

Edward L. Rand, Jr.

President and Chief Executive Officer

205.802.4718 direct

800.282.6242

edwardrand@proassurance.com

ProAssurance Corporation

100 Brookwood Place

Birmingham, AL 35209

ProAssurance.com



August 7, 2023

Ms. Phoebe W. Brown
Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

Re: *Proposed Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations (PCAOB Release No. 2023-003, June 6, 2023; PCAOB Rulemaking Docket Matter No. 051)*

Dear Ms. Brown:

This letter concerns the Public Company Accounting Oversight Board's ("PCAOB" or "Board") Exposure Draft ("Exposure Draft" or "Proposal") on *Company's Noncompliance with Laws and Regulations* ("NOCLAR"). On behalf of ProAssurance Corporation (NYSE:PRA), I urge the Board to reconsider the Proposal, as it raises substantial concerns for our company and the business community.

The Proposal would significantly expand the scope of public company audits by establishing new auditor obligations and responsibilities that go beyond existing requirements of the PCAOB and the International Auditing and Assurance Standards Board, as well as requirements of Section 10A of the Exchange Act. To comply, auditors likely would need to engage attorneys and other specialists, increasing the time, complexity, and cost of every audit and increasing the number of matters to be discussed with registrants' audit committees. These changes would significantly increase both our audit costs and our internal costs, without any clear corresponding benefit. The burden of additional costs – measured in both time and dollars – is especially acute for smaller public companies like ProAssurance (with approximately 1,100 employees and shareholders' equity of \$1.1 billion as of year-end 2022).

Moreover, the new auditor responsibilities would fundamentally alter the audit function by inserting auditors into our legal and management functions and decisions. Auditors may be put into a position to second-guess conclusions of corporate legal counsel regarding whether noncompliance may have occurred. The requirement that auditors perform "enhanced risk assessment procedures" could result in auditors second-

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guessing how we allocate our financial and human resources. Ultimately, the proposal would divert the time and attention of the auditor, our management, employees, and our audit committee away from financial reporting to focus on NOCLAR.

We are concerned that the Proposal introduces new, imprecise, and undefined terms to guide the auditor's efforts to evaluate the potential occurrence of NOCLAR, such as "could reasonably have a material effect," "has or may have occurred," and "likely to have occurred." The "could reasonably" standard is unbounded and imprecise and would not provide auditors with a practical filter or guide for which laws and regulations to evaluate. The Proposal does not provide sufficient clarity on how auditors should determine which among the many, often complex and highly technical, laws and regulations that apply to our company's business operations "could reasonably have a material effect on the financial statements." Further, the conditional terminology employed by the Proposal – such as "likely," "may," and "might" – including a requirement to report to the audit committee "information indicating that noncompliance . . . may have occurred" – would create serious challenges in determining precisely which instances of NOCLAR to prioritize, while burdening our audit committee in the process.

Importantly, auditors do not have the legal training and expertise needed to complete the expansive review of all laws and regulations that apply to our company as would be required by the Proposal. Simply put, auditors are not lawyers, and they do not have the other specialized skills needed to assess compliance with laws and regulations that lack a financial statement focus.

Finally, our primary business is the highly regulated casualty insurance business, and we have extensive existing processes, procedures, and controls designed to assure compliance with all applicable laws and regulations. We already are subject to the jurisdiction of various state and federal regulatory authorities with the responsibility to examine, monitor and enforce laws and regulations applicable to our business, and to assess penalties for noncompliance. Auditors have rightly played a role in identifying illegal acts by clients as part of financial statement audits under the existing PCAOB standard. We respectfully submit, however, that auditors should not be expected to do the combined work of lawyers, management, and regulatory and law enforcement authorities in rooting out noncompliance related to *all* laws and regulations.

We appreciate your attention to our concerns and look forward to seeing these items addressed in any finalized standards.

Sincerely,



Edward L. Rand, Jr.
President and Chief Executive Officer