr. Galindez.

Accordingly, the firm is constantly on the lookout for possibilities of growth and cooperation, both locally and internationally. Over the past four years, the firm has focused on consolidating its local presence, and has managed to enlarge its client base with former customers of Big Four companies who in the face of economic uncertainty are looking for more personalized services and more competitive costs. “Many companies now see that our firm is conformed of ex-Big Four partners, directors and managers, and

that we offer a similar yet more individualized service, and are thus now contacting us and requesting our services”, explains Mr. Galindez.

Nevertheless, the firm also has plans in motion to expand their services internationally, for the moment mainly focused in Miami and South Florida, where they have carried out a synergy with CPA Domingo Alonso from Alonso & Garcia through their common affiliation to Russel Bedford International. “This collaboration agreement with Miami has proven to be very beneficial for both firms, as it allows them to offer auditing services in South Florida and us to extend our services outside of Puerto Rico”, says Mr. Galindez. In fact, the Florida market is a particularly promising one, as the number of Latin American businessmen that have established their operations there has been growing exponentially over the last few years. “What they are looking for is a firm with the standards, professional practices and the knowhow of the American system, but that can move with greater ease within both cultures, facilitating communication, exchanges and deals”, explains Mr. Galindez.

Enjoying the privilege of being the main auditing, taxes and consulting firm in the country's healthcare sector, and a history of fruitful and solid relationships with clients which speaks to the quality of their services, Mr. Galindez is positive the firm will keep reaping the benefits of their efforts, their ethical standards and their hard work. “I always say that if we ever lose a client it will be through our own fault, because nobody can take a client from us”, proudly says Mr. Galindez, “but we have relationships that have lasted years without so much as a complain regarding our independence of ethics, and that says a lot about our firm”.

### Goldman, Antonetti & Córdova, LLC.

Founded in 1959 by attorney Max Goldman and a group of specialists in corporate, tax and labor law, and designed to meet the needs of industrialization in Puerto Rico, Goldman, Antonetti & Córdova is now one of the most prestigious firms in the country, and certainly one of the oldest. With four departments today dedicated to corporate, tax and labor law, and commercial and civil litigation, and a team of 30 lawyers, the firm has managed to weather economic crises and difficulties and keep providing its services stably and reliably from their offices at the Hato Rey financial area, which they have occupied now for an outstanding 25 years. It has been no small feat, considering the limits imposed on the government and the country's economic development by the US Financial Oversight Board, which according to Mr. Carlos Rodríguez Vidal, Managing Member of the

firm, leaves little room for economic reform and development. “Regrettably, our country is not under the control of our government, and this puts us in a position in which it is difficult to make plans more than six months in advance”.

Despite such difficulties, the firm is optimistic about the firm's ability to grow in the future through participation in international networks, though not through direct partnership with US-based firms. “Puerto Rican law is very different from the law in Georgia or even in California”, explains Mr. Rodríguez, “and as a result, such partnerships, albeit producing a number of new clients, would eventually constrict us, rather than allow us to grow”. Instead, the firm has succeeded in making a niche for itself by focusing on the country's special laws, and is thus able to offer foreign and local companies specialized services regarding distribution of products and services, franchising, sales representation, intellectual property and business incentives, among others, that fall beyond the possibilities of any non-local firm.

By offering the most comprehensive legal advice to companies looking to do business in Puerto Rico, the firm has in fact worked alongside companies from all active industries in the country's economy, from technology development to real estate. And yet Mr. Rodríguez is adamant about the island's possibilities of developing areas such as tourism and infrastructure with great potential for growth: “Moreover, our expertise in certain areas of the industry such as technology and insurance services are an asset that can be exported and disseminated in other countries as well”, he adds.

Unconvinced about the overall ability of Laws 20 and 22 to attract positive foreign investment, Mr. Rodríguez is nevertheless optimistic about the possibilities inherent in upcoming private-public projects for developing airports, maritime ports, road maintenance and public transportation among others, as long as a larger degree of commitment and responsibility towards the public benefit can be reached. “The public sector works for the people of Puerto Rico”, he explains, “and will have to learn to be less generous towards the private sector in order to ensure the sustainability and durability of future projects”.

Free of political and economic ties to the government and to single companies, the firm is confident on its ability to contribute to healthy economic growth in the country by continuing to provide professional and objective legal advice to companies. “Puerto Rico has a great deal to offer to the world”, concludes Mr. Rodríguez, “but it also needs to learn from it in order to enter the international arena in a responsible, sustainable way” ●

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**“In so many things, growth comes from adversity.”**  
- Michael Huffington

For the past 17 years we have facilitated the growth of Puerto Rican companies. Through solidarity and commitment, we shall work together to rebuild Puerto Rico and to continue to serve our beloved Borinquen.

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## TOURISM



**SEEMINGLY ENDLESS WHITE SANDY BEACHES,** well-preserved historical landmarks and a living traditional culture make Puerto Rico a world-class touristic destination.

# Tourism's Path to Resurgence

**At the heart of Puerto Rican social culture, the tourism industry creates jobs for over 800,000 people.**

Every year, five million people from all corners of the world take a break from their daily lives and jobs and fly—or sail—to Puerto Rico. Once there, whether on its endless sandy beaches, its overwhelming tropical settings or its historic cities and towns, tourists spend around USD 4 billion, creating jobs for more than 800,000 people. Representing only around 8% of the country's economy, due to the fact that Puerto Ricans engage in a wide variety of other economic and industrial activities, tourism is nevertheless at the heart of the culture of a people enormously proud of their part of the Earth and always willing to show it and to share it with the world.

The institution in charge of keeping Puerto Rico on the world map is the Puerto Rico Tourism Company, which has made historical efforts to promote the many things the island has to offer. Through the Corporation for the Promotion of Puerto Rico, the Company has not only managed an increase in tourism in the midst of a long economic recession, but more importantly a diversification of touristic attractions that has greatly helped to even out the benefits among the population. Moreover, the Company has set itself the task to ensure tourism grows sustainably, so that the nature that attracts so many people does not suffer in the process of hosting them in the island. “We have it all, except for snow sports”, says José Izquierdo, Executive Director of the Company. “But our job is not only to promote tourism, but to promote economic wellbeing in a sustainable, responsible way”. In fact, since the implementation of new tourism legislation by the Governorship of Ricardo Roselló, the sector has been experiencing record growth in hotel tax collection, and has been recognized by the EPA for their efforts in sustainable tourism and development of a number of agro-touristic projects and eco-tourism companies.

On September 20th, 2017, nevertheless, a Category 4 hurricane known as Maria swept over the island leaving dozens of victims, knocking out electricity and facing all Puerto Ricans with the biggest challenge their island has met in recent history. But despite the size of the damages, and the threat the disaster caused for future travel to the island, Puerto Rican citizens, authorities and companies have managed to come together in an admirable effort to clean up, repair and

assist those in need, and to restore the island to order. “If you drive around the main roads and tourist areas, you will see a very different picture of what the news media sometimes choose to show”, says Mr. Izquierdo, who's office has overseen the restoration of power, communications and water services, which are already at around 70%, and the reopening of the main airports, seaports and cruise lines, which have all resumed full operations. “There is a lot of optimism”, says Mr. Izquierdo, “and we think that with the measures being taken and the attention

**“We have it all in Puerto Rico, except for snow sports”**

being paid to the sector, we will be able not only to be fully functional by high season in December (2017), but to resume our efforts and strategies for future growth”.

In fact, the Company had carried out a number of successful efforts designed to secure a top placement for the country brand, among which was the appointment of singer Luis Fonsi as cultural ambassador of the island to the world, a task he is carrying out during a world tour centered on his hit-song Despacito. Other equally successful strategies have been centered on making the most of the island as the largest port in the Caribbean, and thus multiplying cruise line traffic, which in fact had seen a historical raise of 9.4% by the beginning of the year. Similarly, the Company is also working on improving air traffic into the island and expand airline operations into San Juan Airport from Latin America, Europe, Canada and the US, and it is positive it will see a growth of 4% by the end of the year. “Getting people to come is the best way of really showing them all that the island has to offer”, explains Mr. Izquierdo. “We are happy to share with you our sun, our beaches and our gastronomy, but we also want you to experience first-hand the story of how Puerto Rico has risen, through thick and thin, into a firm, collaborative community, brimming with opportunity and health”.

#### Casa Bacardi

World-famous BACARDÍ rum first came to Puerto Rico in the 1890's, having already been praised at the Centennial Exhibition

of the World Fair in Philadelphia in 1876 as a revolutionary invention, alongside Alexander Graham Bell's telephone, Remington's typewriter, and the precursor to the electric light. It was the merit of Don Facundo Bacardi Massó, founder of the rum brand and distillery in Santiago de Cuba that transformed the harsh drink of the pirates into the smooth, light-bodied spirit of BACARDÍ rum - today enjoyed around the world. In 1936, the company started producing its rum in San Juan, Puerto Rico, tells Casa BACARDÍ visitor center General Manager Wesley Cullen, but it wasn't until 1958 when they built the now renowned distillery in Cataño, known as the “Cathedral of Rum,” the largest premium rum facility in the world. “BACARDÍ rum has added, since that first historic prize, another 750 awards to its rum portfolio, both for taste and for innovation, which makes it the most awarded rum in the world,” explains Ms. Cullen.

With such a distinguished product, it was only natural that the company would allow itself to show off their all their achievements, and open a facility in which lovers and admirers of rum, of history and of enterprise, could learn about the company while enjoying samples of the rum. This is how Casa BACARDÍ came to be in 1961, only three years after the opening of the distillery in Cataño, across the Bahía of San Juan from the island's capital.

The iconic brand home, enclosed by an imposing wall that gives almost a fairy-tale character, is a perfect example of tropical Art Deco, with luscious lawns and palm trees interspersed with modern sculptures. And at the center of the great cast-iron gates, we find the well-known BACARDÍ bat, which has been the emblem of the rum since Don Facundo, upon opening his first distillery in 1862 in Cuba, found the rafters to be home to a family of fruit bats. “The visitor center”, adds Ms. Cullen, “is part of the Bacardi legacy of hospitality, and passion for bringing people together, and it also intends to be a beacon of innovation, design and respect for nature”.

In fact, Casa BACARDÍ receives approximately 200,000 visitors each year, 90% of which, according to a Guest Experience Study, agreed that the visit should certainly weigh positively in the decision of potential travelers whether or not to come to Puerto Rico. While enjoying the beautiful waterfront, guests to Casa BACARDÍ are offered a choice between three different tours. The “Historical” tour begins with the sipping of a rum cocktail overlooking the bay towards El Morro fort, and continues with a guided tour of the distillery, in which more than 10,000 liters of rum are produced daily after being distilled and aged in the premises, and where guests are told about the history of craft and innovation of a company that more than a hundred and fifty years after its founding remains a family-owned business.

A second, more in-depth “Rum Tasting Tour”, invites guests to discover the process involved in making premium rums, the craft of the barrels and of the blending, and provides insights into the process invented by Don Facundo for the fermentation, distillation and charcoal filtration, almost identical to the one currently used to make

BACARDÍ rum. Guests are then invited to an expert-led tasting of five BACARDÍ rums, including the renowned Legacy, exclusively available at Casa BACARDÍ.

The third tour available, called the “Mixology” tour, provides guests with the opportunity to master one of the most beloved rum cocktails in the world, and perhaps among the hardest to get perfectly right: the all-famous mojito. Through an interactive tour, visitors get a chance to go behind the bar and try their hand at this particular challenge with the assistance of a BACARDÍ specialist, with whom they will learn to mix three classic rum cocktails.

And for those who would like to further enrich their visit, Casa BACARDÍ offers the Self-Fill Experience, which has become extremely popular among visitors and in which they are offered the opportunity of filling, sealing and labeling a bottle of special BACARDÍ rum, engraved with their name or message.

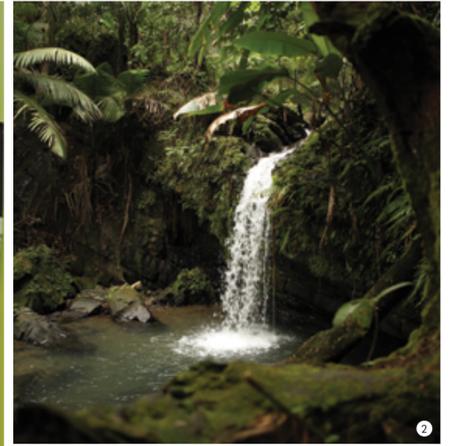
**“We have a legacy of hospitality, a passion for bringing people together”**

#### The next hundred years

Despite the numerous problems and shortcomings Puerto Rican businesses have had to face in the last few years, including a U.S.-wide economic crisis followed by a local recession on the island which forced businesses to find creative ways to adapt and evolve with changing circumstances, Ms. Cullen is very optimistic about the ability of the Visitor Center at Casa BACARDÍ to grow steadily and to keep its doors open for anybody interested in visiting the house of the best-loved rum in the world. Certainly, none of the difficulties recently faced by BACARDÍ and by Puerto Ricans in general is comparable to the devastation and uncertainty caused by Hurricane Maria earlier this year, but it is no less true that Puerto Ricans have faced this natural disaster with astonishing courage, willpower and generosity towards one another. “As Puerto Rico enters the rebuilding phase post-Hurricane María”, explains Ms. Cullen, “we are happy to say we are open and intend to remain open for a long time. Our trees are growing new leaves and our guides and bartenders are here to receive guests and to make sure they have a spirited, memorable time together”.

In order to accomplish such bright plans, Ms. Cullen is aware that Casa BACARDÍ needs to stay at the forefront of the industry by launching additional experiences that will attract visitors of different origins and interests, as well as creating partnerships with local organizations which would allow them to offer curated experiences not only at the visitor center, but around the island as well, hosting different kinds of events. “We depend on and are an integral part of the wellbeing of the tourism industry in Puerto Rico”, explains Ms. Cullen, “and

## TOURISM



**1. SAN JUAN'S HISTORICAL CENTER** boasts some among the most beautiful examples of colonial architecture, and its facades, squares and balconies tell the history of the whole island.

**2. THE EXUBERANT NATURAL LANDSCAPES** of the coasts and jungles of Puerto Rico provide travelers with magnificent vistas and wildlife, but also with removed sanctuaries for contemplation and for rest.

#### Puerto del Rey

Perfectly situated on the eastern tip of Puerto Rico, Puerto del Rey Marina has become over the past four years one of the most successful marinas in the Caribbean. Lying in a beautiful and naturally protected bay, with a massive breakwater which provides shelter from tropical storms and a stone's throw away from the islands of Vieques and Culebra, the Marina welcomes boats travelling to and from all islands of the Caribbean, the British and US Virgin Islands, South America and the Panama Canal. Offering 1000 slips that can accommodate boats up to 180 LOA with 15 feet draught, 400 drystack spaces with extensive storage and repair facilities, and a 165 ton haul out capability, the Marina provides the perfect haven not only for travelers, but for boat owners looking for a reliable, permanent home port. Fully equipped and provisioned with a variety of restaurants, bars and shops, as well as a complete range of boat repair contractors on site, visitors can find in the Marina everything they need to prepare for their upcoming journeys or take a well-deserved rest after the journey is complete, revealing a true pride in what she does. “BACARDÍ rum is all about making the world smaller by making the party larger, and that is why we welcome visitors every day to join our party, experience our passion for life, and overcome adversity together”.

strategic location an extremely valuable asset that until then was not being made the most of. From the Marina you can see the Virgin Islands and the closer barrier islands of Vieques and Culebra, and it was designed taking into account that most of the weather in the area comes from Easterly and thus making sure that water is constantly moving through the Marina but no so fast that it causes boats to bob up and down too much and people to get hurt climbing on and off. But the notable success of the new management at the Marina seems to be due to many other important factors as well. First among them is perhaps the close relationship the Marina has been able to develop with the boat owners, which allows them to know how they are interacting with the sea, the coral reefs of the surrounding villages, and in that way, to promote a green and responsible use of the ocean and of its gifts. Among the most famous activities offered to boat owners is the annual sport fishing tournament, which is the largest in Puerto Rico and which is accompanied by a series of programs about the importance of varied types of fish and fish systems. Among their efforts for sustainability is also worth mentioning the project being carried out at present of installing a USD 50 million solar power system in the Marina in order provide green electricity at a rate difficult to imagine only a few years ago, when the Marina was

as such we have a duty to support it in any way we can”. For this reason, the visitor center collaborates with the Puerto Rico Tourism Company, many of the cruise lines and tour operators that bring tourists to the island, and a number of other businesses in different sectors of the industry. “We all have the same goal”, says Ms. Cullen, “to attract visitors to this beautiful island, to create memorable experiences for them and to develop a tourism industry that is thriving with opportunity”.

In fact, with a rich background in events and entertainment going twenty years, Ms. Cullen

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TOURISM



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Nevertheless, the Marina has also had to surmount difficult challenges on the road to becoming a reference for sea travel in the region, as theirs is an industry particularly vulnerable to two great forces with potentially devastating power: the economy and the sea. Their clientele being in its majority Puerto Rican boat owners, the recession in Puerto Rico posed an important threat to all industries offering luxury services and items, which tend to be among the first victims of a bad economy. Yet the Marina was able to push through the recession by paying careful attention to the opinions of boat owners regarding prices, making sure they were getting value for their pricing, and making efforts to widen their clientele so as to welcome American boats cruising in the Caribbean in order to augment their transit income. This was a notable achievement as it involved fighting a long-standing negative perception about the Puerto Rican cruising community, which was seen as not being at the level and further hampered by the language barrier. But the Marina worked tirelessly to make sure not only that the services they were delivering were at the highest level, but also to inform the cruising community about the achievements of the new management. As a result of these efforts, today the majority of boats are coming in from Florida and there is a growing number of people living in their boats in Puerto Rico, feeling confident in the hands of a Marina that takes their safety very seriously. As a result of this, the Marina now employs almost a hundred people, becoming one of the largest employers in the island and greatly improving the livelihoods of a significant number of families in the area.

As readers are surely aware, Puerto Rico was hit earlier this year by Hurricane Maria, a Category 4 hurricane that posed perhaps the most difficult challenge Puerto Ricans have had to face as a community in the recent past, leaving behind victims, damages to infrastructure, and a great deal of uncertainty regarding the future



THE CASTILLO DE SAN CRISTOBAL, one of Puerto Rico's most historic and visited sites.

of tourism in the island, and industry it is greatly dependent upon. Positioned at sea, in an area thus particularly vulnerable to the whims of the waters, the Puerto del Rey Marina experienced the hurricane as a test to their ability to safeguard their clientele and employees, to protect their infrastructure, and to rally the community together in support. In this sense, and in spite of the inevitable tragedies, the Marina lived up to expectations and showed a great degree of preparation and of leadership. In fact, only days after the direct hit from Hurricane Maria the Marina was open for business and their team fully dedicate to post-hurricane clean up. The concrete Hurricane Tie Down specifically designed for such eventualities proved tremendously successful and as a result only 2% of vessels

**“We all have the same goal, to attract visitors to this beautiful island”**

in the water sank and 93% of the vessels in their Hurricane Storage Programs came out unscathed. Today, all services are available at 50% of the cost, and the forthcoming USD 50 million investment that they are preparing to make on the Marina is proof of their intention to continue delivering both the value and the service that have led them to the place they occupy today, as one of the most reliable, professional and promising marinas from which to explore the never-ending beauties of the Caribbean Sea ●

Islands will provide a fantastic cruising experience for the upcoming season, while the USVI and the BVI's rebuild.

Accordingly, management at Puerto del Rey is already focused on the future of the Marina and of its possibilities of development and growth. Enjoying unequal repairing facilities anywhere in the Caribbean, the Marina has the advantage of offering services of the quality of a Fort Lauderdale port but at 50% of the cost, and the forthcoming USD 50 million investment that they are preparing to make on the Marina is proof of their intention to continue delivering both the value and the service that have led them to the place they occupy today, as one of the most reliable, professional and promising marinas from which to explore the never-ending beauties of the Caribbean Sea ●

HEALTH SERVICES

**With a decades-long experience hosting top multinational pharmaceuticals,** Puerto Rico has developed a highly-skilled workforce in all related sectors, from biotechnology to patient care, an unparalleled investment in human capital in the Caribbean.

# Innovation On The Rise Through Health Services

**F**or over fifty years, Puerto Rico has been the home of many of the top multinational pharmaceutical companies, with over 80 plants active on the island in which the majority of the top-selling drugs in the US mainland are produced. Attracted by the country's favorable tax incentives, the low costs of its workforce and top-of-the-line infrastructure, both in terms of communications and road, air and maritime transport, these companies have turned the sector into a true powerhouse in the region, constituting more than half of the country's industrial production and over half of its exports. As a result of this, the island has developed a highly-skilled workforce not only in pharmaceutical production but in all related sectors, such as healthcare services and biotechnology, an investment in human capital that remains today unparalleled across the Caribbean.

Benefitting from such a combination of factors, companies such as PharmPix have managed to make tremendous advances in health services management and to reshape the industry itself, by investing largely on technology aimed at improving healthcare systems and thus saving money both for patients and for providers. In fact, it is due to business ventures such as this that the market share of American PBM companies has seen a drop of over 15% in recent years, rebalancing the sector, allowing for the appearance of new local players and ultimately making it much more competitive.

Simultaneously, the country has also been reaping the rewards of the numerous efforts to improve the quality of care provided by health facilities, a combined endeavor of universities, public institutions and hospitals such as the Bella Vista, which have succeeded in establishing innovative models of patient care by combining the available technological developments, highly-trained professionals and pharmaceutical expertise in the island with a flexible and efficient care service designed to adapt to the varying necessities of patients.

In fact, as the demand for Puerto Rican nurses and medical professionals in the US mainland grows dramatically, also due in part to their need to cater to a growing Spanish-speaking population, so has the

medical tourism sector in Puerto Rico been experiencing an outright boom in recent years. Pressured by the high costs of procedures and care in the US mainland, but accustomed to a very high standard of service, American patients have found the perfect combination of quality and cost in Puerto Rico, where surgeons are Board Certified in the US, hospitals and clinics are accredited by US institutions, and their services are not only a few hours away by plane, but also in one of the most beautiful places in the world.

Consequently, the flow of patients towards the island has been followed by a parallel flow on investors, businesses and international service providers, attracted by the country's laws regarding medical tourism, which afford them tax exemptions of up to 90% on

**“Once more people are coming to Puerto Rico to receive medical treatment”**

income tax, municipal licenses for eligible activities, while at the same time offering protection under the US legal framework for the provision of healthcare.

**Pharmpix**

PharmPix began in 2009, when a group of executives with expertise in different areas of the health industry such as finance, health insurance plans and computer engineering decided to unite forces and create a company that could bring innovation to the pharmaceutical sector. “We wanted to do something important because we saw the industry was in need of a more agile and assertive player”, says PharmPix president Marty Martínez Fraticelli, who on his forties brought to the company his ten years’ experience in pharmaceuticals. PBMs, or Pharmacy Benefit Management companies, Martínez Explains, had first come about in the early eighties, and 25 years on they were still using the same technology. PharmPix thus



grew as an effort to put innovation at the service of health with the first of a new generation of pharmacy claim adjudication system.

The success of PharmPix's model is based on an intelligent approach to medication distribution whereby a patient's health is treated as a whole and their medical requirements organized correspondingly in order to avoid undesired issues created by contraindications, incorrect dosage and incompatibility with other medications being taken, between others. Once a doctor prescribes a certain medication and the patient acquires it in the pharmacy, the job of PharmPix is to coordinate the efforts of doctors and pharmacies, informing the pharmacist about the whole context of the prescription including potential clinical issues along with whether or not the drug is covered by his or her insurance and potential less expensive alternatives. “We are the link between the medical plan and the pharmacy”, explains Dr. Martínez, “we are the ones behind a patient's medical plan making sure, through our system, that the everything runs smoothly”.

Through the use of newer and cheaper technology and more intelligent adjudication PharmPix has thus been able to save money for its clients and, in that way, to grow remarkably within the industry. In a country in which 70% of the market was to be controlled by mainland PBM companies in the year 2000, business strategies such as that of PharmPix have been largely responsible for the considerable shift experienced in the industry, in which the market share of mainland companies has dropped to 15% in recent years. PharmPix's 20% participation in the current market is therefore no small feat, and Dr. Martínez is happy to attribute it to their ability of offering a different experience that includes, better services along with total drug cost lower to those of their competitors, but he also stresses that an important part of their success is their knowledge of the total health industry and pharmacy community culture, which allows them to cater to their clients' interests at a higher level.

In fact, PharmPix is currently overseeing the expansion of its services to many regions of mainland United States itself, such as Oklahoma, New York, California and Texas, where they have now found new clients. Furthermore, the company also offers technological services to similar enterprises in the US mainland, a path for growth that PhamaPix has found extremely fruitful. “That is our current focus”, explains Mr. Martínez, “to grow in the United States not only with our services, but with our technology”.

For this reason the company has become tremendously active in different types of business events, participating in at least five international events every year and in many at the national level. They have also launched an intensive campaign on LinkedIn and other social networks, and are keen on establishing direct relationships with potential partners. These can be of three kinds: either other PBMs unhappy with the systems they own

or are renting and are in need of a better one, health insurance brokers or third party administrators.

The importance of their venture into the mainland is due to the fact that PharmPix is protected by the Tax Incentives Law, which allows them to pay a fraction of the tax on income generated in the US mainland. This not only makes them more competitive in the US and thus able to grow their business there, but is also allows them to create more jobs in Puerto Rico. And the search for highly qualified personnel, among which programmers, pharmacists and pharmacy assistants, has also proven to be a great success. “Originally we thought one major challenge would be to find bilingual personnel, but we have been positively surprised by the level of English spoken in Puerto Rico, which has doubtlessly become a part of our success”, says Mr. Martínez, “as our clients in mainland come to appreciate the quality not only of our work, but of our ability to communicate at a professional level”.

The trajectory has nevertheless not been without its challenges, particularly that of the common misapprehensions regarding Puerto Rico's financial landscape, in which the economic difficulties of the Government often cast a shadow over a very stable and vibrant private sector. “Many of our potential clients come to us with reservations regarding the stability of Puerto Rican economy, and how it may affect the company”, explains Mr. Martínez, “and so one of our main challenges has been to overcome the stigmas regarding the island's situation” and even now after the hurricane Maria. And it is precisely in this sense that PharmPix's efforts to inform customers about the private sector have

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proven extremely important. “We invite them here to see the real Puerto Rico and more now after the hurricane, to visit its vibrant tourist areas and top-of-the-line industrial facilities and office spaces, and to dine with us in a good restaurant”, explains Mr. Martínez with a smile, “and by the time they leave they always say ‘well this is not how I imagined Puerto Rico!’”

In fact, companies like PharmPix have played no minor role in helping Puerto Rico reach its present state, by investing greatly not only in the country’s economy but in its human capital as well. Created with an initial investment of over one million USD, the company has also offered the government a type of APP consistent in subcontracting their

“We want to grow in the US with our services and our technology”

system to the government in order to manage the Medicaid population. The project would benefit the government by allowing it to save as much as 100 million USD in pharmacy benefits with no reduction on the benefits to patients.

Furthermore, the company has also put a great deal of effort into supporting other similar companies or people interested in creating their own venture. They offer advice in technological matters but also in developing the best strategies to enter the United States mainland successfully. Enjoying certification from the National Minority Supplier Development Council of the US, the company plays a major role in the process of gaining contracts with the federal government, for which all companies must hire certified providers such as PharmPix and in this sense the company is only further benefited by a more robust and competitive industry.

According to Mr. Martínez, Puerto Rico enjoys all the qualities necessary for becoming a business hub in the sector, particularly in terms of the advantages regarding taxes afforded to it by Acts 20 and 22. “Just yesterday we met with a potential client who lives here and has his PBM in the US”, says Mr. Martínez, “he didn’t know about us and our system, and immediately we started talking about possible synergies between our companies; those are the opportunities that

the Acts provide for people looking to do business here”. For this reason, Mr. Martínez insists on people getting better acquainted with the country, the structure of its private sector, and the business opportunities it offers. “Come to Puerto Rico”, concludes Mr. Martínez candidly, “and see for yourself the achievements of a healthy working culture with reliable, enthusiastic people”.

Bella Vista Hospital

Bella Vista Hospital began when Adventist missionary William Dunscombe and his children and colleagues set up a medical center in Las Mesas. With the wellbeing of the patients as its utmost priority, and offering many services besides strict medical care, the hospital has managed to make remarkable trajectory and an outstanding reputation by keeping to the dictates of Adventist philosophy and a holistic approach to wellbeing, not focused merely on curing immediate illnesses but on achieving a long-lasting health. “We are here to serve, above all else”, says Mr. Luis Rivera Maldonado, general manager of the Hospital, “and that makes a great difference for the patient”.

In fact, the Hospital has experienced exponential growth since its foundation, and according to Mr. Rivera its success is largely due not only to the quality of their medical services, but also to the love and caring attitude with which they approach a patient’s care, expressed in their most recent slogan, We care for you with our heart. “These are our most powerful weapons”, Mr. Rivera confesses.

Nevertheless, the hospital would have not managed to outperform its competitors and reach its current standing as a medical institution without a parallel and equally important effort to provide top quality medical services to its patients. In fact, today the Hospital offers a number of specialized medical services among the most successful of which is their Community Center for Cancer, a one-of-its-kind program in which the efforts of doctors, nutritionists, social workers and chaplains are coordinated in order to offer cancer patients every possible care from diagnosis all the way through treatment and recovery. “Cancer is difficult to deal with in many senses”, explains Mr. Rivera, “and we are happy to be able to hold the patient’s hand throughout all kinds of challenges”.

In accordance to their philosophy, the Hospital pays great attention to the importance of spiritual guidance in recovery by directing an international school of



chaplains in which new chaplains from all over Latin America are constantly under formation. The program has proven to be tremendously popular among patients, and it offers the possibility to work with chaplains of different faiths to suit the religious preferences of patients.

Aware of the consequences of a rapidly aging population due to the number of young professionals leaving Puerto Rico, the Hospital has centered all its efforts around out-patient care and elderly communities, and to such purpose run an orthopedics service among the largest in the area and including some of the best knee-transplant

“They trust us to handle their medical conditions or procedures with the utmost care and highest level of professionalism”

experts, as well as a Rehabilitation Center with 25 bed capacity, the only of its kind in the west of the country. Very recently they also inaugurated Nódulo Centinela, a procedure which allows them to identify the exact location of a tumor in order to optimize the efforts of the surgeon.

Six years ago the Hospital invested 1 million USD in acquiring the technology for providing gynecological and urological robotic surgery and training personnel for general surgical procedures. Such advancements, together with their varied out-patient services, their own health insurance system and a polyclinic equipped with physical therapy facilities and X-ray labs, allow them to go well beyond traditional hospitals and offer a veritably multidisciplinary health service. In fact, as opposed to many other institutions, Bella Vista works on direct patient admissions, allowing them to be independent of the emergency room and thus providing patients with the advantage of more direct access to their medical specialists. In the field of orthopedics, they are known for housing top notch surgeons that specialize in knee replacements.

And their efforts don’t end there. Nearly twenty years ago the Hospital launched a Family Medicine Residency program that graduates six new doctors every year, is accredited by ACGME, the corresponding accrediting agency in the US, and has proven to be a continuous success. Moreover, the Hospital offers one of two gastroenterology services in the country, which is soon to move into a tower of its own, built to meet the needs of a largely growing demand for this particular service.

The Hospital has nevertheless faced, and is facing, many difficult challenges. Perhaps among the most pressing is the one created by changes in the payment system with which insurance companies compensate hospitals. Over the past three years the hospital system has been pressured into diminishing the number of hospitalized patient admissions and moving more people onto out-patient care, which has forced Bella Vista and other to adjust their spending, hiring and contracts practices. A second and not unrelated challenge is the growing lack of specialized practitioners, as medical plans continue to close their networks and are less willing to hire new doctors. “Together with the enticement of larger compensations and superior

working conditions than those available to local doctors”, explains Mr. Rivera, “many doctors decide to move to the US, leaving a considerable void in Puerto Rico”.

Management at Bella Vista remains optimistic about the future, as many efforts are in motion to draw both practitioners and patients to the country. The advantages provided by a medical service of a comparable quality but significantly less expensive are without a doubt their most important weapon, as it provides a great opportunity for growth. In fact, the Hospital enjoys the privilege of having been accredited by the Joint Commission of Hospitals, which already sets it aside from many other local institutions. And last year the Hospital was awarded for ranking among the first in Puerto Rico in quality improvement metrics. This has allowed Bella Vista, 60% of whose patients come from Medicare, to offer their services to the nearby citizens of Florida, who would be able to enjoy medical services of a standard equivalent to that of hospitals in the fifty states. “We are returning to those times in which so many people in the Caribbean came to Puerto Rico to receive medical treatment”, explains Mr. Rivera with pride.

But their strategy also involves exploring the possibility of growth in the island itself, bringing to the metropolitan area not only their medical services but their health insurance coverage as well, in order to replicate a system that has already proven to be fruitful in Mayagüez and the west area of metropolitan San Juan. At the same time, the Hospital is eagerly supporting their residency scheme, which has secured them a place in ERAS, an entity that groups all medical residencies in the US and provides information to Latin American students. “They are attracted to our residency program because it is approved, and we speak Spanish, but we write in English”, explains Mr. Rivera.

Also at the local level, the Hospital takes part in a variety of community initiatives, sponsoring the creation of health centers in shopping malls, public squares and other places where the Hospital sets up lab testing services and physical therapy clinics. These make a great hands-on parallel effort to their information campaign, through which the Hospital has become active in specialized publications, social media and the internet as well. The campaign will soon be reaching the television in order to inform about their surgery services, an area in which they have been focusing intently as more and more doctors choose to carry out their private surgical operations in the Hospital. They are extremely active in international congresses and related activities, and are part of numerous national and international networks of hospitals with which collaborate on a regular basis. “We are reconnecting with the network”, explains Mr. Rivera, “which will surely help us become stronger and at the same time allow us to provide support for so many hospitals in Latin America that look up to Puerto Rico as the place to go and learn”.

With so many advantages in the health sector, together with very high standards in medical care quality, Mr. Rivera is positive that Puerto Rico is a particularly fertile ground for future development, growth and improvement. “Hospitality is part of what we inherited from our ancestors, the Taino peoples, and our Puerto Rican and Latin American brothers and sisters can trust us to handle their medical conditions or procedures with the utmost care and the highest level of professionalism”, concludes Mr. Rivera with a smile, “while at the same time enjoying a revitalizing tropical holiday in our friendly and beautiful country” ●

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DEVELOPMENT AND REAL ESTATE

Once the fastest-growing sector in the economy thanks to the proliferation of multinational companies and the development of the country’s infrastructure construction is thriving again due to the arrival of foreign investment into the country.

Laying the Foundation for Economic and Social Prosperity

With the massive arrival of multinational companies to Puerto Rico beginning in

the mid-eighties, the construction sector witnessed a boom that would continue uninterrupted for the following twenty years, as companies built their factories and headquarters, and the state developed the infrastructure necessary for dealing with the amount of goods being manufactured and transported in and out of the island, which required top-of-the-line systems of road and maritime transport, heavy traffic airports and seaports to connect the island to the US mainland and the Caribbean, and excellent communication networks. By 2008, when economic recession both in the US and globally hit the industry, construction was at its peak, and prices were reaching similar levels to those in Miami, due to which the sector managed to pull through the crisis and despite a relative drop in the pace of construction, managed to remain one of the most dynamic activities in the economy, growing faster than many other sectors and employing nearly 5% of the labor force. This was mainly due to the parallel expansion of the tourism sector, which took advantage of the existing infrastructure to continue developing and thus provided an important market for construction companies supplying the demand for new touristic facilities.

Moreover, in 2012 the government supervised the enactment of Acts 20 and 22, which encouraged foreign investment in the island by offering unparalleled tax exemptions and financial benefits, and as a

“The social aspect is as important to me as the economic aspect, and so I decided I wanted to play a part in helping families stay together”

result many construction companies arrived to the island to develop large-scale projects such as the Ciudadela in the neighborhood of Santurce, the Vanderbilt Hotel and the Puerto del Rey Marina. Fostering numerous partnerships with local companies and real estate agencies, both the Acts and the implementation of the PROMESA law by the Obama administration, opening the door for groups from all over the world to invest in Puerto Rico, have ensured the development of a thriving private sector and brought a great deal of investor confidence, right in the midst of a long-lasting crisis in the public sector. In such a panorama, construction has not only played a paramount role, but has served as the foundation of further development in the island, and has proven to be a sector full of potential, and rich with opportunity.

Puerto Rico’s Ambassador: Nick Prouty’s Vision of Economic Growth

Nicholas Prouty, CEO of Putnam Bridge and one of the most prominent businessmen in Puerto Rico, started his career as a business executive in New York City, but soon grew interested in investing in the island as an opportunity to be involved in projects with a social aim. “The social aspect is as important to me as the economical aspect, and so I decided I wanted to play a part in helping families stay together, which is how I grew interested in these projects”, he explains. His first acquisition was a series of nine figure investments, the first one of which was Ciudadela, the largest mixed-use urban infill project in San Juan. After securing a loan from the Banco Popular, Mr. Prouty began to work on his project to revive the old neighborhood of Santurce, in the historical heart of San Juan. That same year, 2008, marked the beginning of an economic crisis that would last for years, but Mr. Prouty is an urbanist with strong ideas about how cities should be lived in and carrying them out in San Juan was an old dream of his; and so the project continued. “When I bought this, the neighborhood was going through the same process as many other cities around the world, with people moving to the suburbia and building shopping malls outside the center”, he explains. “But I believe in cities, and we have a great moment in history to make cities attractive for people to live in”. Contrary to what many people say



MANY FOREIGN INVESTORS are developing large-scale projects in Puerto Rico, encouraged by tax incentives promoted by the government.

regarding a lack of urban plan in San Juan, Mr. Prouty saw in the neighborhood of Santurce a vibrant community around a great deal of local businesses, thriving with artists, designers and centers like La Placita, home to many cultural activities, as well as the Puerto Rico Museum of Art, around which it was possible to develop a project that instead of pushing people out would breathe new life into the area. “We live in a world of limited resources, and suburbia does not make a good use of resources, demanding new infrastructure and fossil fuels to drive your car there”, explains Mr. Prouty, “and on the other hand we had the opportunity to make a thriving area out of the oldest parts of the city”. Fully aware, nevertheless, of the dangers of harming the community through the excessive gentrification of the center, also referred to as “centrifugation”, the project was designed in a way so as to make it affordable and attractive to the community already present, fostering diversity through mixed-use development.

“This is particularly important in Puerto Rico”, he adds, “where you want to have cities where people can live close to their work and areas that are always active and make people feel safe and free to enjoy them fully”.

Accordingly, the Ciudadela was built with its inhabitants in mind, as a way to solve particular problems and to meet particular needs. Among the most pressing of such problems was the high cost of electricity in an area where many did not have a disposable income and whose budgets were already stressed by loans, mortgages and the like. By using solar systems in the roofs of buildings the Ciudadela has been able to reduce electricity costs by 40%, and there is also a system for collecting rain water and reusing it through natural filtration, which comes in particularly handy in periods of drought. But the cornerstone of the project in Santurce will be its park, a USD 7.5-million investment expected to be completed in

businesses, constituting the basis for the economic life of the neighborhood. “I have nothing against American companies, but one thing I learned from the Jewish, Korean and Mormon communities is the benefit of relying on local suppliers to develop new businesses and projects”, explains Mr. Prouty. “It is the only way we will be able to heal ourselves economically in Puerto Rico, by buying from one another”.

In fact, Mr. Prouty has very clear opinion about the right paths to growth in Puerto Rico, and believes that instead of growing

through capital, which one option, or growing through transfer payments, which is another, the island’s safest and most intelligent bet for the future is growing through economic development, and using financial capital as the gasoline to keep the engine of development moving forward. “I am always asking people to consider this: that it is not about distributing the pie, but about growing the pie for everybody”, Mr. Prouty adds.

In this respect, nevertheless, Mr Prouty considers the possibilities now being

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# DEVELOPMENT AND REAL ESTATE

opened by the instatement of Acts 20 and 22, which encourage foreign companies to invest in Puerto Rico to be particularly interesting, inasmuch as it is bringing money to the island allowing businessmen to start partnering and buying companies, and because it has encouraged local risk capital to be put into a great number of businesses in the island. “The people taking advantage of it are mostly American citizens”, explains Mr. Prouty, “but they are moving to Puerto Rico, like I had to do, in order to personally oversee their investments”.

For his own part, Mr. Prouty sees his investments, like the Puerto del Rey Marina as a solution to some of the country’s largest disadvantages, which are the lack of good strategies for economic development, and the lack of enough local professionals to do the work that is needed. “Everything we do, we do it by ourselves”, explains Mr. Prouty. “We have no banks and no investors; the money is my money, and when there is a project we like, we do it”.

With the right kind of people and a government able to attract and embrace new capital, Mr. Prouty believes there is nothing you cannot do in the task of transforming

## “We are taking part in the making of one of the greatest places in the world”

a place so privileged as Puerto Rico into a true paradise for the future. “What is going on here is something larger than me or any other person”, adds Mr. Prouty. “We are taking part in the making of one of the great places in the world, and we are achieving it by working together, not against each other”. In fact, the current attitude of openness towards foreign investment, public-private projects and opportunities for privatization in which even airports and highway systems are at play, have fostered a wave of partnerships, joint ventures and daring and creative projects never seen before in the island, and rarely seen today in other developing economies in Latin America or the South Pacific that have recently been in the eyes of American investors. According to Mr. Prouty, the reason for this is simple enough: contrary to a surprising and yet common misconception, Puerto Rico is part of the USA, and shares its legal system. “I have great respect for Latin America”, says Mr. Prouty, “I lived in Argentina and my wife is from there, but I would never invest where there was no American flag, and where there is no respect for the rule of law. The rule of law is respected here, and we have a safe banking system, we have nine-figure balances, and that is what has made us feel comfortable about making the investments we have made”. Enjoying all the benefits of being part of the US, a tax system that exempts you from the obligations of income tax, and a government intent on attracting capital and recognizing its importance in a world where capital is portable, Mr. Prouty is adamant about the great potential of the place he now calls home. “Most of our friends are from the island, we feel an enormous sense of family, and we feel extremely comfortable”, adds Mr. Prouty with a smile. “And it is simply a beautiful place to live”.

### Bird Group LLC

For the past nearly fifty years, the name of the Bird Group has been linked to almost all major construction projects in Puerto Rico, and the company is now run by the third generation of professionals raised within the company in an almost familial way, in which not only knowledge and experience, but also a sense of the ultimate vision and values of the company are passed down the generations. In fact, according to company President Eduardo Pardo, the historic successes of the company and its reputation within the industry are largely due to the trust it has deposited in its employees, imparting a high standard of quality in the work they do, and an ethics of perseverance and of the value of accumulated experience. “We are the third generation”, adds Mr. Pardo, “and we like this dynamic of passing on our professional culture to our employees, of educating them and inspiring them about our mission and vision”.

With such a long trajectory in the industry, the company naturally has had to face ups and downs, and has had to adapt to changing circumstances both in the



Mr. Nicholas Poutry, CEO of Putnam Bridge.

**NEW PARTNERSHIPS BETWEEN FOREIGN INVESTORS AND LOCAL COMPANIES** and estate agencies have restored investor confidence and fostered a thriving, active private sector in construction.

country’s economy and in the construction sector in particular. Showing tremendous growth during the nineties, the company reached its peak around the year 2007, when construction was at its most robust in the island and the boom in demand had taken prices to levels similar to those of cities like Miami. “Projects would normally surpass USD 20 million”, remembers Mr. Pardo, “and now landing a USD 10 million project is a considerable challenge”. In fact, economic recession in 2008, both in Puerto Rico and in the US, had a strong impact on the pace and dimension of construction projects, and posed a serious threat even to the most established companies. The company, nevertheless, reacted quickly and intelligently, and undergoing a major restructuring in 2011, whereby the owners of Brid Construction passed on the baton to the third generation, and drastic changes were made in the workforce and the administration of capital. “That is when we became Bird Group LLC, with the same workers and a smaller, more flexible structure, designed to adapt to the conditions of the business at the time”, explains Mr. Pardo. “In this way we managed to adapt swiftly to the new economy, and that is what propelled us to success”.

Accordingly, the company managed to achieve positive growth even in the hardest years of the recession, and has kept engaging in large-scale projects in the island, such as the Mall of San Juan, the Ciudadela project in Santurce and the construction of the Vanderbilt Hotel. “Our clients are very loyal to us”, explains Mr. Pardo, “and for us that is the most meaningful of rewards”. The construction of the Mall of San Juan, in fact, was a joint venture with a company from Pittsburgh called DCK, with which the Group had worked as construction managers in the eighties and nineties on three different projects – the building of the Puerto Rico Electric Power Authority, the building of the State Insurance Fund, today the Department of Natural Resources and Solid Waste, and Ponce Prison. The company had come looking for a partner for the project, and in the Group found the combination of know-how and reputation they were seeking.

Today the Bird Group offers comprehensive services to its clients, either commercial, residential or of hospitality, and work alongside them from the start on the pre-construction phase, which consists in costs analysis and planning. “The earlier we start taking part in the studies the better”, explains Mr. Pardo, “because we can work with the architects verifying construction systems, materials and time, and we can develop a solid plan for coordinating the project with the projected investment”. Subsequently, the Group takes charge of the

construction phase, for which it engages its employees and any sub-contractors necessary. Since the implementation of Acts 20 and 22, encouraging foreign investment in the island, the Group has had the opportunity to collaborate with many American investors, such as Putnam Bridge and John Paulson, on large-scale projects such as the Ciudadela, an ambitious project to revive one of San Juan’s historic neighborhoods, and the construction of the Vanderbilt Hotel, respectively. Regarding the development of touristic projects, nevertheless, uncertainty regarding the new government and the Financial Oversight Board has kept many planned projects from materializing, but overall, according to Mr. Pardo, Foreign investment has greatly benefitted the economy. “In Puerto Rico investment or financing from banks has been very moderate, and that had slowed down investments”, he explains.

Accordingly, the Group has plans underway to expand its operations to Florida, where they are already legally established and are looking into projects. As a completely new market for the Group, the step has required careful preparation, but it is planned to take place no later than

## “I believe in making cities attractive for people to live in”

early 2018. “It’s not an easy move to make, but we have the fortune of having clients who work in both Puerto Rico and Florida and who want us to carry out their projects in Florida as well”, explains Mr. Pardo. “It is collaborations like these that have pulled us through the difficult economic situation in Puerto Rico, and that have allowed us to export our services”. In fact, it was tougher competition forced the Group to become all the more efficient and to prepare it further for taking their services to new markets and frontiers. For this reason, after entering the US through Florida, the Group is serious about the possibility of expanding further into the mainland, and also into Central and South America, where current development is creating great opportunities for business.

In support of this ambitious strategy, the Group is working on a more aggressive communication campaign, involving a new website, a strong presence in social media, and greater degree of exposure in specialized publications such as Caribbean Business magazine, where they are currently advertising. “We decided to leave behind the myth that marketing is unnecessary when clients just come to you”, explains Mr. Pardo, “we decided to change that mentality and instead to make sure people know about our services, our experience and our achievements”. With the latter, Mr. Pardo is referring, among others, to the award recently received by the Group for the Mall of San Juan, publicized in the aforementioned magazine and indeed the highest recognition in the construction industry.

Overall, Mr. Pardo believes that the Group, as well as so many other companies in the construction industry, have greatly benefitted from a competitive but thriving private sector, and has reached the standards of excellence that have allowed it to succeed abroad as well. With the added

positive influence of foreign investments, Mr. Pardo is convinced that Puerto Rico has great potential for growth and for improvement, and that the road ahead is brimming with opportunity. “We have outstanding human resources, and an educated, humble, bilingual and highly-qualified population”, concludes Mr. Pardo with a smile, “and frankly I understand why so many people are enchanted when they come, and then decide to stay; Puerto Rico is a paradise.”

### Christiansen Commercial Real Estate

Real estate savvy runs in the family and for Ryan Christiansen, he has been familiar to the inner workings of the business from a very early age. After working in Chicago, he decided to leave for Puerto Rico in 2004, and to put his knowledge to the task of creating a real estate venture of his own. Only eight years later, he founded Christiansen Commercial, today among the most reputed real estate agencies in the island. “I have seen Puerto Rico at a time of tremendous economic growth”, he remembers, “and although we are still fighting our way out of a tough recession, there are many positive indicators that our sector is on the path of recovery”.

One of the keys to the agency’s surprising success is its ability to adapt and evolve according not only to the changing interests of clients, but to the opportunities presented by new legislation. In fact, before Puerto Rico implemented Acts 20 and 22 to foster foreign investment, Mr. Christiansen had already set a strategy in motion to use take the opportunity by the horns and use it to the advantage of his clients. “These incentives have created different opportunities across multiple sectors at different times”, he explains, “and essentially we have been able to mold along the way”.

And it has been no minor challenge; a wave of fiscal problems in the public sector mainly due to uncertainty regarding local and US presidential elections in 2016, combined with the explosion of the Zika virus which greatly affected travel to the island, and the interruption of a large-scale pipeline project that had already been executed, many companies faced a very difficult year. Nevertheless, the agency managed to push through thanks to deals

## “These incentives have created different opportunities across multiple sectors at different times”

and transactions already set in motion since 2014, and to reach the beginning of 2017 in good shape, when thanks to the implementation of the PROMESA law by the Obama administration, the door was opened for a great deal of international groups from China, Ukraine, Russia, Israel and Latin America to carry out projects in the island, bringing with them a great deal of investor confidence. “You are now not only seeing US companies”, Mr. Christiansen explains, “but international players that identify Puerto Rico not only as a beautiful island with the infrastructure and the flag of the US, but also a great opportunity for investment”.

And with investors, come new ideas, new strategies and fresh capital, and thus the possibility for companies such as Christiansen Commercial to grow. In fact, the company has been actively seeking alliances and synergies with firms in order to promote Puerto Rico and pitch it to new clients, and with the support provided by a government that has seen to the continuation and development of investing incentives, the company has been able to make the most of this new wave of change in Puerto Rico. “We are huge promoters of driving interest to invest in Puerto Rico”, explains Mr. Christiansen, “our mentality is that 1% and something is always better than 0% and nothing”.

Such a drive would be incomplete without a proper communication strategy that allows the company to spread the word about the possibilities provided by the incentives. In fact, Mr. Christiansen now spends a significant amount of time travelling and meeting people outside Puerto Rico to present them with opportunities that many have a hard time believing at first. For this reason, he is also on the board of Puerto Rico is the Answer, a non-profit organization dedicated to promoting the incentives, offering a unified database of all sector service providers so that potential investors can get a complete view of the details of a specific venture.

Whether during trips, business meetings, online programs and international conferences, Mr. Christiansen is constantly inviting people to get on a plane and come to Puerto Rico to assess the opportunities for themselves. “The key is to come here, make your own relationships and high-level assumptions, and develop that necessary sixth sense”, concludes Mr. Christiansen with great passion. “Once you do that, there is no doubt in my mind that you will invest in Puerto Rico”.

# EDUCATION

**Enjoying close links to the industry,** Puerto Rican higher education institutions have played a crucial role in preparing a highly-skilled workforce capable of meeting the growing needs of the economy.



# Higher Education: The Key to a Knowledge-Based Economy

The Caribbean University was first born as a non-profit, non-sectarian and co-educational college in 1969, in the city of Bahamón, inspired on the principles of accessibility, comprehensibility and adaptability for all its students. Today, it is a major university offering a complete range of secondary degrees, from technical and associated to bachelors’, masters and PhDs. It is authorized by the Council for Higher Education of Puerto Rico and the Middle State Commission in Higher Education (MSCHE) and its civil and electric engineering programs recognized by the Accreditation Board of Engineers and Technology (ABET), which is a particularly important achievement because it is what allows students to carry out these professions in the United States.

Apart from its Short Careers Program, which offers students technical degrees in Cosmetology, Digital Marketing and Business Administration, the University offers courses in agronomy and Greenhouse Management, as well as professional certificates in Early Childhood, Speech and Hearing Loss and Autism. In fact, the whole range of its health programs, together with the masters’ degree in Nursing with specialization in Neonatal Pediatrics and Gerontology, has gained tremendous momentum due to the continuous demand in the US for bilingual nurses to meet the needs of a growing Hispanic population. But the University also offers the possibility of pursuing academic careers, such as its masters’ degree in Museology and History of Art, a one-of-a-kind program in the country, as students are able to take advantage of the University’s own Museum.

But the University has not crowned so many achievements without a due degree of struggle. Despite being among the top 30 countries in the world that invest the most in education, Puerto Rico is still behind in PISA test results, and schools keep closing down due to a decreasing population and economic recession. “Since 2006”, explains Dr. Cucurella, “the recession forced us to rethink the model for our Higher Education Institutions and to adapt to a changing and challenging reality”. In fact, over the past decade the island has seen a 40% decrease in students in private and public high schools, a private higher education market that lost 28,000 students between 2011 and 2017, and a rate of migration to the US mainland of professionals that averages at 80,000 per year.

In the face of such difficult challenges, the University underwent the arduous task of rethinking itself not only in the context of the island, but of embracing its role in a global stage in which economy, knowledge and communication networks largely transcend both national and cultural borders. Accordingly, their Strategic Plan since 2016 was primarily aimed at achieving growth, economic sustainability and diversification by allocating efforts and resources on the competencies which differentiate it from other institutions and make it competitive in the global market. “We began by creating unique programs based on local demand, improving teaching quality and expanding the reach of our technical and vocational centers, and creating strategic alliances, both nationally and internationally, in order to promote employment opportunities, access to technology and infrastructure and practical experience in accordance to the demands of the labor market”, explains Dr. Cucurella.

Among their major achievements was indeed the creation of the Caribbean Online platform, through which the University began to offer hybrid classroom/web-based programs which opened the door for thousands of students in

the US to pursue higher studies. By offering fully bilingual programs, the platform also attracted many non-Spanish speakers interested in learning the language in order to broaden the reach of their professions. “Different sectors of the US Department of Education have in fact become interested in our Criminal Justice, Nursing, Museology and Education graduate programs, as demand grows for bilingual teachers and care professionals”, explains Dr. Cucurella. “That is why we are currently developing a platform for offering Hybrid and “Weekend College” masters’ and PhD degrees to Hispanics in Florida who could benefit greatly from highly competitive and yet cheaper programs”.

Another key component of the Strategic Plan is the University’s ability to collaborate with professional institutions in different fields. Through an alliance with the Premium Health Group Clinic, for example, the University inaugurated only a few weeks ago in its Bayamón campus a series of health clinics that incorporate a variety of medical services which are not only available to students, staff and the surrounding community in need of medical care, but also to students of Nursing and other health-related fields to carry out internships. The program offers complete health services in general

## “We firmly believe there is no economic development without a university degree”

medicine, cardiology, optometry, gynecology and pediatrics, and it functions as the last step on the professional ladder offered by the University designed so that students can pursue academic advancement all the way from a technical degree to a graduate degree with professional experience. A similar project involves the government, educational institutions and the community in order to provide strategic opportunities of advancement to students, teachers and administrators all around the country, and the Speech Therapy Undergraduate Degree has developed an internship center known as the Center for Support Services for the Community (CASC, in Spanish), in which professors practice by providing services both to children in the community and to children registered with programs of the Health Department of Puerto Rico.

In fact, the University is particularly committed to remaining an active and positive influence on the community, from promoting health fairs in which Nursing students offer free medical tests, to offering professional help to victims of domestic violence through collaboration with the Department of Justice. “The University follows a humanist philosophy, meaning we work for the benefit of our students”, explains Dr. Cucurella. “We are very much aware there is no economic development without a university degree, and so the mission of the university is to create awareness and to open the way to reinsertion into the community, which is why all our programs are hybrid, accessible and adaptable, to ensure those who are employed, less privileged, or raising a family can pursue professional careers”.

Furthermore, the University enjoys an agile administrative structure with a reduced upper-level hierarchy, which maximizes bureaucratic efficiency and allows for easy internal communications between academic units. In this way, the University is able to react to the needs of the studentship in a quick, assertive and immediate manner, by making use of the various internal channels, such as the Academic Senate, the Office of the University President and the Board of Trustees. Regarding the external communications, the University maintains an intensive information campaign through



Dr. Ana Cucurella, President of Caribbean University.

social and printed media, radio, television and newspapers which has had a major impact on the position of the University as a leading institution.

Through such a campaign, a strong presence in social media and alliances with other institutions, every day new students and professionals from all across the continent are being made aware that in the island of Puerto Rico there is a University committed to providing a highly competitive and thoroughly accredited education at an excellent standard, and accessible to everyone. “There is no greater inheritance than a good education”, says Dr. Cucurella proudly quoting the words of her father, founder of the Caribbean University. “Education is the engine of human development and of the transformation of a people”.

## ES HORA DE AMPLIAR TUS HORIZONTES

COMPLETA UNA MAESTRÍA O DOCTORADO

### VEN Y ESTUDIA EN PUERTO RICO

<p><b>EDUCACIÓN</b> CON ESPECIALIDAD EN:</p> <ul style="list-style-type: none"> <li>• Administración y Supervisión Educativa</li> <li>• Educación Especial</li> <li>• Tecnología Educativa en Sistemas de Instrucción</li> <li>• Museología</li> <li>• Historia del Arte</li> <li>• Currículo en:                     <ul style="list-style-type: none"> <li>- Grados Primarios (K-3)</li> <li>- Educación Elemental (4-6)</li> <li>- Español</li> <li>- Inglés</li> <li>- Matemáticas</li> <li>- Ciencias</li> <li>- Historia</li> </ul> </li> </ul>	<p><b>ENFERMERÍA</b> CON ESPECIALIDAD EN:</p> <ul style="list-style-type: none"> <li>• Gerontología</li> <li>• Neonatal - Pediatría</li> </ul> <p><b>JUSTICIA CRIMINAL</b></p> <p><b>ADMINISTRACIÓN DE EMPRESAS</b></p> <ul style="list-style-type: none"> <li>• Recursos Humanos</li> </ul> <p><b>PROGRAMA DOCTORAL EN:</b></p> <ul style="list-style-type: none"> <li>• Filosofía (Ph.D.) en Educación con especialidad en Currículo y Enseñanza</li> </ul>
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DESCUBRE LO GRANDE QUE HAY EN TI

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## INSURANCE

Enjoying the protection of the US legal framework, but with independent regulations for investments and a series of enticing incentives, Puerto Rico has become a gateway for insurance companies looking to penetrate the markets of Latin America and the US mainland.

# The Insurance Arena in Puerto Rico: Growing with Minimal Interruption

Over the past decade, many international insurance companies have decided to establish operations in Puerto Rico, as a base from which to penetrate both the US mainland market and the fast-growing markets of Latin America. The reasons for their choice are mainly related to the incomparable financial and legal advantages offered to such companies by the American tax framework for Puerto Rico, but also to the efforts of the Office of the Commissioner of Insurance Puerto Rico (OCI), which has centered the objectives of their international insurers and reinsurers division on promoting the country as an important member of the international insurance arena, and as the ideal platform from which to conduct business in the region.

In fact, Puerto Rico's economy enjoys a large degree of autonomy with respect to the US Tax Code, and specifically addresses the needs of different sectors through a specific legal framework for investments, branching and operations, and by offering efficient regulatory solutions. With respect to the insurance arena, regulation is overseen by the International Insurance Center (IIC), which provides a competitive environment for reinsurers to cover risks in and out of Puerto Rico under a secure and flexible regulatory system, with attractive tax benefits. Within the IIC, international insurance entities have various alternative ways to organize and operate. They may operate as holding companies, if an entity holds interests in an international insurer, as international insurers if they are organized to conduct business outside Puerto Rico, as a branch of a foreign insurer, if they only maintain offices in Puerto Rico, or as a protected cell company, if they intend to establish and operate one or

**“Companies value our ability to find solutions where others only find problems”**

more segregate assets plans, for which they require approval from the Commissioner.

Moreover, tax exemptions conferred under the respective Acts include exemptions on premium taxes, dividends and other profit distributions, municipal franchises, real and personal property taxes and a USD 1.2 million tax exemption on net income, among many others. In this way, protected under the umbrella of the US legal framework, but enjoying numerous benefits particular to the island, insurance companies struggle to find a better environment in which to carry out their operations, and that is how the OCI today regulates dozens of domestic insurers and hundreds of foreign insurers and reinsurers, making Puerto Rico the largest insurance market in Latin America.

Such position, furthermore, has only become stronger since Puerto Rico became and accredited member of the National Association of Insurance Commissioners (NAIC), and since the OCI became a participating member of the Association



**PUERTO RICO IS THE LARGEST INSURANCE** market in Latin America, including dozens of local insurers and hundreds of foreign providers.

of Insurance Superintendents of Latin America (ASSAL), which allowed Puerto Rico to compete with jurisdictions such as Bermuda, the Cayman Islands and Vermont, which for years have successfully engaged in promoting this type of activity. As the sector continues to grow and companies continue to arrive, the insurance arena in Puerto Rico promises a bright future ahead, and a safe business environment for local and foreign investments.

Myriad Benefits Inc. was founded in 2004, and less than 13 years later is already one of the leading insurance agencies in Puerto Rico, providing services of the highest quality in health, property, life and human resources. Coming from the insurance sector, Mr. and Ms. Figueroa created a synergy between their deep understanding of how insurance companies work, an agile and efficient structure that makes them flexible and adaptable, and a selected team of professionals, enabling them to meet the requirements of their clients by creating tailored solutions and seeing them through with expeditiousness. “We hire experienced, knowledgeable professionals, but with an eagerness for learning and improving in order to expand the range of solutions we can offer our clients”, explains Ms. Figueroa, the company's vice president. A good example of this resourcefulness is indeed their work with the Electric Power Authority, for whom they found a way to save close to USD 33 million in three years by carrying out a thorough analysis of the company's membership, benefits and financing methods, and ultimately reevaluating and changing their auctioning process for so as to maximize its flexibility and allow it to negotiate RFPs, while maintaining the transparency and reliability of the selection process.

Despite a heterogeneous client base, composed of everything from government agencies to private manufacturers, pharmaceuticals, supermarkets, schools and hospitals, the agency nevertheless treats all its clients as business partners, becoming a sort of operational right hand in charge of all aspects of insurance. “We provide constant support for our clients while we are working with them”, explains Mr. Figueroa, “by giving them information that will allow them to make the best decisions for their team, their employees and their finances; we are a lot more than a broker, we're a lot more like a business partner”.

Among the top ten island insurance brokerage companies in the country according to the Book of Business of Caribbean

**“We are more than just a broker, we are a business partner”**

Business magazine, and having experienced continuous growth since its foundation, Myriad is also one of the few local companies to specialize in Medical Plans. “Most big brokers work only on collective insurance, and many focus on contingency and property and then they tackle medical plans”, explains Ms. Figueroa. “We do the other way around: we work with medical plans first, and we work with individuals as well as groups; we are not typical brokers”. Thus by managing individual and collective strategies simultaneously, and at the same time maintaining a strict code of honesty and professionalism, the company has managed to create close relationships with its clients, which often put the whole of their insurance deals in their hands.

Without a doubt the biggest challenge for the company has been the difficult situation fiscal and economic situation the country has been going through for the past decade. As jobs become scarce and government funds for health and other important service sectors decrease, the insurance market becomes directly affected, and companies like Myriad are forced to adapt, with speed and with intelligence, to changing circumstances. “There are forces in the market that are beyond our control, and as things get tough people begin to make hasty decisions”, says Mr. Figueroa, choosing his words carefully. “The market is based on relationships that sometimes weigh more than performance, but we have no intention on risking our reputation, and intend to keep the strict ethical code we have always followed”. Instead, the company has managed to enlarge its reputation precisely by taking on difficult accounts or clients and seeing them through to success, a process from which they have gained great experience. “This has opened a lot of doors for us”, adds Ms. Figueroa eloquently, “because companies value our ability to find solutions where others see only problems, and to grow steadily in the face of adversity while others race to the top and then plummet”.

Accordingly, the company is optimistic about the future and confident that by focusing on providing reliable and consistent services,

while at the same time expanding the range of possibilities offered to clients well beyond those of a traditional broker, they will continue to grow. Certainly good proof of this is that so many among their clients have remained loyal to the company for years, including BDO, their first client, but also companies from different sectors and of different types, such as Supermax Spuermarkets, the Tech Group and Atlantis Health Care, one on side, and the University of Puerto Rico Unions, the Commerce and Export Company and a number of municipalities such as Canóvanas and Nagubo, on the other. In view of this, the company has begun to carry out preliminary research and to lay down the groundwork for a future expansion. “We want to be extra careful in choosing the right place and time for taking this step”, explains Mr. Figueroa, “and we have been attending conferences and seminars on the subject in order to learn as much as we can about it”.

In the meantime, the company's marketing team is dedicated to researching the market on the lookout for new competitors, new investors in the country and prospective moves, constantly identifying relevant entities, selecting them and contacting them about the services they offer. By ensuring an appearance online and in the social media, mostly by publicizing their social and educational work, the company is ensuring potential clients are aware of their abilities and of their reputation. A parallel team keeps constantly in touch with current clients evaluating their needs and informing them of other services, insurance policies, and all the licenses that authorize them to carry out business and in this way have put in motion a system whereby satisfied clients are constantly referring them to potential ones. Moreover, the company is an active member of the Puerto Rican Products Association, the Puerto Rico Manufacturers Association and the Chamber of Commerce, and most importantly of the National Minority Supplier Development Council of Puerto Rico, which has certified them two years in a row. “This is a very interesting entity”, adds Ms. Figueroa, “as foreign companies interested in doing business in Puerto Rico usually go to them to find out about the relevant companies that they have certified, so it is a great way to make ourselves known”.

With a company well-established locally, free of ties to larger foreign players, and composed of a highly-qualified team of professionals and an administration well-versed in the ins and outs of the insurance industry, Myriad benefits certainly has the upper hand in gaining access to the most reliable, complete and correct information for their clients, and thus to offer the best service available. “What makes us stand out from the others is ultimately our flexibility, which allows to work closely with our clients, and our tenacity”, explains Mr. Figueroa, “which has seen us through very difficult moments, and has helped us emerge from them stronger, and ready to face any new challenge”. And to these two qualities, Ms. Figueroa would add a third: “the authenticity of the people of Puerto Rico, which is what makes us brave, creative, hard-working and always hopeful for a future in which we can all thrive, and in which Myriad will keep providing all clients, old or new, with a myriad of options and solutions” ●

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