



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

Re: PCAOB Release No. 2011-006 Rulemaking Docket Matter No. 37 (Audit Firm Rotation)

The audit committee of StanCorp Financial Group appreciates the opportunity to comment on the Public Company Accounting Oversight Board ("PCAOB") Concept release on Auditor Independence and Audit Firm Rotation (the "Concept Release").

StanCorp Financial Group ("StanCorp") is a holding company and conducts business through wholly-owned operating subsidiaries throughout the United States. Through our subsidiaries, StanCorp underwrites insurance products in all 50 states as well as the District of Columbia and the U.S. territories of Guam and the Virgin Islands.

As a public company, StanCorp fully believes that for capital markets in the United States to operate appropriately the public needs to have faith in the systems underlying those markets including the accuracy of the information provided through the audited financial statements. Further, the actual and perceived independence, objectivity and professional skepticism of the independent registered public accounting firms are vital. Notwithstanding this, we strongly oppose the PCAOB's proposal of mandatory audit firm rotations due to the belief that the intended benefits will be significantly outweighed by the associated costs to public companies and ultimately the shareholders of these companies.

Our concerns regarding the actual and intrinsic costs associated with mandatory rotation are generally focused in three areas:

- Many public companies, including StanCorp, operate in specialized industries. When these companies are located in smaller geographical markets, such as Portland, Oregon, there is an increased risk of not being able to engage a firm that has sufficient technical expertise locally to help ensure a quality audit engagement. Alternatively, companies such as StanCorp will be required to evaluate bringing industry expertise from other geographies which will further increase the cost of the audit services.
- Financial statement audits are most effective through utilization of an engagement team that has a deep understanding of the industry and specific knowledge of the business under audit. This institutional knowledge is advanced over a period of years and helps guide the engagement team to appropriate levels of professional skepticism and drives audit approach efficiencies. Through the adoption of the Sarbanes-Oxley Act of 2002, the PCAOB has already implemented a mandatory rotation of the lead client service partner in an effort to increase independence and professional skepticism. By further mandating rotation of the audit firms, public companies will be required to increase resources spent educating the new audit firms on specific company procedures and unique industry principles. These costs will be borne by the shareholders of the company with potentially no increased benefit to the shareholders. The current rotation requirements of the engagement team leadership, appears to be a sufficient control to protect against a perception of impaired objectivity.
- One of the primary governance aspects of most audit committees, including StanCorp's, is overseeing the independent auditor's appointment, compensation, qualifications,

independence and performance. This governance includes evaluating the audit firm's implied and actual independence. By requiring mandatory rotations of audit firms, the PCAOB will be diminishing an audit committee's capacity to perform their governance duties to the best of their abilities as these changes fundamentally limit an audit committee's ability to choose an audit firm that may be best positioned to represent the company. It is only logical that the audit committee continue to be empowered to ensure the right audit firm is chosen based upon the firm's industry experience and knowledge rather than be compelled to choose a new firm based explicitly on a passage of time.

The concept of mandatory audit firm rotation is not a new one and has been raised multiple times in the past. The notion was most recently explicitly rejected during the debate and passage of the Sarbanes-Oxley Act of 2002. The Sarbanes-Oxley Act directed audit partner rotation and strengthening the role of audit committees. The full impacts of the changes implemented over the past decade are not fully known yet. However, the implementation of a five year rotation of the key decision maker of an audit engagement, namely the lead client service partner, already provides a degree of rotation and independence. As noted by the Board, the audit reviews completed have not conclusively linked any of the audit failures to a lack of independence, professional skepticism or auditor objectivity. As such, this change seems premature given the current facts and circumstances.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Stan Fallis". The signature is fluid and cursive, with the first name "Stan" and last name "Fallis" clearly distinguishable.

Stanley R. Fallis
Chairman of the Audit Committee
StanCorp Financial Group