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

Re: Request for Public Comment: *Concept Release on Auditor Independence and Audit Firm Rotation and Notice of Roundtable* [PCAOB Rulemaking Docket No. 37]

Dear Office of Secretary:

MetLife, Inc. (MetLife) appreciates the opportunity to provide comments to the Public Company Accounting Oversight Board's (PCAOB) **Request for Public Comment: *Concept Release on Auditor Independence and Audit Firm Rotation and Notice of Roundtable*** (the Concept Release).

MetLife is a leading global provider of insurance, annuities and employee benefit programs, serving 90 million customers in over 60 countries. Through its subsidiaries and affiliates, MetLife holds leading market positions in the United States, Japan, Latin America, Asia Pacific, Europe and the Middle East. Our responses incorporate consideration of our position not only as a preparer of audited financial statements for a widely-held public enterprise, but also as a significant financial statement user, with a general account investment portfolio of fixed maturity and equity securities of approximately $370 billion as of September 30, 2011. Further, this letter is written from our perspective as a large multinational accelerated filer and does not take into consideration that mandatory auditor rotation might have different impacts on smaller, less-diverse public enterprises.

MetLife recognizes the vital role of external auditors in the proper functioning of the U.S. capital markets and supports the PCAOB's overall effort to improve the audit process especially as it relates to auditor independence, objectivity and professional skepticism. However, any changes in the auditor selection process must lead to better audit quality with the goal of supporting increased reliance on the financial statements by investors and other users.

As the PCAOB pointed out in the Concept Release, there is no significant evidence that mandatory rotation increases the audit quality or promotes more sharpened professional skepticism. For this reason, and due to other practical factors discussed below, we do not support the proposed mandatory audit firm rotation. We believe audit quality would not increase simply with the mandatory rotation of firms; in fact, we have concerns that a decrease in quality could occur.

In our view, the audit committee has the responsibility to evaluate whether the independent auditor appropriately meets the needs of the company and its shareholders, and a mandatory auditor rotation requirement limits the ability of the audit committee to exercise this duty. In addition, we believe that the mandatory rotation could result in unnecessary increases in direct and indirect costs associated with external audit, disruptions to the company's personnel and other negative effects that we consider detrimental to the best interests of shareholders.

The Appendix presents our more specific comments on certain issues raised in the Concept Release.

We once again thank you for the opportunity to respond to your proposal and your consideration of our observations and comments. If you have any questions regarding the contents of this letter, please do not hesitate to contact me.

Sincerely,

Peter M. Carlson
Executive Vice President and
Chief Accounting Officer

cc: Eric Steigerwalt
Executive Vice President and
Interim Chief Financial Officer

Karl Erhardt
Senior Vice President and
General Auditor

Appendix

Effectiveness of Current Regime

Independence, objectivity and professional skepticism are fundamental principles upon which audit quality is built. Due to their importance, numerous safeguards exist within as well as outside the audit profession to reinforce the rules and to preserve investors' reliance on the audited financial statements. Substantial improvements also have taken place in the recent years, especially since the PCAOB came into existence as the regulator of auditors of public companies. Some of the most notable improvements were:

- Requirements for independent audit committees,
- Improvements in auditor independence rules,
- Proxy Statement disclosures of the amount and nature of fees paid to the independent auditor,
- Limits on non-audit services, and
- Requirements for partner rotation.

The oversight process was further enhanced with requirements of the Sarbanes – Oxley Act that entrusted governance of the auditor and auditing process of a specific company to the independent audit committee, acting in the interests of investing public in general and specifically for a company's shareholders.

Additionally, PCAOB inspections, supplemental to internal quality processes instituted by audit firms, have also contributed to an increase in audit quality as audit firms modify their methodologies and audit procedures to address findings and suggestions from such inspections and from publicly issued reports on other inspections. We have seen positive effects of these changes and believe that all the measures taken in recent years by various regulators, including U.S. Congress, the SEC, and the PCAOB, as well as public companies have greatly added to the audit quality, independence, objectivity and professional skepticism.

We are not suggesting that every audit is without room for some improvement. However, we believe that the current environment, with all the enhancements noted above, does not support the assertion that independence and professional skepticism are compromised because auditors continue to be paid by their clients or that they retain clients for prolonged periods of time. Furthermore, we strongly believe that the independent audit committee is in the best position to evaluate effectiveness of the external auditor and encourage the PCAOB to continue providing tools and best practices to help audit committees exercise this key oversight function.

Effectiveness of Mandatory Audit Firm Rotation

Mandatory firm rotation, as proposed by the PCAOB, might increase perceived independence of the audit firm by removing a dependence on the continuing stream of fees from a particular client and by providing a fresh perspective from the new audit firm. However, all of this could come at a significant expense to a company as well as its investors measured not only in increased monetary expenditures but, most importantly, loss of knowledge about the company and its industry gathered during the performance of the audit often over an extended period of time.

We also believe that mandatory audit rotation could harm corporate governance and negatively affect shareholders and their interests. If the requirement is instituted to rotate audit firms at some regular interval, this would severely limit the authority of independent audit committee to perform its duties in protecting investors' interests by employing the best suited audit firm. This is a decision that should be evaluated based on individual facts and circumstances and not forced by a regulation.

Specifically, the most significant adverse impacts of mandatory regular audit firm rotation we perceive are as follows:

1. Fewer options in choosing an auditor,
2. Increased audit risk due to loss of specific company knowledge by the auditor that is often gathered over extended periods of time,
3. Less effective and efficient audits,
4. Increased effort and cost of rotating to a new audit firm.

To expand on the points above from our perspective as a large multinational U.S. Fortune 100 company:

- Due to the breath and specialization of our operations, we are currently and will continue to be limited in our choice of an auditor to one of the "Big 4" firms. Lack of technical expertise and sufficient resources from global firms in specialized industries would result in limited viable rotation alternatives.
- Mandatory rotation might lead to decreased, rather than increased, audit quality including the risk of misstatements as it would require significant time for new auditors to gain the appropriate level of understanding of the enterprise, including its highly complex and diverse transactions. There is a difficult balance to maintain between the fresh perspective of a new auditor and the ramp-up time needed to effectively assess the more subtle risk areas in a complex organization. We believe that the current required rotation of audit partners on a specific engagement strikes that balance - a fresh perspective from the new partner, yet the ongoing knowledge of issues and risks in the audit team and the related supporting workpapers. And, when that balance is missing, we believe the audit committee is in the best place to make that assessment and take the appropriate corrective action.
- Finally, increased costs as well as significant distraction and disruption within the company could result with every auditor change. We expect that this would result in significant investment of time by company personnel to educate and develop an auditor / client relationship with the new auditor. The time requirements of the new auditors would create increased demands on the same personnel that are responsible for reporting functions and may have the counter effect of impacting other areas of management's processes including internal controls over financial reporting.

Mandatory Firm Rotation Alternatives

MetLife believes that it is important for the PCAOB to continue reinforcing the rules and expectations related to independence, objectivity and skepticism through audit alerts, practice aids and public remarks directed to accounting firms, corporate management and audit committees. Also, we believe the PCAOB should allow enough time for the recent rules (e.g., quality review partner, risk assessment standards) to be reflected in audits inspected by the PCAOB and then analyze inspection results and other available evidence to evaluate the current state of audit quality and root causes of issues over a longer period of time.

We suggest the PCAOB continue to use the results of the quality review programs of the accounting firms to gather evidence that would be useful in the analysis of the root causes of audit deficiencies. With the PCAOB's plan to propose new quality control standards in 2012 that also address requirements for maintaining objectivity and exhibiting professional skepticism, we expect additional changes by the auditing firms in response to the PCAOB's inspection findings and continued improvements in audit quality, including skepticism and objectivity in the audits when warranted.

The PCAOB might also:

- Consider whether audit rotation should be recommended or mandated in situations where the PCAOB inspection process identifies a clear lack of professional skepticism or objectivity that resulted in an "audit failure" as defined in the 2003 GAO Report.
- Develop guidance on how the PCAOB would evaluate the adequacy of audit evidence obtained by auditors to assess the reasonableness of significant judgments. This should be well understood by auditors and companies.
- Consider, as has been articulated in comment letters filed in response to the PCAOB proposed rule on Audit Committee communications, teaming with the National Association of Corporate Directors, the Securities and Exchange Commission, and others to issue practice aids and/or hold workshops on leading practices for audit committees surrounding auditor skepticism.