TRAVELERS

D. Keith Bell
Senior Vice President
Accounting Policy

The Travelers Companies, Inc.
One Tower Square-6PB
Hartford, CT 06183

(860) 277-0537
(860) 954-3708 (fax)
D.Keith.Bell@travelers.com

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Mr. Conrad Hewitt
Chief Accountant
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Mr. Mark W. Olson
Chairman
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, DC 20006-2803

Re: SEC File Number S7-24-06
PCAOB Rulemaking Docket Matter No. 021

Dear Gentlemen,

We would like to thank the Commission and the Board for the opportunity to comment on the Securities and Exchange Commission's (SEC) proposed interpretive guidance for management regarding its evaluation of internal control over financial reporting (ICFR) and the Public Company Accounting Oversight Board's (PCAOB) proposed auditing standard on auditing internal controls. We expect that this proposed interpretive guidance and auditing standard will enhance the efficiency of management's and the external auditors' assessments of a company's ICFR. Our hope is that the SEC and PCAOB will continue to assess the requirements of ICFR into the future and provide additional guidance as deemed necessary.

We are pleased with the direction of the proposed guidance and believe that a risk-based approach to the evaluation of internal controls over financial reporting for both management and the auditors will enhance the efficiency of management's assessment and auditors' audit of internal controls, while reducing some of the unnecessary costs associated with the current process. As a company in the business of risk assessment, we find it appropriate that a company's resources should be focused on an assessment of the financial reporting functions and processes with the most risk. We also commend the Commission and the Board for the coordinated effort in producing complementary guidance for management and auditors and recommend that this coordinated approach be extended to the development of future guidance.

As stated above, we are pleased with the direction of the Board and the Commission and the high level guidance offered. In an effort to add to the efficiency in the proposed guidance without sacrificing effectiveness, we offer the following suggestions:

- The Commission should consider allowing the rotation of management's assessment of significant controls over financial reporting where there are complementary controls or mitigating factors in place and a history of successful assessment. The Commission's proposed interpretative guidance recognizes that there are inherent mitigating factors and entity-level controls in some of the internal controls and allows for on-going monitoring instead of testing in some cases, however, we believe that this should be extended to include the rotation of the testing of significant internal controls. Once a baseline is established and a company has a history of success in assessing a control, that control should be assessed when there is a change in the process and absent a change, it should be evaluated for operating effectiveness on a rotational basis (e.g., no less frequently than every 3 years) with other controls having a history of operating effectively.

- Similar to our suggestion on the rotation of control testing for management, we recommend that the Board reconsider the necessary evidence criteria for significant, including high risk, controls. If an auditor concludes that a Company's internal controls are appropriately designed and the auditor has a successful history in auditing the Company's internal controls with high risk, there should be an opportunity for the auditor to perform reduced testing and lessen the need for substantial evidence every year. We believe that the individual controls should be reviewed based on risk, the Company's risk mitigation, the Company's assessment of the control, the auditor's assessment of the Company's personnel and processes and the auditor's history of testing the control, rather than a presumption that there are controls with such a high degree of risk that the necessary evidence could not be reduced.

- We recommend that the Commission either eliminate "program development" from the Role of General Information Technology Controls discussion or provide additional clarification. Program development broadly includes all of the pre-implementation project management, design, development and testing, all of which have no impact on the financial statements as these functions typically occur in a non-production environment. If a Company has appropriate controls in place for testing new programs or program changes prior to placing the new program or changes into production, testing in the development phase would be unnecessary and redundant. We believe that the references to program development could be eliminated or, if it is retained, clarification should be provided for better context of its intended application.

In summary, we are pleased with the direction of the Commission's interpretive guidance for management's assessment of ICFR and the Board's proposed auditing standard. We commend you for taking a collaborative approach to developing this guidance and for using a risk-based approach. Where there are opportunities to do so, we recommend that a similar approach be used in developing guidance in the future.

Thank you for your consideration.

Sincerely,

D. Keith Bell

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cc: Jay S. Benet