



December 18, 2020
Mr. Doug Stolte
NAIC/AICPA (E) Working Group
National Association of Insurance Commissioners
2301 McGee Street, Suite 800
Kansas City, MO 64108-2662

Ref: Proposed revision to the Model Audit Rule Implementation Guide

Dear Mr. Stolte:

The American Institute of Certified Public Accountants' NAIC Task Force (Task Force) appreciates the opportunity to discuss our comments on the proposed revision to the Model Audit Rule (MAR) Implementation Guide related to the auditor qualifications letter.

We agree that including the date at which the engagement partner started in that role could be helpful to regulators in order to verify compliance with partner rotation requirements. The illustrative auditor qualifications letter included in both of the AICPA Audit & Accounting Insurance Guides already contains the following wording:

The engagement partner has served in that capacity with respect to the Company since [year that current term started] is licensed by the [state name] Board of Public Accountancy and is a member in good standing of the American Institute of Certified Public Accountants.

We believe this information, which is already provided in the annual auditor qualifications letter is sufficient to facilitate review and verification of compliance with audit partner rotation. In addition, as the Working Group is aware, an insurer's audit committee is responsible for oversight of the audit of the insurance entity. This includes the monitoring and enforcement of the auditor independence rules under Section 7 of the MAR, which incorporates lead audit partner rotation considerations, and results in a third-party monitoring partner rotation.

The proposed revision also requires that the name of the engagement partner be included in the annual auditor qualifications letter. Such information would not be necessary for regulators to verify compliance with partner rotation requirements. We respectfully request that the Working Group reconsider the proposed revision, particularly because auditor qualifications letters are publicly available on the NAIC website (as well as other non-confidential sources). We, therefore, believe it is inappropriate to include the name of the engagement partner, as it raises privacy concerns for the individually named partners, may result in the unintended consequence of increased litigation risk for the partners being inappropriately named in their individual capacity, and would not enhance the quality of the audit.

In the event the Working Group determines that the proposed revision be adopted in its current form, we strongly urge the Working Group to take steps to ensure that the auditor qualifications letter be kept confidential and not be publicly available. Alternatively, if the auditor's letter is to remain publicly available, we respectfully request that a separate disclosure process be used to provide the name of the engagement partner by the audit firms to the regulators, and that such information be classified as confidential to alleviate concerns of personal privacy and mitigate unnecessary litigation risks. The Task Force believes that keeping the names of the individuals confidential is a balanced and reasonable approach that will allow regulators to obtain the information required while still protecting the privacy of the named engagement partners.

We appreciate the opportunity to express our views. If you should have any questions regarding our comments, please contact me at (440) 893-0010 or Kim Kushmerick, AICPA at (212) 596-6160.

Sincerely,

Jean Connolly
Chair - AICPA NAIC Task Force

CC:
Tracy Harding, Chair - ASB
Angela Newell, Chair – FinREC
Dan Noll, Senior Director – Accounting Standards