

September 7, 2015

Submitted via email

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number S7-13-15 Concerning Possible Revisions to Audit Committee Disclosures

Dear Mr. Fields, Chair White, and Commissioners:

This letter represents comments on the Securities and Exchange Commission's (the "SEC") concept release (the "release"), "Possible Revisions to Audit Committee Disclosures." To provide some background, I am currently serving as the chair of the audit committee for the public company CNO Financial Group Inc., which is listed on the New York Stock Exchange. I began my career in 1974 and served for many years as chief actuary and chief financial officer for several major insurance organizations prior to my retirement in 2009. I am a Fellow of the Society of Actuaries and a retired member of the American Academy of Actuaries. I am also a member of the National Association of Corporate Directors and currently serve on its Advisory Council on Risk Oversight. The comments in this letter have been reviewed and endorsed by the entire audit committee of CNO Financial Group Inc.

We believe that audit committees in general are fulfilling their fiduciary responsibilities in an exemplary manner. We also agree that these committees could do a better job of communicating the important work they do to investors and the general public. Enhancement of disclosures need not result only from regulatory rule expansion. In fact, expanded regulation could have a dampening impact on the effectiveness of current audit committee functioning. Disclosure expansion that is driven by the market and best practices would be preferable to the use of regulatory requirements.

We commend the SEC for addressing the important topic of evaluating audit committee disclosures and appreciate the opportunity to provide comment. While there is always room for improvement in the area of disclosure and the relative value of any disclosure is subject to the view of the reader, we find that many of the proposed disclosure topics in the release present potential for enhanced litigation risks without commensurate offsetting value to investors. Registrants will likely attempt to mitigate these risks through review by internal and external counsel resulting in incremental preparation time and costs as well as a migration to "boilerplate language" of little value to investors.

We have already seen enhancement of audit committee disclosures on a best practice basis in response to several recent benchmarking reports such as "Enhancing the Audit Committee Report: A Call to Action" and the Ernst & Young publication "Audit Committee

reporting to Shareholders: 2013 Proxy Season Update”. It does not appear to be good regulatory oversight to develop rules at the level of industry best practices.

The Sarbanes-Oxley Act and SRO listing standards already outline what an audit committee is, its membership and its fiduciary and functional responsibilities. In addition, Regulation S-K specifies disclosure requirements and Item 407 of the regulation requires disclosure of whether the audit committee has a charter. The charter then outlines the duties of the audit committee and its members. It seems redundant to then require disclosures that simply outline that the audit committee fulfilled its duties as outlined in these requirements. It further seems of little real value to investors to articulate in some fashion, if possible, how the committee is fulfilling its responsibilities.

There are, however certain disclosures that may be of value to investors and would not require registrants to incur significant cost. Examples of such disclosures include:

- A description of the process undertaken in the selection and retention of the audit firm.
- Disclosure that the audit committee has discussed and resolved to their satisfaction the results of recent PCAOB inspection reports of their audit firm.
- A statement affirming that the required disclosures under PCAOB Auditing Standard 16 “Communications with Audit Committees” have occurred.

The concept release states, *“These additional disclosures are voluntary, not consistently provided and may vary among registrants, depending on company characteristics.”* This may be due to many causes, not necessarily related to whether an audit committee is thoroughly and properly fulfilling its fiduciary responsibilities. It seems that this is the very nature of open disclosures regarding the matters deemed most appropriate for investors by the audit committee. Regulating specific form and content for the appearance of consistency would lead to standard language disclosure of little or no value to investors relative to the time, effort and cost to the registrant.

The remainder of this letter will address specific areas of the release of most concern.

FOCUS ON AUDIT COMMITTEE OVERSIGHT OF THE AUDITOR

Question 3 (*Would investors find additional or different audit committee reporting requirements useful given the committee’s strengthened and expanded role in overseeing a company’s independent auditor that resulted from the Sarbanes-Oxley Act? For example, to what extent is information regarding how the audit committee discharges its responsibilities useful to investors given the nature of the requirements and likely variability in performance? Also, are there particular audit committee responsibilities for which information would be likely more or less useful and why?*)

- Meaningful governance is driven from qualitative discussions driven by thoughtful and experienced directors. This type of governance is not easily described in a formal disclosure document. Disclosures may capture the simple elements of frequency of meetings or general topics discussed, but do not provide real insight

into the quality, breadth or depth of the conversations. Providing detailed disclosure of the discussions held by the audit committee would be akin to publishing the meeting minutes and may have the unintended consequence of reducing the substance of these very discussions or potential misunderstanding of the intent or content of the discussions.

Question 6 (*Should the audit committee provide disclosure of its work in other areas, for example, its oversight of the financial reporting process or the internal audit function? If so, what types of disclosures would be most useful and why?*)

- The current level of disclosure is appropriate to provide investors with an understanding of the registrant's governance structure and framework. Similar to comments related to question 3 above, delving into specific description of the substance of conversations has the potential for unintended consequences.

Additional Information Regarding the Communications between the Audit Committee and the Auditor

Question 8 (*Should the Commission update the existing disclosure requirements to include all communications required by Commission rules and PCAOB standards rather than only those required by AS 16? Would expanding the requirements to encompass all required communications create difficulties for issuers or audit committees in complying with the disclosure requirements? Why or why not?*)

- Expansion of this requirement would not cause undue burden as long as issuers were not required to list out each communication separately. A requirement to list each communication individually would increase the length of the document without adding meaningful substance for investors. In addition, maintaining necessary record keeping of each non-required or informal communication by the audit committee as well as the auditor in preparation for disclosure would add cost and administrative burden on both parties without commensurate value to the investor.

Question 9 (*Should there be disclosure about the audit committee's consideration beyond a statement that they have received and discussed the matters communicated by the auditor as required by PCAOB Rule 3526, Communication with Audit Committees Concerning Independence? If so, what should be included in the disclosure?*)

- In our view, the current communication provides investors with an understanding that the required disclosures have occurred. This provides the reasonable inference that the audit committee has acted upon those communications. Further disclosure would be redundant and of little value.

Question 11 (*Should there be disclosures regarding the nature or substance of the required communications between the auditor and the audit committee? Are there other types of communications between the audit committee and the auditor about which the Commission should consider mandating disclosure?*)

- No, additional disclosure regarding the substance of these conversations may have the impact of reducing the openness of these communications between the auditor and audit committee. Additionally, many registrants may react by carefully managing the wording of any such disclosures, which will greatly reduce the effectiveness of such disclosures. There is a risk of movement to mediocrity and boiler plate language heavily edited by both parties' legal counsel.

Question 14 (*Communications between the auditor and the audit committee may not be limited to the items required by Commission rules and PCAOB standards. Should the audit committee report be required to disclose any information about the extent to which additional matters were discussed with the auditor? If so, what level of detail should be required?*)

- No, additional disclosures are by their very nature a broad topic and while certain disclosures may make sense, a mandate to disclose these would not provide clarity to registrants or substantial value to investors. To the extent a registrant believes such additional disclosures to be appropriate; they can currently make such disclosures without a requirement.

The Frequency with which the Audit Committee Met with the Auditor

We do not believe that mandating a disclosure regarding the frequency of meetings with the audit committee, including meetings without management present, provides meaningful information to investors. The fact that a meeting was held does not necessarily mean that the substance of the meeting was significant or valuable. Mandated disclosure of the frequency of meetings may result in an inordinate focus on the volume of meetings as opposed to the substance of such meetings. In addition, the simple number of meetings is not necessarily indicative of good governance and in some cases may be a result of the significance of problems that need to be addressed, but may give a misleading impression to the investor.

Review of and Discussion about the Auditor's Internal Quality Review and Most Recent PCAOB Inspection Report

Question 20 (*Would disclosure about the audit committee's review and discussion of the audit firm's internal quality-control review and most recent PCAOB inspection report be useful to investors? If so, what types of disclosures should be made in this regard? Would disclosures about the nature and extent of such discussions be useful without disclosure of the specific review or inspection results? Should the disclosures include information about how the audit committee considered any deficiencies described in the PCAOB inspection report on the audit process? If not, why not?*)

Although disclosure that such a conversation has occurred would not be particularly onerous to registrants, required disclosures of the substance of the conversations presents the enhanced risk of shareholder litigation and may result in registrants providing very generic disclosures. In addition, such disclosures may lead to less open discussions between audit committees and audit firms.

Question 22 *(Should we require disclosure about how the audit committee considered the results described in PCAOB inspection reports in its oversight of the auditor? Why or why not?)*

- No, the PCAOB report is not always timely and, in many cases, the issues discussed in the report have been addressed by the accounting firm long ago. By the time disclosures by the audit committee are made, even more time will have elapsed. The PCAOB inspection reports are only one of many elements that an audit committee may review when evaluating the performance of an audit firm. Specific disclosure of the considerations of the PCAOB report by the audit committee may place undue weight to this single topic and be of little value to the investor.

Whether and How the Audit Committee Assesses, Promotes and Reinforces the Auditor's Objectivity and Professional Skepticism

Question 24 *(Would investors find disclosure about whether, and if so how, the audit committee assesses, promotes, and reinforces the auditor's objectivity and professional skepticism useful? Why or why not?)*

- The proposed disclosure would be difficult to describe. Assessing auditor objectivity and professional skepticism is a qualitative determination most often developed over time with observed experience of the auditor in the manner they challenge assumptions, controls, and procedures among other items, and address professional or judgmental differences. Additional disclosure is not likely to be meaningful to investors as registrants will focus on 'boilerplate' language to simplify this judgmental process and reduce the risk of misinterpretation.

Audit Committee's Process for Appointing or Retaining the Auditor

How the Audit Committee Assessed the Auditor, Including the Auditor's Independence, Objectivity and Audit Quality, and the Audit Committee's Rationale for Selecting or Retaining the Auditor

Question 26 *(What types of disclosures could be made regarding the process the audit committee undertook to evaluate the external audit and performance and qualifications of the auditor, including the rationale for selecting or retaining the auditor?)*

- This disclosure is currently done by a number of companies and does not appear to put undue burden on registrants. However, like other proposed disclosures, this disclosure presents the risk that there will be a migration to 'boilerplate' language that is not useful to investors. Below are examples of potential areas of disclosure:
 - professional qualifications of the firm and the lead audit partner;
 - assessment of the quality and candor of the firm's communications with the audit committee and the company;
 - evidence supporting the firm's independence;

- assessment of the quality and efficiency of the services provided by the auditors;
- the auditors' capability and the auditors' technical expertise and knowledge of the company's operations and industry.

If the Audit Committee Sought Requests for Proposal for the Independent Audit, the Process the Committee Undertook to Seek Such Proposals and the Factors They Considered in Selecting the Auditor

- Requiring disclosure of proposals for audits has the potential for harm, as it may create an expectation for periodic re-proposals on the part of investors. While there is value in assessing the market and understanding the capabilities of other audit firms, there is significant cost to the registrant as well as to the audit firm and other firms involved in a formal request for proposal. This is not to say there is no value in such formal processes, but it should not be driven by arbitrary time frames or investor expectations if the current audit firm is performing satisfactorily and efficiently.

The Board of Directors' Policy, if any, for an Annual Shareholder Vote on the Selection of the Auditor, and the Audit Committee's Consideration of the Voting Results in its Evaluation and Selection of the Audit Firm

Question 32 (If there are a significant number of votes against the ratification, and the board nevertheless proceeds with the auditor in question, should the audit committee report provide the reasons why the board determined to go forward with that auditor? If not in the audit committee report, where should this information be provided and when should it be provided?)

- Disclosure of the audit committee reasoning may be helpful to investors in this event. The term 'significant' would need to be better defined if this were to be a required disclosure. This topic alone would not justify the development of new requirements for audit committee disclosure.

Qualifications of the Audit Firm and Certain Members of the Engagement Team Selected By the Audit Committee

Question 34 (Would disclosure of the name of the engagement partner be useful to investors? Would disclosure of any additional members of the engagement team be useful and, if so, which? (For example, should the names of all partners who are required to rotate under SEC independence rules be disclosed? Why or why not?))

- Naming of audit partners or other engagement members is more appropriately done by the audit firm. We do not believe that the names of audit partners would be sufficiently meaningful to investors to accomplish anything beyond a perception of greater accountability. Some investors may find this disclosure of value. However, if it were to be done, it should be provided based on PCAOB requirements, rather than in the audit committee report.

Audit Committee Input in Selecting the Engagement Partner

- While it is generally understood that the audit committee is heavily involved in this process, it would seem that disclosures in this area would inevitably trend toward generic disclosures.

The Number of Years the Auditor has Audited the Company

Question 45 (*Should the audit committee's report include information about the length of the audit relationship? What types of disclosures could the audit committee make in this regard? Should it be just the years of auditor tenure?*)

- The length of auditor tenure would be relatively easy to determine and disclose, but the value to investors is unclear. Perceptions could be created that having the same auditor for a long period is 'negative' and potentially implies lack of independence. This seems to be a 'backdoor' approach to mandatory audit firm rotation. It would be preferable to address the concept of audit firm rotation separately on its own merits rather than through disclosure requirements.

Location of Audit Committee Disclosures in Commission Filings

We believe that a single location for the audit committee report is preferable. We believe that the annual meeting proxy statement is the best location for such disclosures, since that is the source of information for the shareholder to decide on the election, or re-election, of board members as well as deciding on ratification of the external audit firm for the company.

ADDITIONAL REQUEST FOR COMMENT REGARDING AUDIT COMMITTEE DISCLOSURES

Question 55 (*Should additional disclosures, such as those presented in Section VI, be required, or should they be voluntary as they are today? Should the Commission consider requiring specific disclosures, or requiring certain categories of disclosures? If so, which categories?*)

- Additional disclosures, such as those presented in Section VI, should remain voluntary and should be driven by marketplace concerns of investors and developing best practices. There has been significant recent movement in voluntary disclosures to provide additional information to investors. At this point our audit committee has not been made aware of any investors or investment analysts requesting a greater level of disclosure regarding the activities of the audit committee. Our audit committee has voluntarily expanded its disclosures as a matter of best practice in line with the recommendations of recent benchmarking reports such as "Enhancing the Audit Committee Report: A Call to Action" and the Ernst & Young publication "Audit Committee reporting to Shareholders: 2013 Proxy Season Update".

Question 57 *(Would the disclosures prompt the audit committee to change how it oversees the auditor? If so, how?)*

- We do not believe that the proposed disclosures would fundamentally improve how the audit committee oversees the external audit firm, and could have a material negative impact on the committee/auditor interaction and relationship. Audit committees are already bound by their fiduciary duty to the shareholders and are equipped with a variety of best practices. More extensive disclosure requirements of the substance of communications between audit committees and their public accounting firms would materially impact the nature of those discussions as well as add to the cost and time required to record and present the disclosures without commensurate value to the investors. In addition, the time required to prepare such disclosures would detract from time that would otherwise be spent performing the duties of the audit committee.

Question 60 *(Would the disclosures discussed herein result in boilerplate information? If so, how could the requirements be crafted to avoid boilerplate disclosure?)*

- Given the ever present risk of securities litigation, most companies will likely resort to the use of boilerplate language to help mitigate their risk. We do not believe that the rule or regulation can be crafted in a manner that would reduce the risk of securities litigation to a point that would make registrants feel comfortable moving away from the use of boilerplate information.

Question 61 *(Would any of the additional disclosures discussed in this concept release result in disclosure that is not useful to investors? Why or why not?)*

- The additional disclosures contemplated within the release will further increase what are already long and detailed documents rife with legalese and boilerplate language. The benefit of additional disclosure must be weighed against the decrease in readability and value that accompanies a larger document for investors and the costs to create such a document for registrants.

Question 66 *(The audit committee disclosure requirements may reference other documents, such as an audit committee charter. Should such documents be provided along with the required disclosures? If not, should information be provided to help locate the information referenced? Why or why not? Should information be hyperlinked? If so, are there any unintended consequences or implementation challenges that may result from information being presented in this manner?)*

- Other documents that are incorporated by reference should be hyperlinked or their location provided rather than be included in order to reduce the size and increase the usability of the overall document. Requiring inclusion of such documents may not be appropriate, as these documents were generally

intended for more specific purposes or more limited distribution. Requiring inclusion of these documents would likely result in the documents being redesigned and reworded to protect from risks related to formally filed registrant materials.

Question 69 (*Expanded disclosures may have direct and indirect economic impacts on market participants. What direct and indirect economic impacts would these disclosures have on market participants? Are there any unintended consequences that could result from such disclosures with respect to audit firms, individual audit partners, audit committee members, audit committees, issuers, investors, or others? For instance, could potential changes chill or overly formalize audit committee communications with auditors? Are there specific liability implications with respect to additional disclosure made by the audit committee? If so, please describe.*)

- There is no doubt, in our view, that there will be a direct impact on market participants as it relates to both internal and external costs to maintain precise records, as well as prepare and review these additional disclosures, if required. Additionally, the new required disclosures may open up additional avenues of securities litigation and regulatory action, thereby increasing the costs and risks to registrants. The very nature of the potential risks will change the content and nature of the discussions that registrants have with the audit firms and partners. Rather than the open, free-form, wide ranging discussions currently conducted between these parties on many market, regulatory, accounting, control, judgment and business matters, the discussions would become more formal, more limited and more guarded.

Question 74 (*Should the Commission consider the potential for changes that would affect the role and responsibilities of the audit committee, such as those related to qualifications of members of the audit committee or areas for which audit committees should (or should not) be responsible? Should the audit committee disclose its role, if any, in risk governance? Should the audit committee report on other areas of oversight? For example, audit committees may be charged with overseeing treatment of complaints, cyber risks, information technology risks, or other areas. Would this disclosure distract from the report's focus on oversight of the audit function? In this regard, we note that commentators have recently indicated concern that audit committees are becoming the catch all of board committees by overseeing anything related to risk.*)

- Changes which impact the role of the audit committee should be handled separately from the topic of disclosure. This topic has much greater substance to registrants than disclosure and should be given a full vetting on its own rather than co-mingling with the topic of disclosure. For purpose of a more direct response, our initial reaction is that this is not an area for detailed and specific requirements or regulation. Each registrant is unique in its business,

market, and internal structure. The role of the audit committee varies widely between registrants and a 'cookie-cutter fits all' approach is impractical, unmanageable and potentially destructive. Many companies deal with risk management in varied ways from formation or assignment of oversight of specific risks to standing board committees to retaining elements of risk management as an overall board function. Making regulations that specifically assign these matters to the audit committee role would be regulatory overreach and non-productive and potentially damaging for both registrants and investors.

Conclusion

Audit committees have an increasingly heavy responsibility assuring that a registrant's public filings are accurate and all financial reporting is complete and accurate and in accordance with applicable principles and requirements. In addition, an effective audit committee communicates with investors and other interested parties key information regarding its increasingly important duties and activities. Recent studies and papers indicate an increased interest in a better understanding of how audit committees carry out their work. In our view, this is best done by market driven change, some of which we have already seen in recent reports. Industry best practices are best implemented when investor demand or practical expediency calls for change rather than regulatory requirements.

The release has certainly increased the dialogue regarding audit committee report content and potentially could lead to further disclosure improvements but it is essential that further requirements, if any, be balanced to provide real value for the investor community and not simply increase cost to registrants, increase litigation and cause a migration to simply a more lengthy report filled with legalese and boiler plate language while destroying meaningful discussions between registrants and their audit firms.

Thank you for considering these comments and we would be pleased to answer any questions you may have.

Sincerely,

Robert C. Greving
Audit Committee Chair
CNO Financial Group Inc.

CNO Audit and Enterprise Risk Members:
Mary R. (Nina) Henderson
Neal C. Schneider
Charles Jacklin