



Baldwin & Lyons, Inc.

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November 30, 2011

Public Company Accounting Oversight Board
Attention: Office of the Secretary
1666 K Street, NW
Washington, DC 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 37

On behalf of Baldwin & Lyons, Inc. (NASDAQ: BWINB) we would like to express our appreciation for the opportunity to respond to the request for comments from the Public Company Accounting Oversight Board (PCAOB) on its *Concept Release on Auditor Independency and Audit Firm Rotation*, PCAOB Release No. 2011-006: PCAOB Rulemaking Docket Matter No. 37.

The management and the chairman of the audit committee of Baldwin & Lyons, Inc. is of the opinion that the disadvantages of the proposed mandatory audit firm rotation far outweigh any potential advantages and therefore, we do not support the concept of mandatory audit firm rotation. Listed below are the primary reasons behind our objection to mandatory audit firm rotation.

Recent regulatory improvements remove the need for mandatory audit firm rotation. We believe the current independence rules, significantly enhanced by the introduction of the Sarbanes-Oxley Act of 2002, are more than adequate to insure auditor independence. Section 301 specifically places the audit committee in charge of the independent auditor selection. Section 301 says "*the audit committee of each issuer, in its capacity as a committee of the board of directors, shall be directly responsible for the appointment, compensation, and oversight of the work of any registered public accounting firm....for the purpose of preparing or issuing an audit report or related work, and each such registered public accounting firm shall report directly to the audit committee.*" Additionally, 301 requires "*each member of the audit committee of the issuer shall be a member of the board of directors, and shall otherwise be independent.*" We consider the rules and guidelines surrounding the independent audit committee's oversight, monitoring and review of the independent auditor selection to be adequate and believe that the audit committee is fully capable of evaluating the independent auditor relationship and determining the necessity for audit firm rotation.

Mandatory audit firm rotation would weaken the audit instead of strengthen it. We believe the long term relationships between an audit firm and the client provide significant knowledge and understanding which would be lost if mandatory audit firm rotation would be implemented. Open discussions and thorough knowledge of the client are built over time through lengthy and numerous discussions with management. Additionally, the historical institutional knowledge of the processes and procedures is built over years and is critical to the understanding of the company's operations, especially as operations become more complex. This understanding would be mostly lost in any mandatory audit firm rotation. Any new audit firm's time requirements to become familiar with the new company could negatively impact the quality of the audit and would, therefore, be counterproductive.

Mandatory audit firm rotation benefits are already being met through partner rotation and through normal turnover. The current regulations clearly provide a fresh set of eyes on the audit at reasonable intervals. Existing rules and PCAOB oversight require partner rotation every five years and provide the independent environment that the mandatory audit firm rotation would seek while still allowing the transfer of the institutional knowledge of the processes and procedures which have been built over years within an audit firm.

Mandatory audit firm rotation would negatively impact specialized firms in smaller markets. Firms serving smaller markets often lack the local knowledge in specialized markets such as banking and insurance. Therefore the quality of the audit could be impaired in many smaller markets, or require the audit teams to commute from larger cities to conduct the audits, which would create substantial and unnecessary burdens on the audit committee and the company in training and educating the new audit firm or reduce the efficiency and timeliness of the audit process.

Mandatory audit firm rotation would significantly increase costs without any hard evidence of any tangible benefit. Mandatory audit firm rotation would clearly lead to considerable increase in internal and external audit costs related to the issues discussed previously and due to the considerable start up and administrative costs, industry and company specific education and the inefficiencies in a new audit approach. In addition, a significant amount of time would have to be devoted to the vetting process in auditor selection, even though there is no issue with the incumbent's work product or conduct. Further, we are aware of no empirical evidence that audit firm rotation would actually result in enhanced auditor independence.

Due to the matters discussed in this letter, Baldwin & Lyons, Inc. believes that mandatory audit firm rotation would not improve the quality of the audit or provide enhanced independence on the part of auditors. Therefore, we would urge you to withdraw your proposal to require mandatory rotation of audit firms.

Sincerely,

Michael Edwards

Michael B. Edwards
Assistant Vice President