



September 28, 2011

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

**RE: Rulemaking Docket Matter No. 34
Concept Release on Possible Revisions to PCAOB Standards
Related to Reports on Audited Financial Statements**

Dear Members of the Board,

We are the five leading publicly-traded managed care companies in the United States: Aetna Inc., CIGNA Corporation, Humana Inc., UnitedHealth Group Incorporated, and WellPoint Inc. As a group, we provide health insurance products and related services to more than 100 million medical members. Our customers include employer groups, individuals, seniors, college students, part-time and hourly workers, governmental units, government-sponsored plans, labor groups, and expatriates. We also provide other insurance products, such as dental, vision, term life, short-term and long-term disability, and supplemental health insurance coverage as well as a variety of healthcare-related services that do not involve insurance products. Collectively we reported annual revenues of approximately \$242 billion in 2010 (equivalent to 1.7 percent of the gross domestic product of the United States). We primarily report financial information under the generally accepted accounting principles in the United States (“U.S. GAAP”), and we file public financial statements in accordance with the regulations of the United States Securities and Exchange Commission (the “SEC”).

We appreciate the opportunity to provide our comments in response to the Public Company Accounting Oversight Board’s (“PCAOB” or the “Board”) *Concept Release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements and Related Amendments to PCAOB Standards* (the “Concept Release”). The views expressed in this letter and the attached appendix on behalf of our collective group do not necessarily represent the positions of any specific company or individual.

It is our understanding that the Board is seeking feedback on several alternatives for changing the auditor’s reporting model in an effort to increase transparency and relevance to financial statement users. Specifically, the proposed alternatives include one or a combination of the following: 1) a supplement to the auditor’s report in which the firm would be required to provide

additional information about the audit and our financial statements (an “Auditor’s Discussion and Analysis” or “AD&A”), 2) required and expanded use of emphasis paragraphs in the auditor’s report, 3) auditor reporting on information outside the financial statements, and 4) clarification of certain language in the auditor’s report. The detailed discussions and illustrative examples in the Concept Release were useful in helping us understand exactly how the Board envisions these alternatives taking shape. Although we are not in the business of performing audits and providing assurance, and therefore might have different views than the firms that audit our public financial statements, the types of changes presented in the Concept Release nonetheless have the potential to significantly alter the public financial reporting landscape in which we operate.

Under the current distinct frameworks that govern financial reporting and auditing, the roles of all parties involved are clear. *Companies* are responsible for compiling and disclosing financial information in accordance with U.S. GAAP and SEC reporting requirements for the purpose of providing users of financial statements with relevant, useful information about our businesses. *Auditors* are responsible for forming independent, informed opinions about whether or not we have fulfilled that responsibility. Finally, *audit committees and boards of directors* are responsible for active and independent oversight of management regarding the adequacy of internal controls, integrity of the financial statements, compliance with legal and regulatory requirements, and risk management; and a significant component of this role involves dialog and discussion with the auditors regarding the results of their audit procedures.

Our primary concern is that the types of changes presented in the Concept Release could alter the balance of duties within this framework by partially shifting responsibilities for reporting on the financial status of our businesses to our auditors, who are necessarily removed from the actual management and operations of those businesses. Additionally, enacting any of the proposed changes could have the effect of implying, in a subtle way, that audit committees are not capable of, or effective in, carrying out the responsibilities traditionally reserved for them. We believe that the Board’s intention is to find a way to *supplement* our existing financial reporting; but in practice we believe that the proposed changes would have the effect of *diluting*, and potentially *supplanting* our own reporting to varying degrees to the detriment of users of our financial statements.

We do not believe that implementation of new forms of auditor reporting such as an AD&A is appropriate as contemplated in the Concept Release. An AD&A would undermine the role of the audit committee, which is independent from management and already represents the shareholders in its oversight of and direct communications with the auditors. Furthermore, an AD&A would ultimately provide little incremental value to users of financial statements since, over time, “boilerplate” language would be unavoidable and the information provided in such reports would likely gravitate towards the lowest level of acceptable disclosure for the purpose of minimizing legal exposure. At the same time, auditors would face significant risks by deviating in any meaningful way from the statements and commentary provided by management (or by choosing to highlight different areas), so their reporting would most likely mirror the company’s reporting. The creation of duplicative disclosures would not add value or provide decision-useful information to our investors.

We also believe that requirements to expand the use of emphasis paragraphs in the auditor's report will not be helpful to users of our financial statements and should not be pursued. Emphasis paragraphs would likely shift users' reliance from more qualified sources (i.e., management) to less qualified sources (i.e., auditors). Users of our financial statements should understand our industry and operations, and therefore be able to assess which matters are most significant to their decision-making processes without an auditor's emphasis paragraph directing them where to focus their attention. We believe that the proposals in this Concept Release would actually lessen the incentives for users to perform thorough reviews of our financial statements and notes. Users should read the notes to our financial statements in full, not rely on our auditors to tell them which notes to read, which notes they can consequently ignore, and which estimates are important. If users, after thorough review of the financial statements and notes, have questions about specific disclosures, they may contact a company's dedicated investor relations department for clarification.

While certain investors may demand more transparent disclosure from public companies, we believe that reforms in that area should appropriately come from the standard-setters best positioned to enact them: the Financial Accounting Standards Board ("FASB") and the SEC. If financial information that is currently outside of our financial statements is deemed to be of such importance to investors and other users that auditor assurance is necessary, then GAAP should be amended and the information should be included in the notes to our financial statements and covered directly by the auditor's report. Our auditors are already associated with information outside of our financial statements that is included in various filings or other documents and they perform procedures to assess its consistency with information in the financial statements or information obtained in the course of the audit. Providing assurance on it will not change its quality, relevance, or usefulness.

Finally, we do not believe that clarification of the auditor's report is necessary. The report could not be expanded sufficiently to explain the detailed, nuanced concepts presented in the Concept Release. At the same time, all of these concepts and information on the auditor's responsibilities are fully described in existing public documents that can easily be read and understood by interested users.

Each of the four proposed alternatives adds costs and complexity without meaningfully adding value. In some instances, the proposed concepts may even introduce confusion about the role of management and the integrative nature of the current financial reports, including their MD&A and risk factors. Furthermore, the proposed changes would likely require additional time, delaying quarterly earnings release dates. Many investors would regard a delay in the availability of timely information for assessing company performance to be a significant step *backwards* in the financial reporting process.

Thank you for your attention to our concerns. Attached to this letter is an appendix that contains our responses to the detailed questions posed by the Board in the Concept Release. We hope that these perspectives are of value to you in your deliberation processes. If we can provide further information or clarification of our comments in the meantime, please call any of the signatories listed below.

Sincerely,



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A handwritten signature in black ink that reads "John E. Gallina". The signature is written in a cursive style with a large, looping initial "J".

John E. Gallina
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APPENDIX – Responses to the Board’s Questions

This appendix presents our responses to the questions interspersed throughout the Board’s Concept Release. In preparing this document, we read the Concept Release along with the included illustrations, solicited feedback from various groups and individuals within our companies, and read available comment letters that have already been submitted to the Board and made public. In some instances, we agreed strongly with points made by other commenters and have made similar suggestions; in other cases, our views differed and we commented accordingly. Overall, these responses represent the current views of our five-company group and are not intended to align us with any particular commenter or subset of commenters.

1. Many have suggested that the auditor's report, and in some cases, the auditor's role, should be expanded so that it is more relevant and useful to investors and other users of financial statements.

a. Should the Board undertake a standard-setting initiative to consider improvements to the auditor's reporting model? Why or why not?

No. We believe that the FASB and the SEC, which are responsible for setting standards to ensure that public financial information is relevant and useful to investors, are better suited to consider and propose any such initiatives. We believe the Board should focus its finite resources on overseeing the conduct of auditors within the existing reporting framework in which *companies report and auditors attest*, rather than on remaking a framework that is overseen by the FASB and the SEC.

Fundamentally, we do not believe that “the inability of users to understand the auditors’ report” is a problem that should be solved by the Board. Sophisticated users of public financial information (e.g., institutional investors) generally have the insight and experience to fully understand the roles and responsibilities of auditors without an expanded auditors’ report. At the same time, less-sophisticated users of companies’ financial statements likely would not benefit from expanded auditor disclosures or know how to interpret such disclosures in context. While certain investors may desire more transparent public disclosure, we believe that reforms in this area should come from the standard-setters, like those mentioned above, that are best positioned to enact such reforms.

b. In what ways, if any, could the standard auditor's report or other auditor reporting be improved to provide more relevant and useful information to investors and other users of financial statements?

We believe the standard auditor’s report provides the appropriate amount of information. Although some level of informed understanding regarding the purpose and nature of the report is necessary to fully benefit from its contents, the same is true of financial reporting in general. It is important that users of financial statements accurately understand the scope of an audit – what it is intended to do and what it is **not** intended to do. However, we believe that expanding the auditor’s report into a much longer and more detailed explanation of the audit process may detract from this central goal.

Furthermore, we do not believe that the purpose of an auditor’s report is to “provide relevant and useful information to investors and other users of financial statements.” The auditor’s function is to independently opine on the financial statements and related notes disclosed by the companies

that they audit – not to generate original commentary or content. If the Board believes that information currently presented in public filings is insufficient or irrelevant, the Board should work through standard-setters and regulators to help highlight these deficiencies and effectuate changes to U.S. GAAP. It should not seek to expand the role of auditors’ reports from one of assurance to one of direct financial reporting.

c. Should the Board consider expanding the auditor's role to provide assurance on matters in addition to the financial statements? If so, in what other areas of financial reporting should auditors provide assurance? If not, why not?

The Board should not require that the auditor provide assurance on matters in addition to the financial statements. Our periodic SEC reports contain a significant amount of financial information and discussion outside of the financial statements; and our auditors currently perform additional procedures to gain comfort that all of these additional elements are consistent with the audited financial statements and their understanding of our respective businesses. We believe that most users of financial statements are aware of this and rely on that implicit assurance.

We do not believe that requiring auditors to give **explicit** assurance on these additional elements will improve quality, relevance, or usefulness of the existing disclosures for investors. At the same time, broadening the scope of the auditor’s report would expand the auditor’s legal exposure. The additional amount of work auditors would need to do (the cost of which would be borne by preparers through increased audit fees) to sufficiently protect their firms against this added legal exposure could be staggering. We do not believe that creating significant additional amounts of audit work with little to no improvement in the quality, relevance, or usefulness of the underlying financial information is worth pursuing.

The SEC already has an active role in establishing regulations over MD&A and other sections of public filings with the goal of encouraging companies to provide sufficiently meaningful and detailed information to investors. It is their responsibility to enact changes to reporting requirements when this objective is not being met.

2. The standard auditor's report on the financial statements contains an opinion about whether the financial statements present fairly, in all material respects, the financial condition, results of operations, and cash flows in conformity with the applicable financial reporting framework. This type of approach to the opinion is sometimes referred to as a "pass/fail model."

a. Should the auditor's report retain the pass/fail model? If so, why?

Yes. The auditor’s responsibility is to independently opine on whether or not the financial statements are presented fairly in all material respects, while rendering the appropriate opinion based on that conclusion. The users of financial statements should be able to confidently rely on the opinion issued by an auditor.

We believe that characterizing the current model as “pass/fail” is somewhat misleading. For most public companies, issuing financial statements with a qualified opinion would not be acceptable due to the broad range of users who need reliable information about our businesses. Creating a spectrum of potential levels of auditor comfort (e.g., auditor reporting of information that might conflict with management’s filing or reporting of “close calls” – which would call into question the overall audit opinion on the financial statements as a whole) would be confusing and therefore

unfair to the users of financial statements. Financial statements of public companies should comply with U.S. GAAP or they should not be filed with the SEC; and the current model accomplishes this by essentially forcing companies to “pass.” Other alternatives would result in the public getting less reliable information than they currently receive.

b. If not, why not, and what changes are needed?

As discussed above, the current model incents companies to prepare financial statements that will receive unqualified opinions from their auditors. We believe that this dynamic benefits users of financial information and should not be changed.

c. If the pass/fail model were retained, are there changes to the report or supplemental reporting that would be beneficial? If so, describe such changes or supplemental reporting.

We do not believe that changes to the auditor’s report or supplemental reporting are necessary, primarily because we feel that the current roles of companies and auditors in financial reporting are appropriate and are well understood by users of our financial statements.

3. Some preparers and audit committee members have indicated that additional information about the company's financial statements should be provided by them, not the auditor. Who is most appropriate (e.g., management, the audit committee, or the auditor) to provide additional information regarding the company's financial statements to financial statement users? Provide an explanation as to why.

Additional information, if any, about a company’s financial statements and the underlying estimates, judgments, business plans, and expectations for the future should be provided by its management team, with oversight by the company’s audit committee, and not by the auditor. The management team is in the best position to accurately and meaningfully explain results of operations and forward-looking information, and the audit committee assists the full board of directors in its oversight of the integrity of the company’s financial statements. While auditors have significant, unique knowledge regarding company management and its business and financial information, such knowledge is derived second-hand. A fundamental premise underpinning an audit is seeking objectively verifiable evidence, which can only be gathered from historical financial reporting and not through a focus on forward-looking information. Consequently, management, with the oversight of the audit committee is the only group that can appropriately provide historical context and forward-looking information. In this regard, as discussed above, the FASB and the SEC are the appropriate agencies to implement any enhanced disclosure requirements.

4. Some changes to the standard auditor's report could result in the need for amendments to the report on internal control over financial reporting, as required by Auditing Standard No. 5. If amendments were made to the auditor's report on internal control over financial reporting, what should they be, and why are they necessary?

As discussed throughout our responses, we do not believe that amendments to the standard auditor’s report are necessary. Likewise, we believe the current auditor’s report on internal controls clearly and concisely serves the purpose for which it was intended and does not need to be changed.

5. Should the Board consider an AD&A as an alternative for providing additional information in the auditor's report?

a. If you support an AD&A as an alternative, provide an explanation as to why.

We do not support the creation of an AD&A.

b. Do you think an AD&A should comment on the audit, the company's financial statements or both? Provide an explanation as to why. Should the AD&A comment about any other information?

N/A. Refer to response in question 5a.

c. Which types of information in an AD&A would be most relevant and useful in making investment decisions? How would such information be used?

The framework for ensuring that public-company financial statements provide investors with the relevant, useful information they need in order to make informed decisions already exists in the form of U.S. GAAP and SEC regulations. The implication that investors need more or different types of information is really an implication that this existing framework needs to be reformed by the entities that have authority over public financial reporting. Users of the financial statements are best served by enabling auditors to focus on their job of ensuring that the existing financial reporting framework is being applied appropriately; not by requiring auditors to provide their own original commentary.

For example, the notes to our financial statements that describe estimates for medical costs incurred but not reported (IBNR) explain how these liabilities are subject to uncertainty and are the product of complex actuarial models and judgments that consider many factors. We provide substantial disclosures about the risks associated with this process in the notes to our financial statements, as well as in the MD&A and Risk Factors sections of our Forms 10-K. If, after review by management, our audit committees, *and our auditors*, they are deemed to be in accordance with GAAP, there should be nothing else our auditors could add (in an AD&A or elsewhere) that would make that information more useful or relevant. If our current disclosures under GAAP are deemed inadequate, the SEC and the FASB should undertake a project to amend GAAP accordingly.

Any commentary by our auditors on these IBNR disclosures would likely result in investors reducing the time they devote to reading and understanding our disclosures and increasing the extent to which they ignore other notes to the financial statements that are not highlighted in the auditors' report. Although our auditors do a significant amount of work to gain comfort that our IBNR estimates are not materially misstated, they have neither the time nor the resources to analyze and understand our reserves at the same level of detail that our own companies do.

d. If you do not support an AD&A as an alternative, explain why.

Our current financial reporting framework is intended to provide investors and other stakeholders with financial statements that convey useful, relevant information about our businesses. If the Board does not believe that U.S. GAAP or SEC disclosure requirements serve this purpose, the Board should work with the FASB or the SEC, as applicable, and other relevant stakeholders to ensure that they are achieving the desired objectives. Regardless, the auditor's report should not be expanded into a mechanism that is used to fix perceived shortcomings in our current accounting and reporting models.

The volume of publicly disclosed financial information could seem overwhelming to users of that information. From that standpoint, we can understand the surface appeal of an AD&A or emphasis paragraphs in auditors' reports, which could serve almost as 'executive summaries' of the related reports – directing users to focus on certain information while potentially giving them comfort that they can safely ignore areas that are not highlighted. However, as we discussed in our response to question 3, these determinations about the relative importance of different parts of the financial statements simply cannot and should not be made by our auditors.

e. Are there alternatives other than an AD&A where the auditor could comment on the audit, the company's financial statements, or both? What are they?

We believe that the current auditor's report appropriately focuses on the audit scope and responsibilities and that no changes are necessary. We do not believe that the auditor should be required to further comment on the audit or companies' financial statements. The auditor's job has historically been, and should continue to be, to assess whether or not our financial statements are fairly presented in accordance with GAAP. Requiring auditors to publicly comment on the audit process and financial statements could also create a much more adversarial environment between auditors and management and could inhibit the free flow of information from one to the other.

6. What types of information should an AD&A include about the audit? What is the appropriate content and level of detail regarding these matters presented in an AD&A (i.e., audit risk, audit procedures and results, and auditor independence)?

We do not believe that any of the information proposed for inclusion in a potential AD&A would provide added benefits to users of our financial statements because a report of this type would, in practice, consist of standardized boilerplate language.

Audit risk is conceptually different than business risk, and not all of the risks businesses face impact the scope and conduct of an audit. More reporting on how and when specific audit procedures were conducted will not change how a strategic investor assesses the future prospects of our businesses, and will instead increase audit costs with no corresponding benefits to the investing community.

Furthermore, the Board's existing standards and other publicly-available resources (we agree with other commenters that have highlighted the CAQ Guide as a worthwhile example) already provide in-depth guidance on the techniques and terminology employed by auditors in their evaluations of companies' assertions in public financial statements. These centralized resources obviate the need for additional requirements that could essentially result in thousands of audit reports repeating the same information in a condensed and likely less meaningful format.

7. What types of information should an AD&A include about the auditor's views on the company's financial statements based on the audit? What is the appropriate content and level of detail regarding these matters presented in an AD&A (i.e., management's judgments and estimates, including "close calls")?

A report presenting an auditor's views on a company's financial statements based on established audit procedures is not appropriate and will not achieve the Board's desired objectives. First, out of necessity we believe that these reports will largely become boilerplate language with little, if any, substantive content that would provide additional value to users (as further discussed in our response to question 10).

Second, without significant dialog and context, any information presented will not be useful and may even be misleading. For example, materials presented by auditors to audit committees regarding their views of the financial statements are almost always accompanied by significant discussion and take place within the context of a continuous dialog between those two groups. Third, based on our experiences, we: a) review and discuss with our auditors our disclosures and accounting for material matters, including judgments and estimates that may be considered “close calls” and b) resolve any significant differences in judgment on those matters prior to disseminating our financial information. Therefore, we would not expect any significant additional information that would be useful or relevant to investors to be provided in an AD&A. Rather, any auditor reporting on such matters would be unnecessary and repetitive of information already disclosed by management. Finally, any disclosures of an auditor’s views of management’s judgments or estimates that could be seen as “close calls” would undermine management’s financial reporting and the auditor’s own “unqualified” opinion, creating confusion for users of financial statements and a diluted or piecemeal audit opinion.

Additionally, audit committees, which are independent from management and represent our shareholders, have responsibility for assisting our boards of directors in their oversight of the integrity of our financial reporting, including the topics raised in this question. We believe users, auditors, and others do not have, and should not attempt to exercise, that responsibility. If the Board is of the opinion that audit committees are not effective in that role, it should work with the appropriate regulatory agencies to propose alternatives and take action.

8. Should a standard format be required for an AD&A? Why or why not?

We do not believe that an AD&A is appropriate. If required, AD&A reports would likely become standard boilerplate formats (whether or not standard parameters are required) driven by, among other things, an effort by audit firms to manage their legal exposure.

9. Some investors suggested that, in addition to audit risk, an AD&A should include a discussion of other risks, such as business risks, strategic risks, or operational risks. Discussion of risks other than audit risk would require an expansion of the auditor's current responsibilities. What are the potential benefits and shortcomings of including such risks in an AD&A?

For the reasons previously stated, we do not agree that an AD&A is necessary. Our companies already discuss, in considerable detail, these types of risks in the Risk Factors sections of our Forms 10-K and other SEC reports. Adding such discussion to the auditors’ report is unnecessary, repetitive, and could be construed as an indication that the risk factor disclosures made by management are inadequate or misleading in some way. As previously stated, if there is significant concern that the current financial reporting standards and regulations are not resulting in relevant and useful information, the Board should help communicate these concerns to the SEC and the FASB so that the standard-setters responsible for financial reporting can take action to reform the framework.

If investors have questions pertaining to business, strategic, or operational risks, we believe that they should raise such questions with us rather than looking to our auditors to highlight or discuss those risks for them. Because different users of the financial statements will likely have different interests or concerns when reading our financial information, we currently present and discuss all material risks to our business so that those users can make informed decisions based on their needs. Auditors have traditionally evaluated risk from the standpoint of providing reasonable assurance on the financial statements, not from the viewpoint of a potential investor. Requiring auditors to discuss risks other than

audit risk would essentially be asking them to take on an advisory role for which they do not have the necessary experience or qualifications.

10. How can boilerplate language be avoided in an AD&A while providing consistency among such reports?

Boilerplate language could likely not be avoided in an AD&A given the legal and regulatory environment in which businesses, auditors, and investors operate. We believe this environment will necessarily drive such reporting to the lowest level that would technically meet the applicable requirements in an effort to minimize legal exposure.

11. What are the potential benefits and shortcomings of implementing an AD&A?

We do not believe there would be any potential benefits to users of financial statements in implementing an AD&A.

The very concept of an AD&A undermines our management teams' reporting in MD&A as well as the Risk Factors section of our public filings. Requiring auditors to offer opinions on the same topics that we already discuss implies that company disclosures are somehow 'biased,' incomplete, or imperfect information that needs further clarification by an independent party. As previously noted, comments or concerns as to the completeness or quality of disclosure should be under the purview of the SEC. Attempting to cure perceived inadequate reporting under Regulation S-K by means of the auditor's report is both illogical and inappropriate. If users believe that our reporting under Regulation S-K is inadequate, they should discuss that with the SEC, not the Board.

12. What are your views regarding the potential for an AD&A to present inconsistent or competing information between the auditor and management? What effect will this have on management's financial statement presentation?

We believe that any new language in an auditor report or AD&A will almost certainly conform to company disclosures because the legal and regulatory environments in which we operate effectively require us to agree on common language to minimize legal exposure. The end result would be unnecessary duplication and increased costs with no improvement in audit quality or in the information presented to users. Any unreconciled 'inconsistent or competing information' could be a source of great tension and disagreement between management, audit committees, and auditors and could lead to breakdowns in communication that would diminish the quality of financial reporting and auditing as a whole.

13. Would the types of matters described in the illustrative emphasis paragraphs be relevant and useful in making investment decisions? If so, how would they be used?

We do not believe the matters described in the illustrative paragraphs would be relevant or useful.

The Concept Release suggests that required emphasis paragraphs could highlight the most significant matters in the financial statements, including significant management judgments and estimates and areas with significant measurement uncertainty. In practice, emphasis paragraphs would simply shift users' reliance from more qualified sources (i.e., management disclosures) to less qualified sources (i.e.,

auditors). Users of our financial statements should understand our industry and operations, and thus be able to assess which matters are most significant to their decision-making processes. We believe that requirements proposed in this Release may cause investors and other users to rely on the auditor's report as a roadmap to limit their review of our public filings, including our financial statements and notes. Users should read the notes to our financial statements in full, not rely on our auditors to tell them which notes to read, which notes they can consequently ignore, and which estimates are important.

14. Should the Board consider a requirement to include areas of emphasis in each audit report, together with related key audit procedures?

We do not believe that audit reports should be required to contain such emphasis paragraphs or discussion of key audit procedures. Auditors' descriptions of their procedures would be necessarily brief and general for the purpose of limiting legal exposure, and the inclusion of only certain audit procedures absent a more thorough discussion of the audit strategy, scoping, and risk-assessment could potentially confuse or mislead users. Auditors' reports included with our financial statements are not an appropriate vehicle for delivering long, detailed descriptions of an audit.

15. What specific information should required and expanded emphasis paragraphs include regarding the audit or the company's financial statements? What other matters should be required to be included in emphasis paragraphs?

None – for the reasons discussed in question 14.

16. What is the appropriate content and level of detail regarding the matters presented in required emphasis paragraphs?

None – for the reasons discussed in question 14.

17. How can boilerplate language be avoided in required emphasis paragraphs while providing consistency among such audit reports?

As with an AD&A, we believe that boilerplate language will be unavoidable. Standard language will develop in response to the threat of legal challenges and as a result of the Board's inspection process.

18. What are the potential benefits and shortcomings of implementing required and expanded emphasis paragraphs?

We see no significant benefits.

In addition, serious shortcomings exist insofar as: 1) these emphasis paragraphs could divert users away from information that auditors deem unworthy of emphasis, but which may very well be relevant to the users; and 2) there would likely be a great deal of second-guessing related to matters that were not emphasized.

19. Should the Board consider auditor assurance on other information outside the financial statements as an alternative for enhancing the auditor's reporting model?

No. As previously noted by us and by other respondents, the volume of information outside the financial statements exceeds the amount of information inside the financial statements, which are already complex and potentially daunting to many users. If financial information that is currently outside of our financial statements is deemed to be relevant and useful to investors and other users such that auditor assurance is necessary, then by implication GAAP has not met its objective of providing relevant and useful information in the financial statements. If that is the case, then GAAP should be changed and the information should be included in the notes to our financial statements covered directly by the auditor's report. As stated previously, our auditors are already associated with such information and perform procedures to assess whether any of it is inconsistent with information in the financial statements or obtained in the course of the audit. Providing assurance on it will not change its quality, relevance, or usefulness.

The Board might consider the quality of quarterly reports on Forms 10-Q for comparison. Certain of our companies' auditors do not issue review reports on those statements; but users still know that a filing cannot occur if the auditors object to any inclusions or exclusions from those documents. The same situation exists with respect to the information outside the financials but included in the Form 10-K. Just as requiring a review report in the 10-Q filing would not improve the quality of the quarterly report, including some form of assurance on the other information in a 10-K would not improve its quality.

Auditors may be willing to provide written assurance on information outside the financial statements as a means of expanding the scope of the services they sell to their audit clients. Given the question of whether additional assurance would actually change the quality, relevance, or usefulness of our financial information to users, it seems an unnecessary diversion of resources – both auditors' time and companies' money – to require such assurance.

a. If you support auditor assurance on other information outside the financial statements as an alternative, provide an explanation as to why.

Refer to our overall response to question 19.

b. On what information should the auditor provide assurance (e.g., MD&A, earnings releases, non-GAAP information, or other matters)? Provide an explanation as to why.

Our views on MD&A are in the responses to questions 11, 12, 13, and 19.

Our auditors generally do read and perform limited procedures on earnings releases prior to their issuance; but since these releases occur prior to the completion of the audits, the firms are typically not in a position to provide assurance to the public.

As noted by other commenters, it would likely be difficult for auditors to provide meaningful assurance on non-GAAP information since there are often no standards that govern its form or composition. Different industries and companies within those industries may have different definitions of a non-GAAP metric like EBITDA, for example. Without a governing standard for non-GAAP information, auditors would only be able to opine on the consistent or inconsistent use of a particular concept. We include in our periodic filings certain metrics and statistics that are not defined or considered by GAAP, including membership counts and medical cost ratios. Since there are no GAAP definitions for these terms, our auditors would have no basis in which to ground an opinion on their presentation.

Furthermore, the information outside the financial statements often includes forward-looking statements and estimates, which auditors would not have an ability to opine on considering the difficulty in identifying or obtaining objectively verifiable support for this type of information.

c. What level of assurance would be most appropriate for the auditor to provide on information outside the financial statements?

None. We believe that the current procedures performed by our auditors over information outside of the financial statements are adequate and are well understood by sophisticated users of financial statements. We suggest that the Board consider additional educational initiatives to help less sophisticated users better understand the role and responsibilities of auditors.

d. If the auditor were to provide assurance on a portion or portions of the MD&A, what portion or portions would be most appropriate and why?

As noted above, we believe that requiring auditors to provide assurance on MD&A is inappropriate. To the extent that information in MD&A is derived from our financial statements or is subject to our internal controls over financial reporting, our auditors are already performing audit procedures that are tied to MD&A reporting.

e. Would auditor reporting on a portion or portions of the MD&A affect the nature of MD&A disclosures? If so, how?

We do not believe that auditor reporting on MD&A would significantly change either the form or content of those disclosures. Auditors already evaluate MD&A disclosures for consistency with the financial statements and our underlying records. We would expect to make no significant changes to our MD&A as a result of any auditor attestation.

f. Are the requirements in the Board's attestation standard, AT sec. 701, sufficient to provide the appropriate level of auditor assurance on other information outside the financial statements? If not, what other requirements should be considered?

As discussed above, we do not believe auditors should be required to provide assurance on information outside the financial statements. If the Board, with the assistance of the SEC, concludes that auditor assurance on certain financial information outside the financial statements is necessary, then we believe (similar to other commenters) that such information should be required to be included in the notes to the financial statements and covered by the auditor's report. Requiring an auditor's report to cover specific discrete sections of a public filing located at various places throughout the document would be unnecessarily confusing for users.

g. If you do not support auditor assurance on other information outside the financial statements, provide an explanation as to why.

See our comments above.

20. What are the potential benefits and shortcomings of implementing auditor assurance on other information outside the financial statements?

We see no significant benefits.

The major shortcoming, discussed above, would be the diversion of both companies' and auditors' time and resources to facilitate changes that would not improve the quality, relevance, or usefulness of financial reporting to users.

21. The concept release presents suggestions on how to clarify the auditor's report in the following areas:

- *Reasonable assurance*
- *Auditor's responsibility for fraud*
- *Auditor's responsibility for financial statement disclosures*
- *Management's responsibility for the preparation of the financial statements*
- *Auditor's responsibility for information outside the financial statements*
- *Auditor independence*

a. Do you believe some or all of these clarifications are appropriate? If so, explain which of these clarifications is appropriate? How should the auditor's report be clarified?

We do not believe that attempts to clarify these areas in the auditor's report would be appropriate or helpful to users of our financial statements. As we (along with other commenters) have previously suggested, clarifications on all of these topics can already be found in publicly available documents including the Board's own publications. Discussions of these topics are usually necessarily precise, complex, and nuanced and are more suitably presented in robust stand-alone guides where they can be fully developed. Users of financial statements are better served by the availability of centralized, standardized literature describing the prevailing audit framework than by condensed, varying versions dispersed among thousands of auditors' reports.

We believe that the Board should consider further developing, advertising, and distributing these centralized resources as part of an initiative to help train and educate users of financial statements about the roles and responsibilities of auditors.

b. Would these potential clarifications serve to enhance the auditor's report and help readers understand the auditor's report and the auditor's responsibilities? Provide an explanation as to why or why not.

No. We agree with a previous commenter who suggested that users of financial statements should be responsible for making reasonable efforts to understand the role and responsibilities of an auditor by way of understanding the applicable auditing and financial reporting frameworks. Our auditors' current reports on our financial statements clearly state that they have conducted their audits in accordance with PCAOB standards and that our financial statements are fairly presented in accordance with U.S. GAAP. Anything beyond that would amount to boilerplate language that would simply be repeated in every audit report.

c. What other clarifications or improvements to the auditor's reporting model can be made to better communicate the nature of an audit and the auditor's responsibilities?

None are needed.

d. What are the implications to the scope of the audit, or the auditor's responsibilities, resulting from the foregoing clarifications?

These clarifications relate to the content of the auditor's report, not to the processes and procedures actually employed by auditors. Attempts at "clarification" should not drive changes in the auditor's role or responsibilities.

22. What are the potential benefits and shortcomings of providing clarifications of the language in the standard auditor's report?

As discussed above, we only see potential shortcomings. The language in the standard auditor's report is already very clear and expanding or changing the report would only introduce more opportunities for misinterpretation.

23. This concept release presents several alternatives intended to improve auditor communication to the users of financial statements through the auditor's reporting model. Which alternative is most appropriate and why?

We do not believe that any of the alternatives are appropriately addressed through changes to the auditor's report or its roles and responsibilities.

24. Would a combination of the alternatives, or certain elements of the alternatives, be more effective in improving auditor communication than any one of the alternatives alone? What are those combinations of alternatives or elements?

No. As discussed throughout our responses, an auditor only needs to be able to communicate whether or not a company's financial statements are fairly presented in accordance with GAAP and are materially free of errors. The current form of the auditor's report accomplishes these two objectives clearly and concisely.

25. What alternatives not mentioned in this concept release should the Board consider?

The Board should consider removing this project from its agenda. We believe that our companies' management teams are the most qualified, most appropriate, and most reliable sources for first-hand financial information, discussion, and analysis about the businesses they operate. It is not clear to us how investors and other users of the financial statements would benefit from requirements that would shift the responsibility for financial reporting away from our companies and onto our auditors.

Our companies have had a great deal of experience fielding questions about our businesses and our financial statements from analysts, investors, regulators, and other users of our financial statements. Very few, if any, of these inquiries have dealt with the roles of our auditors, their audit reports, audit procedures, audit risks, or other topics presented in this Concept Release. Based on this experience, it is not apparent to us that any of this additional information needs to be included in an auditor's report.

26. Each of the alternatives presented might require the development of an auditor reporting framework and criteria. What recommendations should the Board consider in developing such auditor reporting framework and related criteria for each of the alternatives?

As discussed throughout our responses, we are not supportive of any attempts by the Board to modify the existing auditor reporting framework or fundamentally change or expand the current roles and responsibilities of auditors. The Board should also refrain from implementing processes that deal with the reporting of financial information (as opposed to the auditing of reported financial information) since other regulatory agencies are primarily responsible for such reporting.

27. Would financial statement users perceive any of these alternatives as providing a qualified or piecemeal opinion? If so, what steps could the Board take to mitigate the risk of this perception?

Yes. To the extent that information presented in auditors' reports: 1) conflicts with either our disclosures or the overall audit opinion on the financial statements or 2) otherwise indicates that certain accounts or disclosures are incorrect or inadequate, the perception of a qualified, piecemeal opinion will be unavoidable. Uncertainty as to whether or not the financial statements are fairly stated as a result of the perceived piecemeal opinion would be a significant problem, because users of the financial statements may determine that they are not able to rely on them despite what is technically an unqualified audit opinion.

Additionally, as noted above, we do not believe that users would rely on an expanded report any more than they rely on the current report. On the other hand, it is possible that any addition of emphasis paragraphs or risk discussion paragraphs would be used as a means to shortcut their responsibilities to read our entire financial statements and the related notes.

28. Do any of the alternatives better convey to the users of the financial statements the auditor's role in the performance of an audit? Why or why not? Are there other recommendations that could better convey this role?

It is not necessary to pursue changes to the standard auditor's report that would likely result in the repetition of boilerplate language that would still fail to be robust enough to fully convey the role and responsibilities of auditors to users who are unfamiliar with the current system. Our recommendation would be for the Board to consider focusing its efforts on providing education about audits and audit requirements to investors and promoting the currently available resources.

29. What effect would the various alternatives have on audit quality? What is the basis for your view?

We see no basis to conclude that the types of auditor reporting discussed in the Concept Release will improve audit quality. On the other hand, expanding the auditor's role into one of financial reporting could instead have the unintended effect of deteriorating the quality of audits and significantly increasing audit costs. As discussed throughout our responses, these proposals would effectively create significant new roles and risks for audit firms. Therefore, the most senior auditors would be required to spend significant amounts of time addressing these new reporting requirements. By distracting these experienced auditors from their core competencies (i.e., auditing) and their most significant responsibilities with the added responsibilities for generating original financial commentary (while attempting to minimize legal exposure) and providing assurance on areas that would be difficult to audit

(e.g., Risk Factors, MD&A, etc.), the Board's proposals would likely dilute the limited resources available to audit firms.

30. Should changes to the auditor's reporting model considered by the Board apply equally to all audit reports filed with the SEC, including those filed in connection with the financial statements of public companies, investment companies, investment advisers, brokers and dealers, and others?

Although we do not support significant changes to the auditor's reporting model, any changes made should apply to all registrants regardless of size or industry. Applying different changes to different industries or registrants would likely confuse users of financial statements, and may have unintended consequences on capital markets.

31. This concept release describes certain considerations related to changing the auditor's report, such as effects on audit effort, effects on the auditor's relationships, effects on audit committee governance, liability considerations, and confidentiality.

a. Are any of these considerations more important than others? If so, which ones and why?

As we and other commenters have already suggested, the proposed changes could potentially undermine the responsibilities and credibility of management teams and audit committees; adversely affect relationships among auditors, audit committees, and our management teams; and increase auditor legal exposure (which therefore increases costs to companies and investors with no added benefits). These are all very significant potential effects that we strongly urge the Board to avoid.

b. If changes to the auditor's reporting model increased cost, do you believe the benefits of such changes justify the potential cost? Why or why not?

Since we see no significant benefits, we see no justification of additional costs. Many of these proposals would likely increase audit time and expense due to increased consultation, enhancements to quality control procedures, and the possibility of increased future litigation costs. Without concrete benefits or added value to offset these additional costs, changes to the auditor reporting model are simply not warranted.

c. Are there any other considerations related to changing the auditor's report that this concept release has not addressed? If so, what are these considerations?

No.

d. What requirements and other measures could the PCAOB or others put into place to address the potential effects of these considerations?

N/A

32. The concept release discusses the potential effects that providing additional information in the auditor's report could have on relationships among the auditor, management, and the audit committee. If the auditor were to include in the auditor's report information regarding the company's financial

statements, what potential effects could that have on the interaction among the auditor, management, and the audit committee?

As only one of the three parties involved in that equation, it is hard for us to fully evaluate how the relationship would change in practice. From our perspective, knowing that auditors would be providing first-hand discussions of our businesses independent of our own could alter the way in which we interact with them. Due to the fact that our current auditing and reporting frameworks are very clear in establishing unique, well-defined roles and responsibilities for both management and auditors, we believe that our relationships with our auditors are strong and open, yet necessarily separate to a healthy degree. Any negative changes to these otherwise effective relationships as a result of the blurring of roles and responsibilities would be harmful to investors.