Office of the Secretary  
Public Company Accounting Oversight Board  
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

The Chubb Corporation is a holding company with subsidiaries principally engaged in the property and casualty (P&C) insurance business. The Chubb Group of Insurance Companies, headquartered in the United States, provides a broad range of P&C insurance products to businesses and individuals around the world. We appreciate the opportunity to comment on the Public Company Accounting Oversight Board (PCAOB) Concept Release on Auditor Independence and Audit Firm Rotation.

As a publicly traded entity with insurance subsidiaries operating worldwide, we prepare audited financial statements in accordance with U.S. generally accepted accounting principles (U.S. GAAP), U.S. statutory accounting principles and the statutory accounting principles of many countries.

We are supportive of efforts to improve audit quality and to enhance auditor independence, objectivity and professional skepticism. We do not believe that there is sufficient evidence to support the case that mandatory audit firm rotation would achieve these objectives.

Accounting and auditing professionals practice in the United States subject to a robust framework of professional standards, including standards for ethical behavior. This framework includes requirements of independence, objectivity and professional skepticism. The activities of auditing firms expose the firms to legal and reputational liability issues on a daily basis. The self-interest of the auditing firms operating in the current regulatory environment under the watchful eyes of the PCAOB motivates them to act with both independence and objectivity.

We believe that a requirement for audit firm rotation would result in significant disruption to issuers and auditors and could potentially compromise, rather than improve, audit quality. Global enterprises operating in complex industries are particularly challenging engagements for audit firms. When a firm begins auditing a new client, both the auditor and the client invest a significant amount of time in order for the auditor to gain and document a full understanding of the processes and audit risks.
associated with an organization. We believe that audit efficiency and audit quality could suffer, especially in the early years of an audit, due to the steep learning curve facing the new auditor.

The Concept Release questions whether mandatory audit firm rotation would allow for a “fresh look” of the issuer and result in refreshed professional skepticism. Based on our experience, we believe that mandatory partner rotation, significant scrutiny by concurring and quality assurance partners and the turnover and changes in audit firm personnel result in a continuous process of “fresh looks.” Current rules requiring audit partner rotation support an orderly transfer of knowledge while minimizing disruptions from both the issuer’s and the auditor’s perspective. Audit firm rotation would increase costs, including audit fees and issuer internal costs, due to the time required to educate and acclimate the new auditor.

We believe that mandatory audit firm rotation would result in continuous human capital turmoil. We expect that a successor audit firm would recruit personnel from the predecessor firm to acquire knowledge of the client and, if necessary, the industry expertise it may lack. In addition, the continuous state of uncertainty that audit firm rotation would foster would make effectively managing staff levels and skill sets at the audit firms nearly impossible.

In our opinion, the most effective and efficient ways to address weaknesses in independence and professional skepticism, if they exist, would be with incremental improvements to auditing standards, PCAOB inspections and sanctions, and focused training for auditing professionals.

We do not believe that evidence exists to support such a fundamental change and disruption to the auditing profession and issuers of audited financial statements. We have engaged a prominent auditing firm for many years and based on our interaction with them, we believe that they understand our business and processes, accounting practices, corporate culture and ethics and that they function with a high degree of independence, objectivity and professional skepticism. We do not believe that their tenure impairs their objectivity, independence and professional skepticism. To the contrary, we believe that they work diligently to maintain their independence in substance and in perception and their professional skepticism is likely enhanced by their experience and in-depth knowledge of our organization. The advancement of the mandatory audit firm rotation concept is unwarranted and the profession’s cornerstones of independence, objectivity and professional skepticism are well supported by the current professional, regulatory and enforcement framework.

We would be pleased to discuss our comments with the members of the Board or its staff.

Very truly yours,

John J. Kennedy
Senior Vice President and
Chief Accounting Officer