November 16, 2011

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

Dear Sir:

We appreciate the opportunity to respond to the Public Company Accounting Oversight Board’s (the “Board”) Concept Release on Auditor Independence and Audit Firm Rotation (the “Concept Release”). The ACE Group is a global leader in insurance and reinsurance serving a diverse group of clients. Headed by ACE Limited (NYSE:ACE), a component of the S&P 500 stock index, the ACE Group conducts its business on a worldwide basis with operating subsidiaries in more than 50 countries and commercial and individual customers in more than 170 countries.

We support the Board’s commitment to enhance auditor independence, objectivity and professional skepticism. However, we strongly disagree with imposing a requirement for mandatory audit firm rotation. We believe the existing professional standards for auditor independence such as the AICPA Code of Professional Conduct and the regulatory framework established by the Sarbanes-Oxley Act, which includes mandatory audit partner rotation, allow for more than sufficient audit independence, objectively and professional skepticism. Ultimately, we believe audit committees are best suited to provide oversight of auditors and to determine when to appoint or remove an audit firm.

The Concept Release discusses potential benefits of mandatory rotation; however, we believe any perceived benefits may not be achieved and would be far outweighed by the associated risks. These risks include disruption to and distraction of management and audit quality risk. These risks will be accompanied by increased costs both to audit firms and the companies being audited. In addition, any benefits that may be derived from mandatory audit firm rotation are tenuous as they are untested. There is no evidence that directly links audit firm tenure and audit failure. We believe that audit tenure can actually result in improved audit quality as a result of the institutional knowledge gained by the audit firm over time.

We believe the key to audit success is understanding the company being audited. In large multinational organizations, such as ACE, this takes a significant amount of time due to the complexities in a company’s reporting structure, financial systems, operations and accounting
practices. Mandatory auditor rotation will diminish audit quality as the learning curve for new auditors increases the risk that critical issues will be missed.

Another disadvantage to audit firm rotation is the negative impact it will have on management. We believe management will need to devote a significant amount of time and resources to training new audit firms during a transition. Time spent on orienting new auditors would distract management from its responsibility of running the company’s ongoing operations. This will ultimately result in additional control risks. Mandatory auditor rotation will limit an audit committee’s freedom of action with respect to auditor selection. We believe this will hinder the audit committee’s ability to effectively oversee a company’s financial reporting and audit processes. Ultimately, audit committees, alone, have the requisite knowledge and experience to determine the tenure of a company’s audit firm. Audit committees should continue to have the ability to ensure a company’s auditor exhibits a high level of independence, objectivity and professional skepticism.

In summary, we believe mandatory audit firm rotation will increase both audit costs and management’s internal costs. Auditor transition time and efforts will translate into higher audit costs. In addition, management costs will also increase as transition efforts will divert management’s resources away from their ongoing responsibilities and duties.

While we understand the Board’s goal for considering ways to enhance auditor independence, objectivity and professional skepticism, we do not believe mandatory audit firm rotation is the solution. The existing professional standards and regulations together with the oversight provided by a company’s audit committee and the Board provide a comprehensive framework to ensure sufficient auditor independence, objectivity and professional skepticism.

We appreciate the opportunity to express our views and would be pleased to discuss any questions or comments that the PCAOB staff or Board may have. Please contact Phil Bancroft (441-298-9444) regarding our submission.

Respectfully submitted,

Philip V. Bancroft
Chief Financial Officer