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Mr. Martin F. Baumann
Office of Secretary
PCAOB
1666 K Street, NW.
Washington, D.C. 20006-2803

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

Dear Mr. Baumann:

Stewart Information Services Corporation (Stewart) appreciates the opportunity to comment on PCAOB Rulemaking Docket Matter No. 37: Concept Release on Auditor Independence and Audit Firm Rotation. Stewart agrees that improving the quality of audits so that investors are receiving reliable and timely information for making investment decisions is an important goal. Auditor independence is a foundational concept that aids in the reliability of investment information.

Stewart, however, does not believe that mandatory audit firm rotation will improve the quality of audits and believes that the additional costs resulting from such rotation would far exceed any incremental benefits. Stewart's principal business is providing title insurance and related closing services for real estate transactions. The title insurance industry is a relatively small one with the top four providers constituting almost 90% of the market. This industry dynamic makes it unlikely that a large number of audit firms would be willing to invest in the training necessary to understand the industry. Further, Stewart believes the title insurance industry presents a level of complexity that only a few audit firms would be able to master due to international, federal and state statutory requirements along with accounting principles that are unique to this industry. For firms that could take on such an engagement, we do not believe they will be able to operate efficiently to keep costs reasonable, while providing the audit quality level that we and the investment community expect. This inefficiency would be most prevalent in the early years of an audit engagement due to the learning curve necessary for auditors when they enter into new engagements.

Requiring mandatory auditor rotation will also prove burdensome to complex, global companies, such as Stewart, due to the few firms that currently have the expertise and capacity to provide global audits. The number of available firms is further reduced by firms who provide other services to companies and would thus be precluded from performing audits due to existing independence rules.

Stewart also notes that the PCAOB has already removed some of the “coziness” that might be present between management and its auditors by requiring audit committees to engage auditors. This rule has been beneficial in fostering the auditors’ independence by removing management as the primary negotiator with auditors, as well as increasing the ongoing interaction between the auditors and audit committee. Stewart’s audit committee remains active in managing the relationship with our auditors.

The concept release recognizes the possibility of diminished audit quality, as well as increased audit costs. In light of these concerns, Stewart encourages the PCAOB not to enact mandatory auditor rotation requirements. Stewart believes its audit quality has improved under the current rules including audit partner rotation and the PCAOB’s review of auditors’ work. Stewart encourages the PCAOB to seek ways to improve its review of auditors’ work, which is one of the most effective ways to increase audit quality. Companies such as Stewart would then benefit from the feedback auditors receive through this review process.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "J. Allen Berryman". The signature is written in a cursive, flowing style.

J. Allen Berryman