



December 13, 2011

Mr. J. Gordon Seymour  
Secretary  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, D.C. 20006-2803  
United States of America

**Re: Request for Public Comment on Concept Release on Auditor Independence and Audit Firm Rotation (PCAOB Release No. 2011-006 Rulemaking Docket Matter No. 37)**

Dear Mr. Seymour:

Allied World Assurance Company Holdings, AG (“Allied World” or the “Company”), a Swiss-based specialty insurance and reinsurance company quoted on the NYSE, appreciates the opportunity to comment on the PCAOB concept release paper proposing mandatory audit firm rotation.

We strongly believe that auditor independence, objectivity and professional skepticism are of paramount importance in order to maintain the proper performance of the U.S. capital markets, and that audit quality has greatly improved since the passage of the Sarbanes-Oxley Act of 2002 (“SOX”). We also support efforts to strengthen the role of independent audit committees as a means to further promote audit quality.

In our experience, we have found audit professionals to be objective and to regularly employ a healthy level of skepticism when executing their responsibilities – our auditors regularly challenge management’s assertions and accounting positions. We believe that the current state of professional skepticism is sound and that the audit profession maintains robust independence and ethical standards.

We believe that mandatory audit firm rotation will not benefit investors, as any perceived benefits will be outweighed by the time, effort and costs of the transition to a new team of auditors, particularly within large and complex international organizations such as ours, including the risk that it will reduce, not enhance, audit quality. Public companies will also likely face the distraction of periodically re-orienting new auditors to their organizational structure, policies and procedures, and business models.

Mandatory firm rotation would adversely impact corporate governance structures, the fundamental purpose of which is to ensure that companies operate in the interests of the shareholders. Our Board has a duty to act in the interests of the shareholders and this duty extends to the audit committee, including the retention of the independent auditor believed to best suit shareholders’ needs. The audit committee works closely with the audit firm in evaluating its quality, as well as the firm’s application of independence, objectivity and professional skepticism – and will dismiss an audit firm if it determines that the auditor lacks these traits. Mandatory firm rotation would limit the discretion of the audit



committee to carry out this duty, working against the investment made in corporate governance since SOX that we believe is so important to the public interest.

We believe that audit committees would have fewer options from which to choose an audit firm. Audit firms have different skill sets, industry expertise and geographical reach, all of which contribute to producing a high quality audit. The current experienced auditor, however, would be automatically disqualified from the pool of potential candidates. In addition, many companies utilize various firms to provide non-audit services, which may impair a firm's audit independence and would also disqualify a firm from acting as the company's auditor, further reducing the number of eligible candidates. Mandatory firm rotation could therefore restrict the audit committee's ability to choose the firm it believes is best suited for the company, and may also result in reduced levels of competition among audit firms.

Interestingly, the U.S. Congress previously considered the idea of mandatory rotation and rejected it – opting instead for mandatory audit partner rotation, the establishment of independent standard-setting and independent oversight of the PCAOB and the strengthening of independent audit committees. With the significant improvement in audit quality since the enactment of SOX, it seems anomalous to consider mandatory rotation as an option now.

The benefit that results from mandatory audit partner rotation exists in the context of the historical and institutional knowledge that other audit team members (including the firm's national office) continue to provide. This important benefit would be lacking if entire firms were required to rotate after a set number of years.

We support the PCAOB's efforts to solicit views on ideas other than mandatory firm rotation, including the concept of (i) mandatory retendering of audits, whereby audit committees would be required to solicit bids on an audit after a specified number of years; (ii) joint audits; (iii) consideration of the audit firm payment model and (iv) further limitations on non-audit services.

- (i) We believe the retendering policy would share many of the challenges of mandatory firm rotation and lead to audit firms having to continuously market their capabilities, diverting the focus of the audit professionals. However, we believe that a periodic retendering process introduces a beneficial level of competition among firms as well as a periodic comparison of skill levels and expertise among firms. The retendering process may or may not result in a change of audit firm, but the decision should remain with the audit committee.
- (ii) We believe joint audits have significant disadvantages and would not necessarily enhance auditor independence, potentially putting joint auditors in unnecessary conflict with each other (in relation to accounting and auditing issues) and would also result in additional costs from duplication of efforts.



(iii) We do not believe that changing the current payment model would improve auditor independence, objectivity and professional skepticism. SOX created a series of statutory obligations for audit committees, including the obligation to select, retain, oversee and compensate the auditor, all the while being independent of management. On that basis, we do not support proposals that would remove key decisions from the control of the boards and audit committees.

(iv) In our view there should not be further limitations on non-audit services that independent auditors may provide to the companies they audit. Delivering the most complete range of permissible services increases a firm's knowledge of a company and its risks and processes, all of which contributes to audit quality.

In conclusion, we do not support the PCAOB Rulemaking Docket Matter No.37 requiring a mandatory rotation of audit firms. We urge the PCAOB to consider the comments made in this letter and to continue in its policy-making efforts that will further the alignment of independent auditors, independent audit committees, independent audit regulators and shareholders.

Sincerely,

  
Joan H. Dillard  
Chief Financial Officer

  
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Chief Accounting Officer