



*The Insurance Asset Management Specialists*

## **Disclosure Brochure**

(Part 2A of Form ADV)

**CapVisor Associates, LLC**

**P.O. Box 693**

**Chatham, N.J. 07928**

**(973) 665-6370**

**[www.CapVisorAssociates.com](http://www.CapVisorAssociates.com)**

**[info@CapVisorAssociates.com](mailto:info@CapVisorAssociates.com)**

This Brochure provides information about the qualifications and business practices of CapVisor Associates and its Principal, Carl E. Terzer. If you have any questions about the contents of this Brochure, please contact us at (973)665-6370 or [info@CapVisorassociates.com](mailto:info@CapVisorassociates.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about CapVisor is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

**March 2014**

## Material Changes

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None

In compliance with these SEC rules, clients will receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our businesses fiscal year. Our current Brochure may be requested by contacting Susan Levy, compliance officer, at 973-665-6370 or [susan.levy@CapVisor Associates.com](mailto:susan.levy@CapVisorAssociates.com). Our Brochure is also available at our website: [www.capvisorassociates.com](http://www.capvisorassociates.com).

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## **Advisory Business**

## Firm Description

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CapVisor Associates, LLC ("CapVisor") is an investment advisory firm specializing in serving the needs of the insurance industry. We provide highly customized insurance asset management solutions including investment strategy design, strategic asset allocation analysis, asset liability management, tactical portfolio optimization, investment management firm selection and manager review and performance analysis. CapVisor has been in operation since November 2008. Carl E Terzer, is principal, founder and owner.

## Carl E Terzer

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Date of birth: November 17, 1958

Educational background:

Rutgers College, Rutgers University; B.S. in Business Administration and Economics, 1980

Business experience:

2008 - present:	Principal and Founder of CapVisor Associates, LLC
2006-2008:	Director of the Principal Global Investors (PGI) Insurance Advisory Group
	PGI is a division of Principal Financial Group, Des Moines, Iowa
1999 -2006:	Senior Vice President and Director of the Brown Brothers Harriman Insurance Asset Management Group
1996 -1998	Managing Director, Bankers Trust Company Insurance Asset Management Group

Disciplinary information: none

Other business activities: none

## Advisory Services

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CapVisor only provides investment advisory services to the insurance industry. These services include:

1. **Investment Advisory /Consulting** - provide investment plan design/revision (investment policy statement, guidelines, benchmarks, etc.), strategic allocation analysis, tactical portfolio construction and rebalancing advice, implementation and ongoing monitoring of investment programs. In this capacity, CapVisor functions much like a Rent- a-CIO.
2. **Investment Advisory/Manager Selection** - align unique client requirements with best-in-class insurance asset managers to improve investment results through CapVisor's proprietary, multi-manager network.

Unbiased plan implementation and ongoing maintenance of client investment programs are key attributes of each service above.

3. **Reinsurance Analysis and Optimization** - provide clients with an independent and unbiased analysis of current reinsurance arrangements along with recommendations to optimize our clients' programs.
4. **Project Work** - includes strategic asset allocation studies, tactical portfolio optimizations, peer group analysis, trustee/custodian vendor analysis, etc.

## **Client Customization**

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All services are tailored to the unique requirements of each client. Correlating appropriate investment strategies to the insurer's liabilities (asset/liability management), their business and investment objectives and risk tolerance are key components of our approach to insurance asset management. We have over 65 years of collective experience working with insurers and have honed our expertise in designing, implementing and monitoring investment programs that are highly customized and constrained by each client's unique tax, accounting and regulatory situation.

As of March 31, 2014, CapVisor provides advisory services for over \$341,000,000.00 in insurance client assets on a non-discretionary basis. CapVisor does not manage assets on a discretionary basis nor does it manage client assets internally. After an in-depth evaluation of the insurance company client, including interviews with their executive management, we will recommend appropriate external investment management firms to clients to manage their securities portfolios.

## **Fees and Compensation**

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CapVisor is compensated in the following manner for our services:

### **1. Investment Advisory /Consulting**

First five million dollars of market value	20 basis points
Next five million dollars of market value	15 basis points
Next five million dollars of market value	10 basis points
Next \$10,000,000 of market value	8 basis points
Next \$25,000,000 of market value	5 basis points
Excess	2 basis points

Minimum annual fee equals \$10,000. Fees may become negotiable at larger market values.

## **2. Investment Advisory/Manager Selection –**

There is no fee to CapVisor clients for this service. CapVisor is compensated by the external investment management firm selected by our client, at a rate of 40% of the management firm's revenue earned from our client's relationship. Full disclosure of CapVisor fees are fully disclosed to all parties, in accordance with the provisions of Rule 206(4)-3, as promulgated under the Investment Advisers Act of 1940.

## **3. Reinsurance Analysis and Optimization -**

Fees for this service are quoted based on the project's parameters.

## **4. Project Work –**

Fees for these services are quoted based on the project's parameters.

CapVisor does not buy or sell securities (portfolio management) for our clients. The external investment management firm selected by our clients to provide portfolio management services will directly bill our clients for their services. CapVisor does not provide trust or custody services. Trustee and/or custodian fees may or may not be included in the external investment management firm's fee, depending on the manager selected by the client. CapVisor does not provide brokerage services. Brokerage or other transaction costs are included in the external investment manager's fee.

CapVisor bills all client fees quarterly, in arrears.

## **Performance-based Fees and Side-by-Side Management**

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Not applicable -

## **Types of Clients**

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CapVisor only provides investment advisory services to insurance companies, alternative risk insurance vehicles (captives, risk retention groups, etc.) self-insurance funds or Reg 114 reinsurance trusts.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

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CapVisor may use either internally developed or licensed external vendor software for proposing strategic asset allocations. This software allows various economic scenarios, of varying degrees of risk, to be applied to our analysis. These risks scenarios are discussed with clients and mutually agreed upon.

For tactical portfolio allocation advice, CapVisor's approach begins with a thorough company evaluation including each client's unique investment objectives and risk tolerance. Specifically this evaluation minimally involves an examination of their balance sheet, income statements, and actuarial reports including claims payout patterns, cash flows and liability durations by line of business. This information enables us to design a portfolio construction process reflective of the client's insurance liabilities, risk/reward parameters, with consideration of constraints related to the client's tax, accounting and regulatory circumstances. Fixed income security type/sectors risks, as well as equity and alternative investment asset class and style risks are described fully to clients. Clients will also receive peer group analysis information to help guide their decisions concerning their ability to bear investment risk. CapVisor often works with network manager(s)' analytic packages to test the suitability of various portfolio allocations for our clients and to identify risk/reward trade-offs.

CapVisor does not recommend, nor do we buy or sell individual securities or other Investment products for clients.

## **Disciplinary Information**

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of CapVisor or the integrity of CapVisor's management. Neither CapVisor, Carl E Terzer, Principal, nor any other associate has had any legal or disciplinary events or other information applicable to this item.

## **Other Financial Industry Activities and Affiliations**

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Carl E Terzer serves on the board of directors of a commercial New York Insurance Company. He serves as a member of the Finance Committee of the Vermont Captive Insurance Association as well as the Self Insured Alternative Risk Transfer Committee. Joseph LoPorto serves on the Strategic Planning Committee for the Vermont Captive Insurance Association. Mr. LoPorto is a Trustee at Saint Peter's Preparatory School in Jersey City, NJ. Neither CapVisor nor its associates has any other Financial Industry Activities or Affiliations.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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CapVisor Associates has adopted a code of ethics pursuant to SEC rule 204 A-1. We provide a copy of the CapVisor's code of ethics to any client or prospective client upon request.

CapVisor holds itself to the highest standards of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at CapVisor must acknowledge the terms of the Code of Ethics annually, or as amended.

## **Brokerage Practices**

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Not applicable - CapVisor does not recommend or select Broker-Dealers for client transactions

## **Review of Accounts**

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Client accounts are reviewed on a quarterly basis, or on a more frequent basis, by Carl E. Terzer, Principal and/or other associates assigned to client accounts. Specific factors for more frequent reviews may include market volatility or changes to our clients' situation. Client reports may be customized to meet each client's needs. These reports usually summarize progress toward client-defined investment objectives, investment return analyses, overall evaluation of external investment manager performance, economic review and outlook, implications for anticipated market conditions on client portfolios, etc. Sometimes client reports may be verbally presented to Executive Management, the Investment Committee or the Board of Directors.



## Client Referrals and Other Compensation

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### Incoming referrals

CapVisor has built a strong reputation in the insurance asset management business, and as such, receives many client referrals from clients, business associates and industry intermediaries. These intermediaries may include accountants, attorneys, actuaries, consultants, captive managers and others. CapVisor does not compensate referring parties for these referrals.

### Outgoing referrals

Investment Advisory/Consulting clients - CapVisor receives no compensation from any third party vendors that it may recommend to clients.

Investment Advisory/Manager Search clients - CapVisor will introduce third party investment managers appropriate to manage securities portfolios for our clients. CapVisor receives 40% of revenues from client-selected Investment managers participating in CapVisor's proprietary manager network. This compensation is for client introduction and ongoing client relationship management /account maintenance.

All managers participating in our proprietary network compensate CapVisor at the same level (40% of revenue). This eliminates potential conflicts of interest in our ability to introduce and present managers in an independent and unbiased manner for selection by our clients. All clients are aware, before the selection process begins, that CapVisor is compensated by the managers in accordance with Rule 206(4)-3 as promulgated under the Investment Adviser Act of 1940. Upon selection of their manager, clients sign the required compensation disclosure agreement (in accordance with Rule 206(4)-3) in triplicate with originals of this agreement provided to the Investment Manager, CapVisor and client files, respectively.

CapVisor does not receive any compensation from any third parties selected by clients except network investment management firms, as described above.

Reinsurance Analysis or Project Work clients- CapVisor receives no compensation from any third party vendors that it may recommend to clients.

### Other Compensation

CapVisor does not receive any other forms of compensation from external sources.

## Custody

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Not applicable - CapVisor does not provide custody of client assets. CapVisor does urge clients to reconcile their custodial and external investment manager reports.

## **Investment Discretion**

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Not applicable- CapVisor does not have discretion over client accounts.

## **Voting Client Securities**

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Not applicable - As a matter of firm policy and practice, CapVisor does not have any authority to and does not vote proxies on behalf of advisory clients. Clients, or their selected investment managers, retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios.

## **Financial Information**

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Not applicable - CapVisor has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

CapVisor does not require nor solicit payment from clients in advance. CapVisor bills clients quarterly in arrears.

## **Requirements for State-Registered Advisers**

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Not applicable - CapVisor is not a state registered adviser