



FERMAT CAPITAL
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October 25, 2013

Financial Accounting Standards Board
Technical Director
401 Merritt 7
Norwalk, CT 06856-5116

Re: File Reference No. 2013-290, Insurance Contracts (Topic 834)

Dear Members of the Financial Accounting Standards Board:

Fermat Capital Management, LLC ("Fermat Capital") is grateful for the invitation to comment on the Financial Accounting Standards Board ("FASB") Insurance Contracts Exposure Draft ("ED"). Our comments pertain solely to the impact of the ED on catastrophe bonds ("cat bonds") per 834-10-55-25(j) and 834-10-55-26(i).

Fermat Capital is a specialty investment management firm founded in Westport, Connecticut in 2001. With over US\$4.5 billion in assets under management, Fermat Capital manages institutional portfolios of insurance-linked securities ("ILS") which are comprised largely of cat bonds.

We have been leaders in the cat bond market since its infancy. The market is growing rapidly; just over US\$6 billion in cat bonds were issued thus far in 2013 and there is just over US\$19 billion in cat bonds currently outstanding. Cat bonds provide an important societal role by allowing diversified capital from market participants, who are unable to act as traditional reinsurers, to fully collateralize catastrophe risk. Without such diversified sources of capital, key catastrophe risk would be (i) too heavily concentrated in a small number of reinsurers, (ii) significantly more expensive for insurers to purchase or (iii) unavailable.

Cat bonds are purchased by pension funds, hedge funds, and other capital markets investors and are typically accounted for at fair value under existing GAAP. Under the proposed new definition in the ED of an insurance contract, cat bonds may be accounted for as reinsurance. It is important to allow for the continued use of the fair value option under ASC Topic 825 *Financial Instruments* for cat bonds.

We agree with the comments made regarding cat bonds in the letter submitted on October 25, 2013 by the Securities Industry and Financial Markets Association (SIFMA.)

Should you have any questions or wish to discuss, please contact us.

Sincerely,

/s/ Claudia Green
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