

December 14, 2011

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

Re: PCAOB Rulemaking Docket Matter No. 37
Concept Release on Auditor Independence and Audit Firm Rotation

To Whom It May Concern:

Property Casualty Insurers Association of America agrees with the PCAOB's efforts to enhance auditor independence and objectivity. However, we do not support mandatory audit firm rotation.

Our biggest concerns are:

- Corporate Governance: The Audit Committee of a company's Board of Directors has the responsibility, and the best perspective and insight to oversee the independent audit process. This includes determining when, and if, a change in audit firms is needed. A requirement for change based solely on the passage time inappropriately diminishes the responsibility and role of the Audit Committee.
- Internal Resource Constraints: There is a significant learning curve and internal cost burden required to get external auditors up to speed on company specific systems and processes. Under "normal" circumstances, this transition would require a significant time requirement from company financial reporting personnel. However, we are not in "normal" circumstances. Consideration of the many proposed financial reporting projects on the horizon (i.e. Insurance Contracts project, Financial Instruments project, potential conversion to IFRS, etc.) and all of the current projects have already constrained company internal financial reporting resources. Adding an unnecessary requirement to bring new external auditors up to speed on company processes and systems will compound the situation and could negatively impact the quality of financial reporting.
- Specialized Knowledge Requirements: The insurance industry is a highly specialized industry with its own unique accounting guidance (which is currently under review at the IASB and FASB). There are a limited number of public audit firms with the prerequisite specialized knowledge of the industry to perform a high quality audit of an insurance company. Combined with the current limitations of non-audit services by audit firms, the pool of qualified audit firms gets even smaller. If an insurer is currently using one or more of the other available firms for non-audit services, what would the requirements be to transition those services if one of those firms were to become the future audit firm? Would the current audit firm then be able to provide the non-audit services? A mandatory audit rotation requirement in this circumstance may actually decrease independence and skepticism if firms were to rotate between serving as consultants and auditors. This also has the potential to reduce audit quality in the first few years after an audit firm change as the new firm is less familiar with the company.

Current PCAOB regulations for audit partner rotation, review partner rotation, and the PCAOB inspection of audit firms provide sufficient regulation and encourage the level of objectivity and professional skepticism needed for a quality audit. An additional requirement for audit firm rotation based solely on the passage of time is not warranted and may very well produce unintended consequences.

Property Casualty Insurers Association of America's more than 1000 member insurance companies write over \$180 billion in annual premium, which represents more than 38 percent of the property casualty insurance coverage written in the United States.

If you have any question about our letter, please contact me at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "James M. Olsen", is centered on a light gray rectangular background.

James M. Olsen
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