



December 14, 2011

Mr. Martin Baumann
Chief Auditor and Director of Professional Standards
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 37 – Concept Release on Auditor Independence and Audit Firm Rotation

Dear Mr. Baumann:

Markel Corporation (Markel) is a global, specialty property and casualty insurer headquartered in Richmond, VA. Markel is a large accelerated filer, and our common stock is traded on the New York Stock Exchange. In response to the PCAOB's recently issued concept release on auditor independence and audit firm rotation, we submit the following comments for your consideration.

We recognize and support the Board's efforts to continue to enhance auditor independence, objectivity and professional skepticism. However, we do not support the proposal to require mandatory audit firm rotation. Mandatory audit firm rotation would represent a significant change in practice that would affect our financial reporting risk, corporate governance and costs.

Our concerns regarding mandatory audit firm rotation are as follows:

- ◆ We do not believe that mandatory audit firm rotation would improve audit quality. Due to the learning curve that audit firms face, we believe that mandatory rotation would reduce the effectiveness and efficiency of the audit by eliminating the benefits derived from the cumulative knowledge an audit firm builds over time about both the company and the industry in which it operates. In an environment of increasing complexity, these challenges would have negative implications for audit quality, investor protection and the integrity of financial processes and systems.
- ◆ There is currently no compelling evidence that links audit firm tenure to audit failures or lack of auditor independence, objectivity and professional skepticism. In fact, research has indicated that audit quality does not improve in jurisdictions with mandatory audit firm rotation and may actually suffer in the early years of an engagement.
- ◆ The time a new auditor would have to spend to become familiar with our business, financial reporting and related controls and processes could significantly increase the cost of an audit. In November 2003, the General Accounting Office issued a report entitled

Public Accounting Firms: Required Study of the Potential Effects of Mandatory Audit Firm Rotation. The results from this study estimated that first-year audit-related costs would increase by as much as 102% as a result of an audit firm rotation. In addition to the increased costs, we believe that having a new audit firm would result in the disruption and interruption of company personnel due to the work associated with the learning curve necessary for auditors to gain the in-depth knowledge of our operations and processes that would be essential for conducting an effective audit.

- ◆ We believe that our Audit Committee should continue to have the autonomy to appoint and retain the audit firm they believe will best meet our shareholders' needs based on the firm's experience and industry knowledge, instead of being forced to choose an auditor due to a mandated rotation requirement. A mandatory firm rotation requirement would take away discretion from our Audit Committee to do what is in the best interests of Markel and our shareholders. We believe that our Audit Committee is best positioned to evaluate whether our auditors are independent, objective and are exercising the proper level of professional skepticism.
- ◆ Business transactions that have a significant impact to our financial statements may span multiple accounting periods and could potentially span rotation periods. Due to the complexity of such transactions and the related financial reporting implications, the transition to new auditors could cause additional risk and costs.
- ◆ We believe that the existing audit partner rotation requirements, enacted to enhance auditor independence and audit quality, promote objectivity and make audit firm rotation requirements unnecessary. Audit firm peer review requirements as well as the enforcement means already provided through the PCAOB inspection process have added a level of oversight relative to auditor independence that has not yet been proven insufficient.
- ◆ The number of audit firms with an international presence and specialized industry knowledge, particularly at the local office level, is limited. This raises concerns around the timing of transition, availability of audit firm resources and industry expertise. Mandatory audit firm rotation would provide less options to staff audit engagements in a cost effective manner and with comparable skill sets.
- ◆ The estimated fair value of Markel's investment portfolio, including fixed maturities, equity securities and short-term investments, was \$7.7 billion as of September 30, 2011. We seek to invest in profitable companies, with honest and talented management, that exhibit reinvestment opportunities and capital discipline, at reasonable prices. From our perspective as an investor, whether or not a company is subject to a mandatory audit firm rotation requirement would not impact in a meaningful way our evaluation of or our decision to make an investment in a particular company.

In conclusion, we do not believe that mandatory audit firm rotation would meaningfully improve the independence, objectivity and professional skepticism of our external auditors. The costs associated with mandatory audit firm rotation, which are real, significantly outweigh the potential benefits to the users of the audited financial statements, which are speculative. Based on the requirements created by the Sarbanes-Oxley Act of 2002 and due in part to the functions of audit committees which oversee the auditors, we believe that the

regulatory environment that currently exists is a sound one and one that fosters auditor independence.

We appreciate the opportunity to share our views regarding auditor independence and audit firm rotation.

Sincerely,



Nora N. Crouch
Controller and Chief Accounting Officer
Markel Corporation

Cc: Stewart M. Kasen, Chairman, Markel Corporation Audit Committee
Anne G. Waleski, Vice President and Chief Financial Officer, Markel Corporation