Manulife Financial

September 18, 2006

Ms. Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number S7-11-06

Dear Ms. Morris:

We appreciate the opportunity to provide comments to the Commission on this very important regulation. In reviewing the "Concept Release Concerning Management's Reports on Internal Control Over Financial Reporting" we believe that the SEC has the opportunity to enhance the guidance and reporting requirements for SOX, and reinforce a risk-based, top down approach. Such an approach best serves the interests of stakeholders by providing assurance over the real key controls, and doing so at a cost that does not disproportionately impact shareholder value.

Secondly, we believe that the guidance issued in May 2005 was a good first step in clearing some of the misunderstandings between companies and their audit firms. We hope that further guidance will provide additional clarity as we believe there is still a very stringent interpretation of the regulation, which has required us and many other organizations to develop documentation that is too granular and does not properly differentiate between the risks of a routine and non-routine process, or allow reliance on the broad base of evidence that supports our control environment. As a result, we encourage the Commission to consider the following recommendations:

Introduction

1. *Would additional guidance to management on how to evaluate the effectiveness of a company's internal control over financial reporting be useful?*

   Additional guidance is needed in (a) the role of entity level controls in reducing the work required in relation to transaction level controls (b) concept and application of risk based approach (c) conditions required to support a rotational test plan (d) extent of evidence required (e) definition of key controls. We believe properly framed, such guidance is relevant to all registrants (not just a subset) and the benefits of the additional clarity far outweigh any limitations.

2. *Are there special issues applicable to foreign private issuers?*

   We do not believe that there would be any special issues applicable to us as a foreign filer that would not be consistent with domestic filers. However, with the Financial Services industry being strongly regulated throughout North America, we believe that there are opportunities to leverage the inspections already being performed by various regulatory bodies. For a company of our size and geographic dispersion, we are regulated in every country where significant operations exist. In some cases there is considerable overlap between these regulatory bodies, for which no reliance can be placed on for Section 404 compliance, which should be reconsidered.

3. *Should additional guidance be limited to articulation of broad principles or should it be more detailed?*

   Based on our experience, any guidance that is too broad becomes subject to interpretation, which has caused considerable confusion, strained client/auditor relationships, and has significantly increased the overall cost of compliance. It is our view that guidance could be conceptual with additional details provided through interpretation bulletins, Q&A or similar.

4. *Are there additional topics, beyond what is addressed in this Concept Release that the Commission should consider issuing guidance on?*

   The May 2005 guidance deals with concepts underlying the evaluation of controls while this release deals with the steps undertaken to complete the evaluation. To the extent that any release provides guidance on both the concepts underlying the evaluation and the application of those concepts in performing the evaluation, we believe no additional guidance is required. Currently, confusion exists around both.

5. *Would additional guidance in the format of a Commission rule be preferable to interpretive guidance?*

   Establishing a clear benchmark/rule may take much of the ambiguity out of the interpretations, however, there does need to be an element of judgement as not all circumstances are the same and interpretive guidance may offer the flexibility that will be required.

6. *What types of evaluation approaches have managements of accelerated filers found most effective and efficient?*

   As a foreign filer, 2006 is the first year of certification for our company. We have been focused on year 1 compliance and have not had the ability to evaluate differing approaches.

7. *Are there potential drawbacks to or other concerns about providing guidance that the Commission should consider?*

   Consistent with many participants' comments at the SEC Roundtable, we believe that the May 2005 guidance was effective in providing companies and audit firms a clearer map for implementing Section 404 compliance. Even with the additional guidance in May, we did note that there were interpretation differences with ourselves and our auditors therefore any opportunity to increase the clarity is welcomed. As noted above, providing additional guidance that reiterates the importance of Entity Level Controls, emphasizes a top-down risk-based approach, and addresses other areas of continued confusion should only have positive results for filers, shareholders and audit relationships.

8. *Why have the majority of companies who have completed an assessment, domestic and foreign, selected the COSO framework rather than one of the other frameworks available?*

   During the implementation of SOX-404, COSO was the most widely recognized framework which became a point of reference in professional literature and seminars. The firms, who drove the guidance and interpretation efforts are most comfortable with COSO and have been very clear in their skepticism regarding other frameworks. Additionally, most (if not all) companies implemented Section 404 compliance using the COSO framework, and recent effort has been to streamline the approach, automate and rationalize controls and maintain the comprehensive documentation requirements rather than revisiting the framework on which it was developed.

9. *Should the guidance incorporate the May 16, 2005 "Staff Statement on Management's Report on Internal Control Over Financial Reporting"? Are there additional topics that should be addressed?*

   We believe that the guidance that will be communicated as part of this process will compliment the May 16, 2005 guidance and at this stage feel that the appropriate topics are being addressed.

10. *We also seek input on the appropriate role of outside auditors in connections with the management assessment.*

    In our opinion, the role of the auditor should be limited to a review of how management has assessed their control environment, eliminating the requirement of a separate opinion on the controls. It is our view that the auditors can obtain sufficient comfort by reviewing the process documents, relying on the work of management and Internal Audit, and performing their own limited tests as part of the financial statement audit process (i.e. an integrated audit approach). We believe the costs of a separate audit opinion far outweigh the benefits to the shareholders.

Risk and Control Identification

11. *What guidance is needed to help management implement a "top-down, risk-based" approach?*

    To implement a top-down, risk-based approach, we believe that a consistent understanding between companies, audit firms and the PCAOB is a first-step requirement. Numerous routine and low or moderate risk processes have been included in the SOX scope due to the uncertainty of what the PCAOB will be reviewing, which has resulted in audit firms and companies expanding the scope to levels which we believe are beyond the intent of the regulation. We believe that the key elements of guidance should be (a) that the SEC expects management to apply judgment in identifying areas of risk, (b) that the SEC expects management to develop an approach that focuses on the risk areas (c) that the approach for lower level controls should take into account the effectiveness of higher level/ pervasive controls such as entity level controls and (d) that the SEC does not expect every control to be tested every year where an appropriate basis exists for not testing in a given period i.e. low risk controls could be tested every 3 years, moderate risk controls every 2 years and high risk controls would be tested on an annual basis.

12. *Does the existing guidance provide sufficient information regarding the identification of controls that address the risks of material misstatement?*

    We believe the guidance regarding the identification of controls that address the risk of material misstatement is sufficient at this time.

13. *Small business companies – n/a*

    We have no comment on this item.

14. *Small business companies – n/a*

    We have no comment on this item.

15. *What guidance is needed about the role of entity-level controls in evaluating and assessing the effectiveness of internal control over financial reporting?*

    Entity level controls should definitely be addressed differently for larger companies, as these controls are usually more robust and have experienced senior resources overseeing them on a day-to-day basis. Greater reliance on entity level controls can and should be considered in order to reduce the reliance on transactional testing. This is a concept not currently embraced by the accounting firms. A thorough evaluation of the entity level control includes:

    a. Mandate of the function;
    b. Independence of the control from business line management;
    c. Frequency of meetings;

d. Reporting structure;
e. Reporting to the Board and/or one of the Committees.

We believe that there is unnecessary effort being expended today because we test our highly robust entity level controls and yet we are still required to test all low level transactional controls. We do not put nearly enough reliance on the fact that we have strong entity level controls when assessing the scope of work required in other areas. We believe that there needs to be a significant decrease in testing when an organization has demonstrated strong entity level controls.

16. *Should guidance be given about the appropriateness of and extent to which quantitative and qualitative factors, such as likelihood of an error, should be used when assessing risks and identifying controls for the entity?*

One of the greatest areas of subjectivity has been the aggregation process. Due to the lack of definitive guidance, we have experienced a wide range of interpretation within our organization, between accounting firms and even within accounting firms. Guidance, which considers the frequency with which an error has occurred and considers qualitative factors, may be helpful. In an industry such as ours, there is a very strong argument that distinct materiality standards should be established for the Balance Sheet and Income Statement. Unfortunately, the regulation does not currently provide for this latitude and negotiations between clients and their auditors must take place to agree on a reasonable standard. We encourage the Commission to evaluate the uniqueness of each industry and provide latitude in both quantitative and qualitative factors when reviewing this issue.

Quantitative factors need also be considered but can be difficult to apply broadly due to the nature of different industries. The insurance industry is unique in that we have actuarial liabilities with significant balances built on estimates and minor changes in the balance sheet reserves can have a profound impact on the income statement. How we differentiate differences in judgement from errors when dealing with estimates can be very difficult.

17. *Should the Commission provide management with guidance about fraud controls?*

At this time, we do not believe that additional guidance on fraud controls is necessary. We believe the PwC whitepaper has been a valuable tool in establishing a framework for judging the completeness and appropriateness of anti fraud controls.

18. *Should guidance be issued to help companies with multiple locations or business units to understand how those affect their risk assessment and control identification activities?*

It is our view that clarity on a risk-based approach and greater emphasis in introducing qualitative factors in determining the scope of SOX would negate the need to provide guidance on multiple business locations or business units.

Management's Evaluation

19. *What type of guidance would help explain how entity-level controls can reduce or eliminate the need for testing at the individual account or transaction level?*

    It is our view that a proportionate level of reliance is not placed on entity level controls, which negatively impacts the economics of SOX compliance. By leveraging the information utilized by Risk Management and the testing performed by Internal Audit, we believe much, if not all, of the routine transactions should be eliminated from the testing scope. This would enable companies to embrace a risk-based approach, as noted in item 11, above.

    We also believe that reliance on entity level controls such as HR practices allows us to establish competency of personnel which should be considered when looking at the detailed level of testing that gets performed. We currently do not reduce testing based on this and have heavily debated this issue with our auditors. For instance, if there is a review control we rely upon, and we establish the competency of management, is it necessary to re-perform tests that management would have done in order to prove the control is effective. For example is it necessary when testing a bank reconciliation to have SOX testers go back and trace reconciling items, tie into bank statements and agree balances to the general ledger if the reconciliation has been approved?

20. *Would guidance on how management's assessment can be based on evidence other than that derived from separate evaluation-type testing of controls, such as on-going monitoring activities, be useful?*

    Additional guidance on how management's assessment can be based on evidence other than evaluation-type testing would be useful. Management's interaction with controls on a daily basis is the biggest differentiator between industry and the auditors, who are less familiar with the controls, and it is this concept more than any other that justifies different levels of testing.

21. *Small business companies – n/a*

    We have no comment on this item.

22. *In situations where management determines that separate evaluation-type testing is necessary, what type of additional guidance to assist management in carrying the nature and extent of the evaluation procedures supporting its assessment would be helpful?*

    It is our view that additional guidance on items 11, 15 and 16 as noted above, would assist management in this capacity.

23. *Would guidance be useful on the timing of management testing of controls and the need to update evidence and conclusion from prior testing to the assessment "as of" date?*

    We strongly believe that the current "as of" requirement puts an undue focus on a specific timeframe as these controls should be functioning throughout the year. By refining the regulation from "as of" to "for the period" it provides greater flexibility in testing schedules and reduces the strain that auditors feel to include testing as close to the "as of" date as possible.

24. *What type of guidance would be appropriate regarding the evaluation of identified internal control deficiencies? Are there particular issues in evaluating deficient controls that have only an indirect relationship to a specific financial statement account or disclosure?*

    Additional guidance may not be required, if item 16 addresses the quantitative and qualitative aspects sufficiently. We would expect deficiencies that have only an indirect relationship to a specific financial statement account or disclosure would be classified accordingly.

25. *Would guidance be helpful regarding the definitions of the terms "material weaknesses" and "significant deficiency"?*

    At this time we believe that additional guidance on the terms "material weakness" and "significant deficiency" are not required.

26. *Would guidance be useful on factors that management should consider in determining whether management could conclude that no material weakness in internal control over financial reporting exists despite the discovery of a need to correct a financial statement error as part of the financial statement close process?*

    Guidance on determining whether a material weakness exists despite the discovery of a need to correct a financial statement error would be useful. We believe that the need to correct a financial statement error in itself should not automatically qualify as a material weakness. Consideration must be given to how the error was discovered and the circumstances around the error.

27. *Would guidance be useful in addressing the circumstances under which a restatement of previously reported financial information would not lead to the conclusion that a material weakness exists?*

    Guidance on restatements and the impact that this action has on a material weakness would be helpful.

Specifically, additional clarification would be helpful if it specifies that such an event does not necessarily mean that a material weakness exists or existed, but that management should make that determination based on the specific facts and circumstances of the restatement/ error.

28. *How have companies been able to use technology to gain efficiency in evaluating the effectiveness of internal controls?*

As a foreign filer, 2006 is our first year of compliance. We expect to enhance our ability to use technology in evaluating the effectiveness of internal controls in the coming years.

29. *Is guidance needed to help companies determine which IT general controls should be tested?*

We believe that the extent of IT controls testing is far too extensive, so guidance in this matter would be highly beneficial.

30. *Has management generally been utilizing proprietary IT framework as a guide in conducting the IT portion of their assessments?*

The framework utilized for our IT testing is COBIT, we do not utilize a proprietary framework.

31. *Were the levels of documentation performed by management in the initial years of completing the assessment beyond what was needed to identify controls for testing?*

Although this is our first year of certification, the documentation process started a number of years ago. In our view the initial confusion around the certification requirements and the uncertainty around the expected level of detail led to a documentation process that goes well beyond what is required to test key controls. The effort to rationalize controls, perform testing and remediate deficiencies (in addition to the operations staff performing their regular job functions) has limited our abilities to streamline the documentation. Secondly, the skill-set required to determine what a key control is does not exist in every processing unit. As a result, the documentation became too detailed and focused on all controls, rather than key controls. Lastly, the audit firms' uncertainty around the PCAOB testing led to an "over-cautious" environment, which provided additional fuel to over-document the process.

If documentation guidance is created, we request that it includes comments on how controls can be rationalized.

32 – 34. *Guidance on documentation*

Currently it is presumed that all evidence obtained throughout the year is required to be maintained for a period of seven years. As you may gather, the ongoing storage of this information will be an administrative and financial burden. Any guidance on this subject matter would be beneficial.

35. *Small business companies – n/a*

We have no comment on this item.

We do thank you for your consideration of our comments and look forward to seeing the process streamlined appropriately. We would also be pleased to discuss these items in greater detail with you and your staff or provide further insight into our concerns.

Sincerely yours,

Michael Laman

VP Financial Disclosure and Internal Control Compliance
Manulife Financial