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December 8, 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. 37

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 mandatory audit firm rotation. We appreciate the Board's efforts to address whether mandatory auditor rotation would significantly enhance auditor independence, objectivity, and professional skepticism. We have addressed the applicable questions from the concept release in the appendix to this letter and have summarized our primary considerations as follows:

We believe that mandatory audit firm rotation would diminish audit quality. Mandatory firm rotation would eliminate the benefits derived from the cumulative knowledge an audit firm builds up over time about both the company and the industry in which it operates. Due to the learning curve that audit firms face, mandatory firm rotation would reduce both the effectiveness and efficiency of the audit. In an environment of increasing complexity, these challenges would have negative implications for audit quality, investor protection, and the integrity of the financial system.

We believe that mandatory audit firm rotation would result in higher costs for both companies and audit firms that would exceed any perceived benefits. In addition, the timing of a required rotation could result in increased risks and distractions that could affect both audit quality and a company's planned transactions or activities at the time a mandatory auditor rotation occurs. In the current economic environment, the costs and time required for a new audit firm to be functioning at an optimal level could be detrimental to organizations. It is likely that investors may not perceive value for the additional costs incurred.

In addition to preparing financial statements in accordance with U.S. GAAP, insurance companies are required to prepare financial statements under statutory accounting principles promulgated by the National Association of Insurance Commissioners (NAIC). Large, publicly-traded insurance holding companies often own numerous licensed insurance companies, each of which must prepare and file quarterly and annual financial statements with the NAIC. There is also an annual requirement for specific financial statements prepared under statutory accounting

principles to be audited, and these audits are typically performed by the same firm that audits a company's GAAP financial statements. The NAIC does not have an audit firm rotation requirement. Therefore, if companies were required to rotate audit firms for their U.S. GAAP financial statements, they would likely rotate auditors for their statutory financial statements to avoid having different audit firms for their GAAP and statutory financial audits. The preparation of statutory financial statements is unique to the insurance industry, and therefore mandatory audit firm rotation would be unduly burdensome to publicly-traded insurance companies.

We believe existing audit partner rotation rules, as well as personnel turnover at both the audit firm and the company, keep relationships between the audit firm and the company independent and promote objectivity without the downside of mandatory firm rotation.

We also believe independent audit committees and boards, as part of their roles as representatives of shareholders' interests and with statutorily mandated responsibility for audit oversight (including the selection and compensation of auditors), are best positioned to appoint and retain the audit firms they believe best meet shareholders' needs. Shareholders also generally have the opportunity to ratify the appointment of a company's audit firm. Although ratification is not legally required, a board of directors generally will bring the appointment of an audit firm before the shareholders. In the event the audit firm is not ratified by shareholders, the board of directors will likely reconsider the decision of appointing an audit firm.

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

Sincerely,

Vicki Corbett
Senior Vice President and Controller
Unum Group

Responses to Concept Release Questions

The following represent our responses to the questions presented by the Board on pages 18 and 19 of the Concept Release:

- *Should the Board focus on enhancing auditor independence, objectivity and professional skepticism? How significant are the problems in those areas relative to problems in other areas on which the Board might focus? Should the Board simply defer consideration of any proposals to enhance auditor independence, objectivity and professional skepticism?*

  Company Response:
  We believe existing audit partner rotation rules, as well as personnel turnover at both the audit firm and the company, keep relationships between audit firms and companies dynamic and fresh, and promote an environment of independence, objectivity and professional skepticism without the downside of mandatory firm rotation.

- *Would audit firm rotation enhance auditor independence, objectivity and professional skepticism?*

  Company Response:
  We do not believe that mandatory audit firm rotation will result in more independent or objective auditors, nor will these rotations result in a higher level of professional skepticism.

- *What are the advantages and disadvantages of mandatory audit firm rotation? If there are potential disadvantages or unintended consequences, are there ways a rotation requirement could be structured to avoid or minimize them?*

  Company Response:
  The intended benefit of mandatory audit firm rotation is enhanced auditor independence. However, we do not believe that audit firm rotation will result in more independent or objective auditors, nor will it result in a higher level of professional skepticism. The disadvantages to mandatory audit firm rotation are outlined in the introductory comments of this letter. The costs of mandatory audit firm rotation will far outweigh any perceived benefits.

- *Because there appears to be little or no relevant empirical data directly on mandatory rotation available, should the Board conduct a pilot program so that mandatory rotation of registered public accounting firms could be further studied before the Board determines whether to consider developing a more permanent requirement? How could such a program be structured?*

Company Response:

No, we do not believe the Board should conduct a pilot program to study mandatory rotation of audit firms. Because the costs of mandatory audit firm rotation will far outweigh any perceived benefits, we do not believe that the Board should spend further time and resources exploring this topic.

- *According to the 2003 GAO Report, large firms estimated that a rotation requirement would increase initial year audit costs by more than 20 percent. What effect would a rotation requirement have on audit costs? Are there other costs the Board should consider, such as the potential time and disruption impact on company financial reporting staff as a result of a change in auditors? Are there implementation steps that could be taken to mitigate costs? The Board is particularly interested in any relevant empirical data commenters can provide in this area.*

Company Response:

We believe that mandatory audit firm rotation would result in higher costs for both companies and audit firms that would exceed any perceived benefits. In addition, the timing of a required rotation could result in increased risks and distractions that could affect both audit quality and a company's planned transactions or activities at the time a mandatory auditor rotation occurs. In the current economic environment, the costs and time required for a new audit firm to be functioning at an optimal level could be detrimental to organizations. It is likely that investors may not perceive value for the additional costs incurred.

- *A 2003 report by the Conference Board Commission on Public Trust and Private Enterprise recommended that audit committees consider rotation when, among other factors, "the audit firm has been employed by the company for a substantial period of time - e.g., over 10 years." To what extent have audit committees considered implementing a policy of audit firm rotation? If audit committees have not considered implementing such a policy, why not? What have been the experiences of any audit committees that have implemented a policy of rotation?*

Company Response:

Audit committees generally evaluate a number of factors, such as auditor expertise, the potential for audit failure, and audit fees, when determining whether to consider hiring a new audit firm. Audit committees are unlikely to implement a policy of rotation unless the use of the current audit firm is detrimental to the shareholders of the company. As noted previously, shareholders also have a voice in the ratification of an audit firm. The existence of a strong audit committee and shareholder ratification make audit firm rotation unnecessary.

- *Are there alternatives to mandatory rotation that the Board should consider that would meaningfully enhance auditor independence, objectivity and professional skepticism? For example, should broader alternatives be considered that relate to a company's requirement to obtain an audit, such as joint audits or a requirement for the audit committee to solicit bids on the audit after a certain number of years with the same auditor? Could audit committee oversight of the engagement be otherwise enhanced in a way that meaningfully improves auditor independence?*

  Company Response:
  We believe independent audit committees and boards, as part of their role as representatives of shareholders' interests and with statutorily mandated responsibility for audit oversight (including the selection and compensation of auditors), are best positioned to appoint and retain the audit firms they believe best meet shareholders' needs. In addition, shareholders generally have the opportunity to ratify the appointment of an audit firm.

- *Should the Board continue to seek to address its concerns about independence, objectivity and professional skepticism through its current inspection program? Is there some enhanced or improved form of inspection that could better address the Board's concerns? If mandatory rotation were in place, could an enhanced inspection, perhaps focused particularly on professional skepticism, serve as a substitute in cases in which it would be unusually costly, disruptive or otherwise impracticable to rotate auditors?*

  Company Response:
  We believe that the best method of addressing the Board's concerns about auditor independence, objectivity, and professional skepticism is through its current inspection program. We believe existing audit partner rotation rules, as well as personnel turnover at both audit firms and companies, keep relationships between the audit firm and the company independent and promote an environment of objectivity and professional skepticism without the downside of mandatory firm rotation.

The following represent our responses to the remaining questions presented by the Board in the Concept Release:

Term of Engagement

1. *If the Board determined to move forward with development of a rotation proposal, what would be an appropriate term length?*

   Company Response:
   We do not support required audit firm rotation. Our concerns with the Board's proposal are addressed in the introductory comments of this letter. If the Board moves forward with a

firm rotation proposal, however, we recommend a term length of no less than ten years. This time period would give the audit firm enough time to gain a complete understanding of the audit client. We believe that current rules, which require audit partner rotation, are more effective than required audit firm rotation.

2. *Should different term lengths for different kinds of engagements be considered? If so, what characteristics, such as client size or industry, should this differentiation be based on?*

   Company Response:
   We do not support required audit firm rotation. Our concerns with the Board's proposal are addressed in the introductory comments of this letter. If, however, firm rotation is required, then we believe different term lengths based on client size and the complexity of the business is appropriate. Companies with a relatively high market capitalization and more complex business structures should have a longer audit term length than smaller, less complex organizations.

3. *Does audit effectiveness vary over an auditor's tenure on a particular engagement? For example, are auditors either more or less effective at the beginning of a new client relationship? If there is a "learning curve" before auditors can become effective, generally how long is it, and does it vary significantly by client type?*

   Company Response:
   We believe that auditors are less effective at the beginning of a new client relationship and that there is a learning curve before auditors can become most effective. For a larger, more complex organization, we believe that a period of at least three years is necessary for auditors to become most effective.

   It takes time and experience for auditors to become fully effective, understand the specifics of a company and industry, and provide a critical analysis of audit evidence. Much of this knowledge is gained primarily through experience on a company's audit engagement. The result of this experience is that auditors are better prepared to make professional assessments when applying generally accepted auditing standards.

4. *Some have also suggested that, in addition to being less effective at the beginning of an engagement, an auditor may be less diligent toward the end of the allowable term. On the other hand, others have suggested that auditors would be more diligent towards the end of the allowable term out of concern about what the replacement auditor might find. Would auditors become more or less diligent towards the end of their term? Does the answer depend on the length of the term?*

Company Response:
In our opinion, auditors will not be any more or less effective simply due to the proximity of the end of an allowable audit engagement term. We believe it is unlikely that concerns about a replacement auditor's findings would cause the existing auditors to be more diligent, regardless of the term length.

5. *How much time should be required before a rotated firm could return to an engagement?*

Company Response:
As stated in the introductory comments of this letter, we believe that independent audit committees and boards are best positioned to appoint and retain the audit firms they believe best meet shareholders' needs. Not only does required rotation undermine that oversight authority, but instituting time requirements before a rotated firm can return to an engagement further restricts the audit committee's ability to appoint audit firms.

6. *Should the Board consider requiring rotation for all issuer audits or just for some subset, such as audits of large issuers? Should the Board consider applying a rotation rule to some other subset of issuer audits? For example, are there reasons for applying a rotation requirement only to audits of companies in certain industries?*

Company Response:
We do not support required audit firm rotation for any issuer audits. Our concerns with the Board's proposal are addressed in the introductory comments of this letter. Applying a rotation rule to audits of large issuers is not a viable option. The coordination of staffing for large, complex audit clients is difficult. The larger the issuer, the more disruptive will be the rotation impact on the company and the auditor. Furthermore, we believe that applying a rotation rule to companies only in certain industries is also not a viable option. Audit firms often develop industry-specific expertise over many years of serving clients in that particular industry, and the audit staff with that expertise often reside in the cities where those clients are located. Continuity of audit staff with this specialized experience is critical to the performance of high quality audits. Requiring rotation would force these auditors with the specialized experience to either leave the predecessor audit firms and join the successor firms or to possibly be relocated to a new client in a new location.

In addition, because large, publicly-traded insurance holding companies often own numerous licensed insurance companies, each of which must prepare and file specific financial statements prepared and audited under statutory accounting principles, audit firm rotation would be unduly burdensome as the NAIC does not have an audit firm rotation requirement. Therefore, if companies were required to rotate audit firms for their U.S. GAAP financial statements, they would likely rotate auditors for their statutory financial statements to avoid

having different audit firms for their GAAP and statutory financial audits. We believe that the existing safeguards mandated by the Sarbanes-Oxley Act adequately enforce auditor independence and objectivity. The rotation of audit firm partners provides audit firms with new perspectives on an audit client without losing the full value of knowledge acquired by the audit firm's other personnel.

7. *To what extent would a rotation requirement limit a company's choice of an auditor? Are there specific industries or regions in which a rotation requirement would present particular difficulties in identifying an auditor with the necessary skills and expertise? Is it likely that some smaller audit firms might decide to leave the public company audit market due to the level of uncertainty regarding their ongoing client portfolios?*

Company Response:
Large issuers are already effectively limited to the four major audit firms not only due to the size of the firm, but also because smaller audit firms usually do not have sufficient expertise or capital to undertake the financial risk of auditing a large multinational issuer. Mandatory rotation requirements would then effectively limit a large issuer's audit firm choice to just three firms at the time of rotation, and more complex companies in specialized industries and multinational companies may be further limited in the choice of audit firms.

Because audit firms are prohibited from providing certain services (i.e., bookkeeping, tax consulting, internal controls, etc.) to their audit clients, public companies will often engage another audit firm to perform certain non-audit services. Audit firms who provide these non-audit services would likely be prohibited from accepting these companies as audit clients, further limiting the companies' choices of audit firms.

8. *If rotation would limit the choice of auditors, are there steps that could be taken to allow a company sufficient time to transition out of non-audit service arrangements with firms that could be engaged to perform the audit? Are there other steps that could be taken to address any limitation on auditor choice?*

Company Response:
We do not believe it is feasible for a company to transition out of non-audit service arrangements with firms that are engaged to perform their audit. Audit firms are required to attest to a public company's results for the current year and the preceding two years. This would preclude the audit firm from performing prohibited non-audit services during those three years, unless the Board would allow a "split opinion," in which the current year would be audited by the new audit firm and the preceding two years would be audited by the predecessor firm. This does not appear to be a feasible option. It would essentially force companies to rotate audit firms for these non-audit services as well as for audits. Audit firms

that perform non-audit services for a client could immediately have their independence impaired by virtue of simply bidding on an audit for their client.

10. *Would rotation create unique challenges for audits of multinational companies? For voluntary rotations that have taken place, what have been the implementation and cost issues and how have they been managed?*

Company Response:

All audit firms do not have the same staffing capacity in all parts of the world. Audit committees select auditors based in part on the audit firm's ability to provide adequate, technically competent staffing in the markets in which companies operate. Required rotation could further limit the audit firms from which multinational companies could choose.

For multinational firms with accounting departments in multiple locations, it may take several years to build a strong working relationship with both a company's accounting staff and the audit firm's affiliate offices all over the world. Relatively short engagement periods would make audits of these multinational firms even more difficult.

14. *Some have expressed concern that rotation would lead to "opinion shopping," or that in competing for new engagements firms would offer favorable treatment. Others have suggested that rotation could be an antidote to opinion shopping because companies would know that they could not stick with a firm promising favorable treatment forever. Would opinion shopping be more or less likely if rotation were required? If rotation limits auditor choice, could it at the same time increase opinion shopping?*

Company Response:

We believe that most audit firms would strongly question the integrity of a company's management and audit committee if they suspected opinion shopping. Most auditors adhere to professional standards and would most likely reject a company that behaves this way. It is doubtful that many companies engage in opinion shopping, and it is likely that few audit firms would be willing to engage in such practices. Opinion shopping is a risk under today's standards. The risk of opinion shopping would not be any less or any greater under a mandatory firm rotation plan.

16. *Are there any requirements the Board should consider to mitigate any risks posed by rotation? For example, are there enhancements to firms' quality control systems that might address such risks?*

Company Response:

We do not believe that it is possible to mitigate the risks posed by audit firm rotation. The negative impact on staffing of required audit firm rotation will likely reduce audit quality, as we believe it will be more difficult for firms to hire and retain qualified audit staff. Furthermore, the risk that mandatory rotation will result in added costs with very little incremental benefit cannot be mitigated by Board requirements. Current rules governing the auditor-client relationship adequately mitigate the same risks that the proposed auditor rotation rules would mitigate.

17. *If the early years of an auditor-client relationship pose higher audit risks than later years, should the Board require firms to provide additional audit supervision and oversight in the first year or two of a new engagement? Should the Board impose such a requirement for auditor changes even if it does not further consider requiring audit firm rotation? If firms are accepting new clients but are unable to perform quality audits for them until several years have passed, should the Board require enhanced client acceptance procedures? What impact would additional requirements of this type have on audit costs?*

Company Response:
As discussed previously, we believe that the auditor is less effective in the earlier years of an audit engagement as the auditor has not yet fully learned about the company, client personnel, and their behavior patterns. This sort of knowledge is not gained solely through additional audit procedures; rather, it is obtained through years of experience with the same client.

It is important to understand that a higher-risk first year audit does not automatically result in a failed audit. We believe that audit firms already address these higher risks in the earlier years of an audit engagement, with more audit staffing hours and a higher level of senior audit personnel supervision to mitigate this risk. In addition, we believe that it would be a rare situation when a qualified audit committee would engage an audit firm that was not qualified to perform a quality audit.

We do not believe that additional Board requirements are necessary; however, if additional requirements are imposed on audit firms around new client engagements and the client acceptance process, we do believe that audit costs would increase.

20. *If the Board moved forward with development of a rotation proposal, should consideration be given to the recommendation for a cause restriction on the company's ability to remove an auditor before the end of a fixed term? Would such a provision be useful? Would there be unintended consequences of such a requirement? Should the Board work with the SEC on implementation of this recommendation? Are there other matters on which the Board should coordinate with the SEC?*

Company Response:

We believe that the power to obtain and remove an auditor should lie solely with a company's audit committee. The Sarbanes-Oxley Act mandates that the responsibility and oversight of auditors belongs to audit committees. In this role, an audit committee will often challenge auditors to ensure that risks are being addressed and that audit procedures are adequate. Both a company's audit committee members and executive management are exposed to sanctions, including legal liability exposure, in the event of audit and financial reporting failures. Therefore, both the audit committee and company management have a vested interest in ensuring that the audit firm performs a quality audit and that risks are mitigated.

A cause restriction on a company's ability to remove an auditor before the end of a fixed term may have the opposite effect of what is intended. Rather than promoting a culture of increased independence among auditors, required rotation could instead create a complacent attitude among firms who would have almost guaranteed audit work during the engagement period. Because auditors would know that it would be difficult to remove them from an engagement, the lack of competition from external audit firms could result in decreased audit quality.

Furthermore, in the event of a significant scope expansion, such as an acquisition, an audit firm may no longer have the staffing, capacity, or desire to continue with an audit client. Both the audit firm and the audit committee should have the flexibility to make changes as circumstances warrant.

21. *What other transition issues might arise in the first year of a rotation requirement? How should the Board address these issues?*

Company Response:

One important transition issue not addressed in any of the previous questions concerns the time period immediately preceding the required rotation. Management and the audit committee would be required to invest several months before each rotation in soliciting bids from potential audit firms, interviewing those firms, and engaging in internal discussions to determine which firm to hire. The time spent on these unproductive tasks will prevent companies and committees from focusing on more important matters related to the current audit and to risk management.