

Flagstone Reinsurance Holdings, S.A.
Form DEF 14A
March 28, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant x
Filed by a Party other than the Registrant ..

Check the appropriate box:
o Preliminary Proxy Statement
.. Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
x Definitive Proxy Statement
.. Definitive Additional Materials
.. Soliciting Material Pursuant to § 240.14a-12

Flagstone Reinsurance Holdings, S.A.
(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
x No fee required
.. Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
1) Title of each class of securities to which transaction applies:
2) Aggregate number of securities to which transaction applies:
3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
4) Proposed maximum aggregate value of transaction:
.. 5) Total fee paid:
.. Fee paid previously with preliminary materials.
.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:
2) Form, Schedule or Registration Statement No.:
3) Filing Party:
4) Date Filed:

Flagstone Reinsurance Holdings, S.A.
37, Val St. André
L-1128 Luxembourg
Grand Duchy of Luxembourg
RCS Luxembourg number: B153214

March 27, 2011

Dear Shareholder:

You are cordially invited to attend the 2011 Annual General Meeting of Shareholders (the “Annual General Meeting”) of Flagstone Reinsurance Holdings, S.A. (the “Company” or “we”) which will be held on May 12, 2011, at 2 p.m. (Central European Time) at Hôtel Le Royal Luxembourg, 12 Boulevard Royal, Luxembourg L-2449, Grand Duchy of Luxembourg. Details regarding the admission to the Annual General Meeting and the business to be conducted at the Annual General Meeting can be found in the attached Notice of Annual General Meeting and the attached Proxy Statement.

This year, we are pleased to be using the U.S. Securities and Exchange Commission rules that allow companies to furnish their proxy materials over the Internet. As a result, we are mailing to many of our shareholders a notice instead of a paper copy of this Proxy Statement and our 2010 Annual Report on Form 10-K (together with related documents, the “2010 Annual Report”). The notice contains instructions on how to access those documents over the Internet and how to receive a paper copy of our proxy materials, including this Proxy Statement, our 2010 Annual Report and a form of proxy card or voting instruction card. All shareholders who do not receive a notice, including shareholders who have previously requested to receive paper copies of proxy materials, will receive a paper copy of the proxy materials by mail unless they have previously requested delivery of proxy materials electronically. This distribution process will conserve natural resources and reduce the costs of printing and distributing our proxy materials.

If you are a shareholder of record who receives a notice and proxy card by registered mail from Luxembourg and who does not wish to attend the Annual General Meeting, your shares can be voted if you submit your written proxy by mail or by physical delivery to the registered office of the Company prior to the Annual General Meeting.

Your vote is important. Regardless of whether you plan to attend the Annual General Meeting in person, we hope that you will submit your proxy or voting instructions as soon as possible by following the instructions in these proxy materials.

I look forward to greeting those of you who are able to attend.

Sincerely,

/s/ David A. Brown

David A. Brown
Chief Executive Officer

Edgar Filing: Flagstone Reinsurance Holdings, S.A. - Form DEF 14A

The attached Proxy Statement is dated March 27, 2011. The Proxy Statement (which includes, for Luxembourg law purposes, the Consolidated Management Report of the Board of Directors, the Authorized Statutory Auditor's Reports and the Luxembourg Statutory Accounts), the accompanying proxy card, the Notice of Annual General Meeting and the Company's 2010 Annual Report are first being made available to shareholders on or about April 1, 2011 and will be available from April 26, 2011 at the Company's registered office.

Flagstone Reinsurance Holdings, S.A.
37, Val St. André
L-1128 Luxembourg
Grand Duchy of Luxembourg
RCS Luxembourg number: B153214

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

TO BE HELD ON MAY 12, 2011

NOTICE IS HEREBY GIVEN that the 2011 Annual General Meeting of Shareholders (the “Annual General Meeting”) of Flagstone Reinsurance Holdings, S.A. (the “Company” or “we”) will be held on May 12, 2011, at 2 p.m. Central European Time at Hôtel Le Royal Luxembourg, 12 Boulevard Royal, Luxembourg L-2449, Grand Duchy of Luxembourg for the following purposes:

Ordinary Business

1. To elect four Class B directors to hold office until the 2014 annual general meeting of shareholders or until their respective successors have been duly elected or appointed.
2. To elect certain individuals as Designated Company Directors of certain of the Company’s non-U.S. subsidiaries.
3. To approve the appointment of Deloitte & Touche Ltd. (Bermuda) to serve as the Company’s Independent Registered Public Accounting Firm (the “Independent Auditor”) for fiscal year 2011 and until our 2012 annual general meeting of shareholders and to refer the determination of the auditor’s remuneration to the Board of Directors.
4. To approve, as required by Luxembourg law, the appointment of Deloitte S.A. (Luxembourg) to serve as the Company’s réviseur d’entreprises agréé (the “Authorized Statutory Auditor”) for the fiscal year 2011 and until our 2012 annual general meeting of shareholders.
5. To conduct an advisory vote on executive compensation.
6. To conduct an advisory vote on the frequency of holding future advisory votes on executive compensation.
7. To approve, as required by Luxembourg law, the consolidated financial statements of the Company prepared in accordance with U.S. GAAP and the annual accounts of the Company prepared in accordance with Luxembourg GAAP, in each case as at and for the year ended December 31, 2010 (together, the “Luxembourg Statutory

Accounts”).

8. To approve, as required by Luxembourg law, the Consolidated Management Report of the Board of Directors on the business of the Company in relation to the year ended December 31, 2010 and the Authorized Statutory Auditor’s Reports on the Luxembourg Statutory Accounts as at and for the year ended December 31, 2010.
9. To allocate, as required by Luxembourg law, the Company’s results and part of its distributable reserves.
10. To grant a discharge to each of the current and past directors and officers of the Company in respect to the performance of their mandates during the year ended December 31, 2010.
11. To approve, as required by Luxembourg law, all interim dividends declared since the Company’s last annual general meeting of shareholders.

Special Business

12. To approve amendments to the Articles of Incorporation (Statuts) to limit the voting rights of certain of the Company’s U.S. shareholders under limited circumstances.
-

13. To approve amendments to the Articles of Incorporation (Statuts) to, among other things, (i) clarify the roles of the Authorized Statutory Auditor and the Independent Auditor, (ii) clarify the authority of the Board of Directors of the Company to issue shares upon the conversion of convertible debt, (iii) amend the term “Warrant” and (iv) change the date of the Company’s annual general meetings.

The ordinary and special business of the Annual General Meeting set out above is described in more detail in this Proxy Statement and the proposals that form part of this Notice.

In addition, we will consider any other business as may properly come before the Annual General Meeting or any adjournment(s) thereof. The Company’s audited consolidated financial statements for the fiscal year ended December 31, 2010, included in the 2010 Annual Report on Form 10-K (together with related documents, the “2010 Annual Report”), and the Luxembourg Statutory Accounts will be presented at the Annual General Meeting. The Consolidated Management Report of the Board of Directors, the Authorized Statutory Auditor’s Reports and the Luxembourg Statutory Accounts are included in this Proxy Statement and will also be available for inspection at the Company’s registered office at least 15 days prior to the Annual General Meeting and at the Annual General Meeting. At the Annual General Meeting, shareholders may also be asked to consider and take action with respect to such other matters as may properly come before the Annual General Meeting or any adjournment(s) thereof.

Your vote is very important. Whether or not you plan to attend the Annual General Meeting, we encourage you to read this Proxy Statement and submit your proxy or voting instructions as soon as possible. If you are a shareholder of record holding your shares directly in your name, you may submit your proxy by signing, dating and returning your proxy card in the enclosed postage-paid envelope or by personal delivery to the registered office of the Company. This proxy may be revoked if the shares are represented in person and voted at the Annual General Meeting by the record holder as of the date of the Annual General Meeting. If you are a beneficial owner holding your shares in “street name” (through a broker, bank, trustee or other nominee) as of the close of business on March 21, 2011, the record date fixed by our Board of Directors, you should submit your voting instructions in accordance with the instructions on the voting instruction form provided to you. For specific instructions on how to submit your proxy or voting instruction form, please refer to the section entitled Questions and Answers beginning on page 2 of this Proxy Statement.

The attached Proxy Statement is dated March 27, 2011. The Proxy Statement (which includes, for Luxembourg law purposes, the Consolidated Management Report of the Board of Directors, the Authorized Statutory Auditor’s Reports and the Luxembourg Statutory Accounts), the accompanying proxy card, the Notice of Annual General Meeting and the Company’s 2010 Annual Report are first being made available to shareholders on or about April 1, 2011 and will be available from April 26, 2011 at the Company’s registered office.

By order of the Board of Directors,

/s/ William F. Fawcett

William F. Fawcett
Corporate Secretary
Luxembourg, Grand Duchy of Luxembourg

Important Notice Regarding the Availability of Proxy Materials for the 2011 Annual
General Meeting of Shareholders

Edgar Filing: Flagstone Reinsurance Holdings, S.A. - Form DEF 14A

to be held on May 12, 2011.

The Notice of Annual General Meeting, the Proxy Statement and the 2010 Annual Report are available at www.proxyvote.com

<u>PROXY STATEMENT</u>	<u>1</u>
<u>QUESTIONS AND ANSWERS</u>	<u>2</u>
<u>THE ANNUAL GENERAL MEETING</u>	<u>7</u>
<u>PROPOSAL 1 – ELECTION OF DIRECTORS</u>	<u>11</u>
<u>PROPOSAL 2 – ELECTION OF SUBSIDIARY DIRECTORS</u>	<u>12</u>
<u>PROPOSAL 3 – APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	<u>15</u>
<u>PROPOSAL 4 – APPOINTMENT OF AUTHORIZED STATUTORY AUDITOR</u>	<u>17</u>
<u>PROPOSAL 5 – ADVISORY VOTE ON EXECUTIVE COMPENSATION</u>	<u>18</u>
<u>PROPOSAL 6 – ADVISORY VOTE ON THE FREQUENCY OF THE EXECUTIVE COMPENSATION ADVISORY VOTE</u>	<u>20</u>
<u>PROPOSAL 7 – APPROVAL OF THE LUXEMBOURG STATUTORY ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010</u>	<u>21</u>
<u>PROPOSAL 8 – APPROVAL OF THE CONSOLIDATED MANAGEMENT REPORT OF THE BOARD OF DIRECTORS AND THE AUTHORIZED STATUTORY AUDITOR’S REPORTS FOR THE YEAR ENDED DECEMBER 31, 2010</u>	<u>22</u>
<u>PROPOSAL 9 – ALLOCATION OF RESULTS AND PART OF DISTRIBUTABLE RESERVE</u>	<u>23</u>
<u>PROPOSAL 10 – DISCHARGE OF LIABILITY OF EACH OF THE CURRENT AND PAST DIRECTORS AND OFFICERS FOR THE PERFORMANCE OF THEIR DUTIES DURING THE YEAR ENDED DECEMBER 31, 2010.</u>	<u>24</u>
<u>PROPOSAL 11 – APPROVAL OF INTERIM DIVIDENDS DECLARED SINCE THE LAST ANNUAL GENERAL MEETING OF SHAREHOLDERS</u>	<u>25</u>
<u>PROPOSAL 12 – AMENDMENTS TO THE COMPANY’S ARTICLES OF INCORPORATION TO LIMIT THE VOTING RIGHTS OF CERTAIN U.S. SHAREHOLDERS</u>	<u>26</u>
<u>PROPOSAL 13 – OTHER AMENDMENTS TO THE COMPANY’S ARTICLES OF INCORPORATION</u>	<u>28</u>

<u>OUR DIRECTORS</u>	<u>29</u>
<u>EXECUTIVE OFFICERS</u>	<u>32</u>
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	<u>34</u>
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	<u>36</u>
<u>COMPENSATION COMMITTEE REPORT</u>	<u>43</u>
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, MANAGEMENT AND DIRECTORS</u>	<u>56</u>
<u>CORPORATE GOVERNANCE</u>	<u>58</u>
<u>AUDIT COMMITTEE REPORT</u>	<u>63</u>
<u>SIGNIFICANT BOARD PRACTICES</u>	<u>64</u>
<u>SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	<u>65</u>
<u>SHAREHOLDER PROPOSALS</u>	<u>65</u>
<u>ADDITIONAL INFORMATION</u>	<u>65</u>
<u>HOUSEHOLDING</u>	<u>66</u>
<u>EXHIBIT A - LUXEMBOURG STATUTORY ACCOUNTS</u>	<u>A-1</u>
<u>EXHIBIT B - CONSOLIDATED MANAGEMENT REPORT OF THE BOARD OF DIRECTORS</u>	<u>B-1</u>
<u>EXHIBIT C - AUTHORIZED STATUTORY AUDITOR'S REPORTS</u>	<u>C-1</u>
<u>EXHIBIT D - AMENDED ARTICLES OF INCORPORATION</u>	<u>D-1</u>

Table of Contents

PROXY STATEMENT

General

This Proxy Statement has information about the 2011 Annual General Meeting of Shareholders (the “Annual General Meeting”) of Flagstone Reinsurance Holdings, S.A. (the “Company”) and was prepared by our management at the direction of Company’s Board of Directors (the “Board of Directors” or “Board”). This Proxy Statement is being made available to you over the Internet or mailed through the U.S. or Luxembourg postal service on or around April 1, 2011.

Annual General Meeting

Date: May 12, 2011
Time: 2 p.m. (Central European Time)
Place: Hôtel Le Royal Luxembourg
12 Boulevard Royal
Luxembourg L-2449
Grand Duchy of Luxembourg

Persons Making the Solicitation

Proxies in the form enclosed are being solicited by the Board of Directors. The persons named in the accompanying proxy card have been designated as proxies by the Board of Directors. Such persons designated as proxies serve as officers of the Company.

Board Recommendation

The Company’s Board of Directors recommends that you vote your shares:

“FOR” each of the Company’s nominees to the Board (Proposal No. 1);

“FOR” the Designated Company Directors (Proposal No. 2);

“THREE YEARS” for the proposal regarding the advisory vote on the frequency of the executive compensation advisory vote (Proposal No. 6); and

“FOR” all the other proposals.

Table of Contents

QUESTIONS AND ANSWERS

Voting

Why did I receive these materials?

The Board has made these materials available to you over the Internet or delivered paper copies of these materials to you by mail in connection with the solicitation of proxies for use at the Annual General Meeting, which will take place on May 12, 2011 at 2:00 p.m. Central European Time at Hôtel Le Royal Luxembourg, 12 Boulevard Royal, Luxembourg L-2449, Grand Duchy of Luxembourg. As a shareholder of the Company, you are invited to attend the Annual General Meeting and vote on the items of business described in this Proxy Statement.

What information is contained in this Proxy Statement?

This Proxy Statement includes information that we are required to provide to you under the rules of the U.S. Securities and Exchange Commission (“SEC”) and that relate to the proposals to be voted on at the Annual General Meeting, the voting process, compensation matters, corporate governance, information about our Board of Directors and certain related information. It also contains information required to be given to you pursuant to Luxembourg law.

What is included in the proxy materials?

The proxy materials include:

Our Proxy Statement for the Annual General Meeting (which includes, for Luxembourg law purposes, the Consolidated Management Report of the Board of Directors, the Authorized Statutory Auditor’s Reports and the Luxembourg Statutory Accounts);

Our 2010 Annual Report on Form 10-K (together with related documents, the “2010 Annual Report”); and

A proxy card or a voting instruction card (together, the “Proxy Materials”).

Who is entitled to vote?

If you are a shareholder of record holding your shares directly in your name, you may submit your proxy by signing, dating and returning your proxy card in the enclosed postage-paid envelope or by personal delivery to the registered office of the Company. This proxy may be revoked if the shares are represented in person and voted at the Annual General Meeting by the record holder as of the date of the Annual General Meeting. If you are a beneficial owner holding your shares in “street name” (through a broker, bank, trustee or other nominee) as of the close of business on March 21, 2011, the record date fixed by our Board of Directors, you should submit your voting instructions in accordance with the instructions on the voting instruction form provided to you.

How many votes do I have?

Each holder of a share entitled to vote will be entitled to one vote per share on each matter presented at the Annual General Meeting. On March 21, 2011, there were 69,668,203 shares outstanding and entitled to vote at the Annual General Meeting.

Why did I receive a notice in the mail regarding the Internet availability of the proxy materials instead of a full set of proxy materials?

This year, we are pleased to be using the SEC rules that allow companies to furnish their proxy materials over the Internet. As a result, we are mailing to many of our shareholders a notice of Internet availability of proxy materials instead of a paper copy of the proxy materials. All shareholders receiving the notice will have the ability to access the proxy materials over the Internet and request to receive a paper copy of the proxy materials by mail. Instructions on how to access the proxy materials over the Internet or to request a paper copy may be found in the notice. In addition, the notice contains instructions on how you may request to access proxy materials in printed form by mail or electronically on an ongoing basis.

Table of Contents

Why didn't I receive a notice of Internet availability of proxy materials in the mail?

We are providing some of our shareholders, including shareholders of record, shareholders who have previously requested to receive paper copies of the proxy materials and some of our shareholders who are living outside of the United States, with paper copies of the proxy materials instead of a notice of Internet availability of proxy materials.

How can I access the proxy materials over the Internet?

Your notice of Internet availability of proxy materials, proxy card or voting instruction card will contain instructions on how to:

View our proxy materials for the Annual General Meeting on the Internet; and

Instruct us to send our future proxy materials to you electronically by e-mail.

Our proxy materials are also available on the "Financial & Investor Information" section our website at www.flagstonere.com.

Your notice of Internet availability of proxy materials, proxy card or voting instruction card will contain instructions on how you may request to access proxy materials electronically on an ongoing basis. Choosing to access your future proxy materials electronically will help us conserve natural resources and reduce the costs of distributing our proxy materials. If you choose to access future proxy materials electronically, you will receive an e-mail with instructions containing a link to the website where those materials are available and a link to the proxy voting website. Your election to access proxy materials by e-mail will remain in effect until you terminate it.

How may I obtain a paper copy of the proxy materials?

Shareholders receiving a notice of Internet availability of proxy materials by mail will find instructions about how to obtain a paper copy of the proxy materials on the notice. All shareholders who do not receive a notice of Internet availability of proxy materials by mail will receive a paper copy of the proxy materials by mail.

I share an address with another shareholder, and we received only one paper copy of the proxy materials. How may I obtain an additional copy of the proxy materials?

The Company adopted a procedure called "householding," which the SEC has approved. Under this procedure, if you are a beneficial owner holding your shares in street name and you share an address with another shareholder, you may receive a single copy of the notice of Internet availability of proxy materials and, if applicable, the Proxy Materials, unless you have provided contrary instructions. This procedure reduces the Company's printing costs, mailing costs and fees. If you wish to receive a separate copy of the notice of Internet availability of proxy materials and, if applicable, these Proxy Materials now, please request the additional copy by contacting Broadridge, either by phone at 1-800-579-1639, by e-mail at sendmaterial@proxyvote.com or on the Internet at www.proxyvote.com. A separate set of Proxy Materials will be sent promptly following receipt of your request. All shareholders also may write to us at the address below to request a separate copy of these materials:

Flagstone Reinsurance Holdings, S.A.
Attn: Company Secretary
37, Val St. André

L-1128 Luxembourg
Grand Duchy of Luxembourg

What should I do if I receive more than one notice of Internet availability of proxy materials or more than one paper copy of the proxy materials?

You may receive more than one notice or more than one paper copy of the proxy materials, including multiple paper copies of this Proxy Statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate notice or a separate voting instruction card for each brokerage account in which you hold shares. If you are a shareholder of record and your shares are registered in more than one name, you may receive more than one notice or more than one proxy card. To submit your proxy, you must complete, sign, date and return each proxy card and voting instruction card that you receive.

Table of Contents

How may I obtain a copy of the Company's 2010 Annual Report and other financial information?

Shareholders may request a free copy of our 2010 Annual Report, which includes our 2010 Form 10-K, from:

Flagstone Reinsurance Holdings, S.A.
Attn: Company Secretary
37, Val St. André
L-1128 Luxembourg
Grand Duchy of Luxembourg

Alternatively, shareholders can access the 2010 Annual Report on Flagstone's website at www.flagstonere.com. We also will furnish any exhibit to the 2010 Form 10-K if specifically requested.

What proposals are being presented at the Annual General Meeting?

We intend to present several proposals for shareholder consideration and approval at the Annual General Meeting in connection with corporate matters. These proposals are:

Ordinary Business

To elect four Class B directors to hold office until the 2014 annual general meeting of shareholders or until their respective successors have been duly elected or appointed.