



1 Fountain Square
Chattanooga, TN 37402
423 294 1011

September 28, 2011

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 34

Thank you for the opportunity to comment on the Public Company Accounting Oversight Board (PCAOB) Concept Release on possible revisions to PCAOB standards related to reports on audited financial statements. We appreciate the Board's efforts to address investors' needs regarding the auditor's reports on financial statements and agree that changes could be made to the current auditor reporting model to provide clarity around the auditor's responsibilities. We have addressed the applicable questions from the concept release in the appendix to this letter and have summarized our primary considerations below:

Auditor's Discussion and Analysis (AD&A)

We have concerns about auditors providing an analysis of financial information directly to financial statement users, as doing so could confuse the users as to who owns and prepares the financial statements. Management, not the auditors, is ultimately responsible for the accurate preparation, presentation, and distribution of financial information. Discussions of "close calls" or alternative accounting principles within the AD&A without the ability to capture the verbal discussions that are held between the auditor, company management, and/or the audit committee could lead to a misinterpretation by users and ultimately cause confusion. We believe that if the auditor's opinion states that financial statements and disclosures are in accordance with U.S. GAAP, then qualifying language to the contrary should not be presented by the auditors.

Expanded use of emphasis paragraphs and clarification of the Standard Audit Report

We support the expanded use of emphasis paragraphs to highlight important areas that the auditor specifically examines in forming their opinion on the financial statements, and we support clarifying the standard audit report regarding auditor responsibilities for fraud detection and independence. However, we are concerned about the inclusion of a discussion of audit procedures performed as we believe it would be difficult to succinctly and adequately capture the procedures that auditors perform during an engagement, especially when the audit pertains to a large and complex organization.

Reporting on information outside of the financial statements

We generally do not support a requirement for auditor attestation on information outside of the financial statements, such as the management's discussion and analysis (MD&A). Much of the MD&A contains information that is not contained in the financial statements and footnotes, such as sales data and sensitivity information, and therefore is not as clearly related to historical financial statement amounts in the financial statements and footnotes, which could prove difficult for the auditor to apply audit procedures in a practical manner in order to provide value to the user of the financial statements.

Although in principle we are not opposed to auditor attestation on earnings release information, we believe that having auditor involvement in this process would hamper our ability to provide this information on a timely basis. We do not believe that attestation of this information adds enough value for investors to warrant slowing this process especially in light of the fact that the majority of this information is subsequently contained in quarterly financial statements and audited annual financial statements which are subjected to auditor review.

We address the applicable questions contained in the concept release in the remainder of our response below.

Sincerely,

A handwritten signature in blue ink, appearing to read "V Corbett", with a stylized flourish extending to the right.

Vicki Corbett
Senior Vice President and Controller
Unum Group

Responses to Concept Release Questions

Form of the Auditor's Report

1. Many have suggested that the auditor's report, and in some cases, the auditor's role, should be expanded so that it is more relevant and useful to investors and other users of financial statements.

1a. Should the Board undertake a standard-setting initiative to consider improvements to the auditor's reporting model? Why or why not?

Company Response:

Yes, we agree with the Board's view that the auditor's report should be expanded so that the auditor's report is more relevant and useful to financial statement users.

1b. In what ways, if any, could the standard auditor's report or other auditor reporting be improved to provide more relevant and useful information to investors and other users of financial statements?

Company Response:

We believe that the following improvements to the standard auditor's report would provide more relevant and useful information to financial statement users:

- The use of emphasis paragraphs in identifying topics or events, unusual transactions or other matters in the financial statements.
- Revision of the standard auditor's report to clarify the auditor's responsibilities including fraud detection and independence.

1c. Should the Board consider expanding the auditor's role to provide assurance on matters in addition to the financial statements? If so, in what other areas of financial reporting should auditors provide assurance? If not, why not?

Company Response:

We generally do not support a requirement for auditor attestation on information outside of the financial statements, such as the management's discussion and analysis (MD&A). Much of the MD&A contains information that is not contained in the financial statements and footnotes, such as sales data and sensitivity information, and therefore is not as clearly related to historical financial statement amounts in the financial statements and footnotes, which could prove difficult for the auditor to apply audit procedures in a practical manner in order to provide value to the user of the financial statements.

Although in principle we are not opposed to auditor attestation on earnings release information, we believe that having auditor involvement in this process would hamper our ability to provide this information on a timely basis. We do not believe that attestation of this information adds enough value for investors to warrant slowing this process especially in light of the fact that the majority of this information is subsequently contained in quarterly financial statements and audited annual financial statements which are subjected to auditor review.

2. *The standard auditor's report on the financial statements contains an opinion about whether the financial statements present fairly, in all material respects, the financial condition, results of operations, and cash flows in conformity with the applicable financial reporting framework. This type of approach to the opinion is sometimes referred to as a "pass/fail model."*

2a. *Should the auditor's report retain the pass/fail model? If so, why?*

Company Response:

Yes, we believe that the pass/fail model of the standard auditor's report should be retained. An indication that the financial statements are presented fairly in conformity with the applicable financial reporting framework is helpful to financial statement users. Varying degrees of passing or failing would be confusing.

2c: *If the pass/fail model were retained, are there changes to the report or supplemental reporting that would be beneficial? If so, describe such changes or supplemental reporting.*

Company Response:

While we believe that the pass/fail model of the standard auditor's report should be retained, we also believe that certain changes to the report would be beneficial. An expanded use of emphasis paragraphs and the clarification of standard language in the auditor's report would also provide financial statement users with more relevant and useful information.

3. *Some preparers and audit committee members have indicated that additional information about the company's financial statements should be provided by them, not the auditor. Who is most appropriate (e.g., management, the audit committee, or the auditor) to provide additional information regarding the company's financial statements to financial statement users? Provide an explanation as to why.*

Company Response:

We do not believe it is appropriate for auditors to provide financial information directly to financial statement users, as doing so could confuse these users as to who owns and prepares the financial statements. We agree with the delegation of responsibilities outlined in

Auditing Standard (AU) Section 110.03, which states that “the financial statements are management’s responsibility. The auditor’s responsibility is to express an opinion on the financial statements.” We believe it is in the best interest of investors, auditors and financial statement preparers to maintain the requirement that management, not auditors, is responsible for the accurate preparation, presentation and distribution of financial information. While auditors have substantial knowledge based on their access to management and company records, their knowledge about a company is not as comprehensive as management’s knowledge.

4. *Some changes to the standard auditor’s report could result in the need for amendments to the report on internal control over financial reporting, as required by Auditing Standard No. 5. If amendments were made to the auditor’s report on internal control over financial reporting, what should they be, and why are they necessary?*

Company Response:

Depending on the alternatives chosen by the Board, certain changes to the report on internal control over financial reporting will be necessary:

- **AD&A:** Control issues that are required to be reported as a “close call” would require discussion in the report on internal control over financial reporting. We have concerns about the disclosure of these close calls, given the subjectivity involved, and whether an appropriate disclosure framework can be developed and consistently followed.
- **Required and expanded use of emphasis paragraphs:** We do not believe that any changes to the report on internal controls over financial reporting are necessary under this alternative.
- **Auditor assurance on other information outside the financial statements:** Because the scope of the auditors’ procedures would be expanded under this alternative, additional internal control documentation and testing would likely be required.
- **Clarification of language in the standard auditor’s report:** We do not believe that any changes to the report on internal controls over financial reporting are necessary under this alternative.

Auditors Discussion and Analysis

5. *Should the Board consider an AD&A as an alternative for providing additional information in the auditor’s report?*

Company Response:

We do not support the AD&A as an alternative to the current auditor reporting model.

5d. If you do not support an AD&A as an alternative, explain why.

Company Response:

The objective of financial reporting is to provide information that is useful to financial statement users. If standards promulgated by U.S. GAAP do not adequately provide this information, then those standards should be changed. If additional information related to the financial statements needs to be reported that is not currently included in requirements under Regulation S-K, the SEC should consider changing those requirements. We believe the AD&A is an inappropriate alternative for providing information to financial statement users.

5e. Are there alternatives other than an AD&A where the auditor could comment on the audit, the company's financial statements, or both? What are they?

Company Response:

While we do not support the use of an AD&A, we do support the expanded use of emphasis paragraphs in identifying matters in the financial statements that are important for a better understanding of the financial statement presentation.

9. Some investors suggested that, in addition to audit risk, an AD&A should include a discussion of other risks, such as business risks, strategic risks, or operational risks. Discussion of risks other than audit risk would require an expansion of the auditor's current responsibilities. What are the potential benefits and shortcomings of including such risks in an AD&A?

Company Response:

We do not support the AD&A as an alternative to the current auditor reporting model. Please refer to our response to question 5d. Furthermore, we do not support the inclusion of the aforementioned risks in the auditor's report. These risks are already discussed at length in Item 1A (Risk Factors) of the Form 10-K. Auditors should not be required to select the most significant of those risk factors for inclusion in their reports, as this is tantamount to their advising financial statement users which of the reported risk factors are most important. As mentioned earlier, company management is most familiar with risks that the company faces and should be the source for such a discussion.

11. What are the potential benefits and shortcomings of implementing an AD&A?

Company Response:

We do not support the AD&A as an alternative to the current auditor reporting model. Please refer to our response to question 5d. We believe that benefits gained from the AD&A are outweighed by its potentially detrimental impacts. An AD&A could potentially undermine management's reporting.

- 12. What are your views regarding the potential for an AD&A to present inconsistent or competing information between the auditor and management? What effect will this have on management's financial statement presentation?*

Company Response:

This alternative would require close coordination between auditors and company management to ensure that the MD&A and AD&A are aligned. It is doubtful that the AD&A would differ very much from the MD&A, as most companies already closely communicate with their auditors on topics related to significant accounting policies and practices and the adoption of new accounting guidance.

Matter of Emphasis Paragraphs

- 13. Would the types of matters described in the illustrative emphasis paragraphs be relevant and useful in making investment decisions? If so, how would they be used?*

Company Response:

We support the use of emphasis paragraphs in identifying topics or events, unusual transactions, or other matters in the financial statements that are important for a better understanding of the financial statement presentation. These emphasis paragraphs should be objective, fact-based discussions and should make specific references to the location of such items in the financial statements.

We do not support requiring auditors to comment on key audit procedures due to the risk of confusion that may be caused by disclosures that do not provide the full context of the audit strategy employed for a particular matter. We are concerned about how auditors might succinctly describe procedures performed in an audit on a large or complex engagement.

- 15. What specific information should required and expanded emphasis paragraphs include regarding the audit or the company's financial statements? What other matters should be required to be included in emphasis paragraphs?*

Company Response:

We support inclusion of significant transactions, significant changes in accounting policy, etc. occurring during the period under audit and also believe that all emphasis paragraphs should make specific reference to the location of such items in the financial statements.

16. What is the appropriate content and level of detail regarding the matters presented in required emphasis paragraphs?

Company Response:

Please refer to our response to question 15 for the appropriate content that we believe should be required in emphasis paragraphs. We believe that the information presented should be at a more summarized level of detail than is presented in the footnotes to prevent unnecessary duplication.

17. How can boilerplate language be avoided in required emphasis paragraphs while providing consistency among such audit reports?

Company Response:

It will be difficult for auditors to avoid boilerplate language when composing the emphasis paragraphs, as auditors will conform to specific guidelines and examples provided by the PCAOB. If the emphasis paragraphs are limited to material, important, or other unusual information, then the use of boilerplate language may be reduced.

Auditor Assurance on Other Information Outside the Financial Statements

19. Should the Board consider auditor assurance on other information outside the financial statements as an alternative for enhancing the auditor's reporting model?

Company Response:

We do not agree with expanding the auditor's role to provide assurance on the MD&A, although we are not opposed to the auditor providing assurance on the quarterly earnings release. We do, however, question the value that investors would receive from auditor attestation on information contained in the quarterly earnings release in light of the fact that much of this information is contained in quarterly and annual financial statements and is eventually subjected to auditor review.

19g. If you do not support auditor assurance on other information outside the financial statements, provide an explanation as to why.

Company Response:

We do not support a requirement for auditor attestation on certain information outside of the financial statements, such as the MD&A. Much of the MD&A is forward looking and is not as clearly related to historical financial statement amounts reported in the financial

statements and footnotes. One example of this type of information is sales results, which are prominent in most insurance companies' MD&A. Sales results generally represent the annualized premium or annualized fee income on new sales which insurance companies expect to receive and report as premium income or fee income during the next 12 months, depending on the effective date of the new sale. Sales are not a GAAP measure and do not directly correspond to premium income or fee income reported as revenue in accordance with GAAP. This is because new annualized sales premiums reflect current sales performance and what companies expect to recognize as premium or fee income over a 12 month period, while premium income and fee income reported in financial statements are generally reported on an earned basis rather than an annualized basis and also include renewals and persistency of in-force policies written in prior years. Because of this difference between sales results and GAAP premium revenue, auditors would, in this example, need to expand their efforts to be able to provide assurance on sales data. This might involve providing assurance on reporting processes, including information systems, and financial controls that the auditor has little, if any, involvement with today and would result, in our opinion, in little additional value to the financial statement user as compared to the cost.

In addition, Item 7A (Quantitative and Qualitative Disclosures about Market Risk) of the MD&A contains sensitivity analyses, in which estimates of future performance and economic conditions are reflected assuming certain changes in market rates and prices were to occur. Because of the judgmental nature of this disclosure, we do not believe auditor assurance on this sensitivity analysis would provide significant value to the financial statement user.

20. What are the potential benefits and shortcomings of implementing auditor assurance on other information outside the financial statements?

Company Response:

We appreciate the additional level of comfort to investors that auditor assurance on information outside the financial statements would provide. However, we believe that the cost of providing this additional assurance outweighs the benefits, as it would be difficult for the auditor to develop a practical approach for providing assurance on forward looking non-GAAP and estimated sensitivity information.

Please see our response to question 19g for this alternative's shortcomings.

Clarification of the Standard Auditor's Report

21. The Concept Release presents suggestions on how to clarify the auditor's report in the following areas:

- *Reasonable assurance*

- *Auditor's responsibility for fraud*
- *Auditor's responsibility for financial statement disclosures*
- *Management's responsibility for the preparation of the financial statements*
- *Auditor's responsibility for information outside the financial statements*
- *Auditor independence*

21a. *Do you believe some or all of these clarifications are appropriate? If so, explain which of these clarifications is appropriate? How should the auditor's report be clarified?*

Company Response:

We believe that all of these clarifications are appropriate in describing the roles and responsibilities of auditors. These clarifications would enhance communication between auditors and financial statement users and would better manage the expectations of financial statement users on the limitations of audits.

21d. *What are the implications to the scope of the audit, or the auditor's responsibilities, resulting from the foregoing clarifications?*

Company Response:

We believe that the scope of the audit will remain the same, as this alternative primarily clarifies the auditor's current roles and responsibilities. The auditor's responsibilities may increase slightly, as the audit report would contain more information and would therefore require more time to prepare.

22. *What are the potential benefits and shortcomings of providing clarifications of the language in the standard auditor's report?*

Company Response:

These clarifications would enhance communication between auditors and the users of these audit reports and would better manage the expectations of financial statement users on the limitations of audits. The benefits of such clarifications outweigh any shortcomings.

Questions Related to all Alternatives

23. *This Concept Release presents several alternatives intended to improve auditor communication to the users of financial statements through the auditor's reporting model. Which alternative is most appropriate and why?*

Company Response:

We believe the proposed clarifications of the auditor's report are the most appropriate alternative. Please refer to our response to question 22 for the benefits of this alternative.

24. Would a combination of the alternatives, or certain elements of the alternatives, be more effective in improving auditor communication than any one of the alternatives alone? What are those combinations of alternatives or elements?

Company Response:

We support the following elements of the proposed alternatives, which would serve to improve auditor communication:

- The use of emphasis paragraphs in identifying topics or events, unusual transactions, or other matters in the financial statements that are important for a better understanding of the financial statement presentation.
- All of the suggested clarifications to the standard auditor's report.

26. Each of the alternatives presented might require the development of an auditor reporting framework and criteria. What recommendations should the Board consider in developing such auditor reporting framework and related criteria for each of the alternatives?

Company Response:

We request that the board consider the following in developing auditor reporting framework for each of the alternatives that we support:

- **The use of emphasis paragraphs in identifying topics or events, unusual transactions, or other matters in the financial statements.** These should be objective, fact-based discussions and should make specific references to the location of such items in the financial statements. Auditors should avoid merely repeating information in the financial statements, but instead should highlight areas that were specifically addressed in forming their opinion on the financial statements.
- **Clarification of the Standard Auditor's Report.** We believe the framework outlined on pages 27-29 of the Concept Release should be adopted by the Board.

27. Would financial statement users perceive any of these alternatives as providing a qualified or piecemeal opinion? If so, what steps could the Board take to mitigate the risk of this perception?

Company Response:

It is possible that financial statement users could perceive the emphasis paragraphs and the clarifying language as a qualified or piecemeal opinion. This risk could be mitigated by

retaining the standard auditor opinion and adding the other alternatives on a separate page as a supplemental report.

28. *Do any of the alternatives better convey to the users of the financial statements the auditor's role in the performance of an audit? Why or why not? Are there other recommendations that could better convey this role?*

Company Response:

We believe the proposed clarifications of the standard auditor's report best conveys to financial statement users the auditor's role in the performance of an audit.

29. *What effect would the various alternatives have on audit quality? What is the basis for your view?*

Company Response:

Neither the use of emphasis paragraphs nor the clarifications to the standard auditor's report would impact audit quality.

30. *Should changes to the auditor's reporting model considered by the Board apply equally to all audit reports filed with the SEC, including those filed in connection with the financial statements of public companies, investment companies, investment advisers, brokers and dealers, and others? What would be the effects of applying the alternatives discussed in the Concept Release to the audit reports for such entities? If audit reports related to certain entities should be excluded from one or more of the alternatives, please explain the basis for such an exclusion.*

Company Response:

In order to promote consistency among all audit reports filed with the SEC, we believe that the changes to the auditor's reporting model should apply equally to all audit reports, regardless of industry.

Considerations Related to Changing the Auditor's Report

31. *This Concept Release describes certain considerations related to changing the auditor's report, such as effects on audit effort, effects on the auditor's relationships, effects on audit committee governance, liability considerations, and confidentiality.*

- 31a. *Are any of these considerations more important than others? If so, which ones and why?*

Company Response:

We believe the most important of these considerations is the balance of usefulness to the financial statement user compared with the additional costs incurred by the auditor and

registrants. As we have stated in our responses above, carefully weighing this balance is important, and we believe the current auditor reporting model, with expanded use of emphasis paragraphs and clarifications of the auditor's role and responsibilities, is the most suitable model for both financial statement users and preparers.

31b. If changes to the auditor's reporting model increased cost, do you believe the benefits of such changes justify the potential cost? Why or why not?

Company Response:

We believe that the benefits of emphasis paragraphs in identifying specific items in the financial statements, as well as clarification of the standard auditor's report, will generally outweigh the costs. However, any benefits gained from the AD&A or auditor assurance on information outside the financial statements might be outweighed by the potentially detrimental impacts of these alternatives.

31c. Are there any other considerations related to changing the auditor's report that this Concept Release has not addressed? If so, what are these considerations?

Company Response:

The Concept Release does not adequately address concerns we have with the AD&A. These concerns are addressed on the introduction page of this letter, as well as in our responses to questions 5-12. In addition, the Concept Release does not adequately address concerns we have on auditor assurance of information outside the financial statements. These concerns are addressed on the introduction page of this letter, as well as in our responses to questions 19 and 20.

31d. What requirements and other measures could the PCAOB or others put into place to address the potential effects of these considerations?

Company Response:

We believe that neither the AD&A nor auditor assurance on information outside the financial statements are desirable alternatives and therefore both alternatives should be removed from consideration, except as noted in our response to question 19.

32. The Concept Release discusses the potential effects that providing additional information in the auditor's report could have on relationships among the auditor, management, and the audit committee. If the auditor were to include in the auditor's report information regarding the company's financial statements, what potential effects could that have on the interaction among the auditor, management, and the audit committee?

Company Response:

We are concerned about the possible impact that the AD&A would have on an auditor's communications with management and the audit committee. Discussing potentially sensitive matters in an AD&A could create tension, stifle communication, and thereby hinder audit quality.