

Flagstone Reinsurance Holdings Ltd  
Form S-4  
March 22, 2010

As filed with the Securities and Exchange Commission on March 22, 2010

Registration No. 333-

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

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FORM S-4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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Flagstone Reinsurance Holdings Limited  
(Exact name of Registrant as specified in its charter)

Bermuda  
(State or Other Jurisdiction of  
Incorporation or Organization)

6331  
(Primary Standard Industrial  
Classification Code Number)

98-0481623  
(I.R.S. Employer Identification Number)

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Crawford House  
23 Church Street  
Hamilton HM 11  
Bermuda  
(441) 278-4300  
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive  
Offices)

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CT Corporation System  
111 Eighth Avenue, 13th Floor  
New York, New York 10011  
(212) 590-9331  
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

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Copies to:

Ronald Cami, Esq.  
Cravath, Swaine & Moore LLP  
Worldwide Plaza  
825 Eighth Avenue  
New York, NY 10019  
(212) 474-1000

Approximate date of commencement of proposed sale of the securities to the public: As promptly as practicable after this registration statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accredited filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated Filer

Non-accelerated filer  Smaller reporting company

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit(1)	Proposed maximum aggregate offering price(2)	Amount of registration fee(3)
Common shares, \$0.01 par value per share	80,001,073	\$ 10.90	\$ 872,011,696	\$ 62,175

87

- (1) Based on the average of the high and low sales prices of common stock as reported by the New York Stock Exchange on March 18, 2010.
- (2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(f) and Rule 457(c) of the Securities Act of 1933 (the “Securities Act”).
- (3) Computed in accordance with Rule 457(f) under the Securities Act and equal to 0.00007130 multiplied by the proposed maximum aggregate offering price.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.



Flagstone Reinsurance Holdings Limited

Crawford House  
23 Church Street  
Hamilton HM 11, Bermuda

, 2010

Dear Shareholder:

You are cordially invited to attend the 2010 Annual General Meeting of Shareholders (the “Annual General Meeting”) of Flagstone Reinsurance Holdings Limited (the “Company” or “we”). The meeting will be held on , 2010, at 8:30 a.m. (local time) at The Mid Ocean Club, Tucker’s Town, St. George’s, Bermuda. Details of 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.

In addition to the normal business to be conducted at our Annual General Meeting, including electing directors and ratifying the appointment of our independent auditors, we will be asking you to approve the change of our jurisdiction of incorporation from Bermuda to Luxembourg, a number of changes to our charter documents to facilitate this change, and a number of organizational matters required under Luxembourg law. We call this process, in which the Company will continue to exist as the same company but will discontinue its Bermuda existence and continue its corporate existence under a different name in Luxembourg as Flagstone Reinsurance Holdings, S.A., the “Redomestication”.

After careful consideration of this decision, our Board of Directors and management team believe that changing our place of incorporation to Luxembourg is in the best interests of the Company and its shareholders. Luxembourg is a major financial center known for its stability as well as its financial sophistication, and we believe this move will increase our strategic and capital flexibility while requiring no changes to our operating model or our long-term strategy. Luxembourg has a network of excellent relations with major developed and developing countries around the world. In addition to our listings on the New York Stock Exchange and the Bermuda Stock Exchange, this change in incorporation has the potential to make a listing of our common shares on a European exchange more attractive. This change will result in our holding and principal operating companies being in Europe and settles our identity as a European company. Given the presence of our investment management operations there, we will also benefit from our familiarity with the regulatory and legal environment and the ability to use our existing Luxembourg office as our new corporate holding company office.

Our reinsurance and insurance operations worldwide will continue to operate without material changes, and our principal operating company will remain in Switzerland. We do not expect the Redomestication to have any material change on our operations or financial results. Our common shares will continue to be listed on the New York Stock Exchange (“NYSE”) under the ticker symbol “FSR” and on the Bermuda Stock Exchange. Flagstone will continue to be registered with the U.S. Securities and Exchange Commission (“SEC”) and remain subject to SEC reporting requirements, the mandates of the Sarbanes-Oxley Act of 2002, and the corporate governance rules of the NYSE. Finally, the Company will continue to report its consolidated financial results in U.S. dollars using U.S. generally accepted accounting principles.

We encourage you to read the attached documents carefully. You should carefully consider “Risk Factors” beginning on page 12 for a discussion of risks related to the Redomestication proposals before voting.

Whether or not you plan to attend the Annual General Meeting in person, it is important that your shares be represented and voted at the meeting. After reading the enclosed Notice and Proxy Statement, please submit your proxy or voting instructions. If you attend the meeting in person, you may revoke your proxy and vote your shares in

person.

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

Sincerely,

---

/s/ David A. Brown

David A. Brown

Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities commission, nor any similar authority in Bermuda or Luxembourg, has approved or disapproved of the securities to be issued in the transaction or determined if this Proxy Statement is truthful or complete. Any representation to the contrary is a criminal offense.

The attached Proxy Statement is dated , 2010. The Proxy Statement, accompanying proxy card, Notice of Annual General Meeting and Annual Report are first being mailed to shareholders on or about , 2010.

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NOTICE OF ANNUAL GENERAL MEETING

Flagstone Reinsurance Holdings Limited  
Crawford House  
23 Church Street  
Hamilton HM 11, Bermuda

NOTICE OF ANNUAL GENERAL MEETING  
TO BE HELD ON , 2010

NOTICE IS HEREBY GIVEN that the 2010 Annual General Meeting of Shareholders (the “Annual General Meeting”) of Flagstone Reinsurance Holdings Limited (the “Company” or “we”) will be held on , 2010, at 8:30 a.m. local time for the following purposes:

1. To elect four (4) Class C directors (David Brown, Stephen Coley, Dr. Anthony Knap, Ph.D and Peter F. Watson) to hold office until the 2013 Annual General Meeting of Shareholders or until their respective successors have been duly elected or appointed.
2. To approve the appointment of Deloitte & Touche to serve as the Company’s independent auditor for fiscal year 2010 and until our 2011 Annual General Meeting of Shareholders and to refer the determination of the auditor’s remuneration to the Board of Directors.
3. To approve amendments to the Performance Share Unit Plan.
4. To consider and approve the Redomestication from Bermuda to Luxembourg, the authorizing of the Board of Directors to abandon or delay the Redomestication for any reason at any time prior to it becoming effective notwithstanding the approval of the Shareholders, and the granting of a power of attorney to each member of the Board of Directors (or such persons appointed attorney in Luxembourg) to appear before a Luxembourg public notary and to take all necessary steps and to sign all necessary documents to effect the Redomestication.
5. If the Redomestication is approved, to approve the change of the Company’s corporate name to Flagstone Reinsurance Holdings, S.A.
6. If the Redomestication is approved, to approve the Company’s corporate purpose.
7. If the Redomestication is approved, to fix the Company’s registered office in Luxembourg.
8. If the Redomestication is approved, to approve the Company’s Luxembourg articles of incorporation.
9. If the Redomestication is approved, to approve the Company’s issued share capital.
10. If the Redomestication is approved, to approve the Company’s authorized share capital.
11. If the Redomestication is approved, to waive any preferential or pre-emptive subscription rights under Luxembourg law.
12. If the Redomestication is approved, to allow the Company and its subsidiaries to acquire and own shares of the Company.

13. If the Redomestication is approved, to approve the fiscal year of the Company.
  14. If the Redomestication is approved, to approve the date and time for future Annual General Meetings of Shareholders.
  15. If the Redomestication is approved, to confirm the appointment of the Company's directors.
  16. If the Redomestication is approved, to confirm the Company's independent auditor.
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17. If the Redomestication is approved, to elect the Company's statutory auditor.
18. If the Redomestication is approved, to acknowledge an independent auditors' report for the Company.
19. If there are insufficient votes at the time of the meeting to approve the Redomestication, to approve the motion to adjourn the meeting to a later date to solicit additional proxies.
20. To hear a report from the Chairman.

We refer to the proposals conditioned on approval of the Redomestication, i.e., proposals 5 through 18 above, as the "Luxembourg Organizational Proposals". The Luxembourg Organizational Proposals, which authorize changes to our charter documents to facilitate the Redomestication and organizational matters required under Luxembourg law, are included solely to give effect to the Redomestication. See "Summary of the Redomestication—The Redomestication".

**YOUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" ALL OF THE PROPOSALS.**

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 financial statements for the fiscal year ended December 31, 2009 will be presented 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.

The Board of Directors has fixed the close of business on , 2010 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual General Meeting. The Proxy Statement, this Notice of Annual General Meeting, the accompanying proxy card and the Annual Report are first being mailed to shareholders on or about , 2010.

Shareholders are encouraged to complete, sign, date and return the enclosed proxy card in the return envelope furnished for that purpose. Please sign the accompanying proxy card exactly as your name appears on your share certificate(s). Signing and returning a proxy card will not prohibit you from attending the Annual General Meeting. If you later decide to revoke your proxy for any reason, you may do so in the manner described in the attached Proxy Statement.

By order of the Board of Directors

/s/ William Fawcett

William Fawcett  
Corporate Secretary  
Hamilton, Bermuda

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## Table of Contents

	Page
<u>PROXY STATEMENT</u>	1
<u>QUESTIONS AND ANSWERS</u>	2
<u>SUMMARY OF THE REDOMESTICATION</u>	7
<u>RISK FACTORS</u>	12
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</u>	17
<u>THE SHAREHOLDER MEETING</u>	18
<u>PROPOSAL 1 - Election of Class C Directors</u>	22
<u>PROPOSAL 2 - Auditor's Proposal</u>	23
<u>PROPOSAL 3 - Performance Share Unit Plan Amendments</u>	25
<u>PROPOSAL 4 - Approval of the Redomestication</u>	35
<u>General</u>	35
<u>Material Tax Considerations Relating to the Redomestication</u>	41
<u>U.S. Federal Income Tax Considerations</u>	41
<u>Luxembourg Tax Considerations</u>	49
<u>Bermuda Tax Considerations</u>	54
<u>Description of Flagstone (Luxembourg) Shares</u>	55
<u>Comparison of Rights of Shareholders</u>	61
<u>PROPOSAL 5 - Change of Our Corporate Name</u>	70
<u>PROPOSAL 6 - Approval of Our Corporate Purpose</u>	71
<u>PROPOSAL 7 - Luxembourg Registered Office</u>	73
<u>PROPOSAL 8 - Approval of the Articles of Incorporation</u>	74
<u>PROPOSAL 9 - Approval of Issued Share Capital</u>	75
<u>PROPOSAL 10 - Approval of Authorized Share Capital</u>	76
<u>PROPOSAL 11 - Waiver of Preferential or Pre-emptive Subscription Rights</u>	77
<u>PROPOSAL 12 - Approval of the Ability of the Company to Purchase Its Own Shares</u>	78
<u>PROPOSAL 13 - Approval of Fiscal Year</u>	80
<u>PROPOSAL 14 - Approval of Annual General Meeting</u>	81
<u>PROPOSAL 15 - Confirmation of Directors</u>	82
<u>PROPOSAL 16 - Confirmation of Independent Auditor</u>	84
<u>PROPOSAL 17 - Election of Statutory Auditor</u>	85
<u>PROPOSAL 18 - Acknowledgement of Auditors' Report</u>	86
<u>OUR DIRECTORS</u>	87
<u>EXECUTIVE OFFICERS</u>	90
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	92
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	93
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, MANAGEMENT AND DIRECTORS</u>	109
<u>CORPORATE GOVERNANCE</u>	112
<u>AUDIT COMMITTEE REPORT</u>	116
<u>COMPENSATION COMMITTEE REPORT</u>	117
<u>SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	118
<u>EXPERTS</u>	119
<u>LEGAL MATTERS</u>	120
<u>SHAREHOLDER PROPOSALS</u>	121
<u>ADDITIONAL INFORMATION</u>	122
<u>HOUSEHOLDING</u>	123
<u>INCORPORATION OF CERTAIN INFORMATION BY REFERENCE</u>	124

Annex A - Luxembourg Articles of Incorporation

A-1

Annex B - Luxembourg Director's Report

B-1

i

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This Proxy Statement incorporates by reference important business and financial information about Flagstone Reinsurance Holdings Limited from documents filed with the Securities and Exchange Commission (“SEC”) that have not been included herein or delivered herewith. This information is available without charge at the website that the SEC maintains at <http://www.sec.gov>, as well as from other sources. See “Where You Can Find More Information”. In addition you may request copies of the information incorporated by reference in this Proxy Statement from us, without charge, upon written request to Bank of New York Mellon Shareowner Services, PO Box 358015, Pittsburgh, PA 15252-8015, by e-mail at [shrrelations@bnymellon.com](mailto:shrrelations@bnymellon.com), or upon oral request by phone at 1-877-296-3711 (1-201-680-6685 outside the U.S.). In order to receive timely delivery of those materials, you must make your requests no later than five business days before the date of the Annual General Meeting.

Table of Contents

PROXY STATEMENT

General

This Proxy Statement has information about the Annual General Meeting and was prepared by our management at the direction of Flagstone Reinsurance Holdings Limited's Board of Directors (the "Board of Directors" or "Board"). This Proxy Statement is being mailed through the U.S. postal service to shareholders on or around , 2010.

Except where the context otherwise requires or where otherwise indicated, (i) the term "Flagstone (Bermuda)" refers to Flagstone Reinsurance Holdings Limited, (ii) the term "Flagstone (Luxembourg)" refers to Flagstone Reinsurance Holdings, S.A. (the continuation of Flagstone (Bermuda) as a Luxembourg company), (iii) the term "Redomestication" refers to the change of Flagstone (Bermuda)'s jurisdiction of incorporation from Bermuda to Luxembourg, changes to Flagstone (Bermuda)'s charter documents to facilitate this change, and a number of organizational matters required under Luxembourg law in which Flagstone (Bermuda) will continue to exist as the same company but will discontinue its Bermuda existence and continue its corporate existence in Luxembourg as Flagstone (Luxembourg), (iv) the terms "we", "us", "our", "Flagstone", "Flagstone Reinsurance" and the "Company" refer, as applicable, to Flagstone (Bermuda) and consolidated subsidiaries before the Redomestication and Flagstone (Luxembourg) and its consolidated subsidiaries after the Redomestication and (v) the term "Luxembourg Company Law" refers to the Law of August 10, 1915 on Commercial Companies, as amended.

Annual General Meeting

Date: , 2010

Time: 8:30 a.m. local time

Place: The Mid Ocean Club, Tucker's Town, St. George's, Bermuda

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

Your Board of Directors recommends you vote "For" all of the proposals.

Table of Contents

QUESTIONS AND ANSWERS

Voting

Why did I receive this Proxy Statement?

The Company sent this Proxy Statement, together with the enclosed proxy card, because our Board of Directors is soliciting your proxy to vote at the Annual General Meeting on , 2010. This Proxy Statement contains information about the items being voted on at the Annual General Meeting.

Who is entitled to vote?

Each holder of record of our shares on , 2010, the record date for the Annual General Meeting, is entitled to attend and vote at the Annual General Meeting.

How many votes do I have?

Generally, each holder of a share on the record date will be entitled to one vote per share on each matter presented at the Annual General Meeting, except that the total voting power of any shareholder who is a U.S. person controlling 9.9% or more of our common shares will be reduced to less than 9.9% of the voting power of our common shares. For a more detailed description of the operation of this rule, see “The Shareholder Meeting—Voting Securities and Record Date—Voting Rights”.

On the record date, there were 80,001,073 shares outstanding and entitled to vote at the Annual General Meeting. As of the record date, we believe together our directors, executive officers and affiliates hold 45.6% of our outstanding common shares. Some members of this group may have their voting rights reduced, and the group’s voting rights could be less than 45.6%.

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 both routine corporate matters and our Redomestication involving our discontinuance from Bermuda and our continuance as a Luxembourg company. These proposals are:

- To elect four (4) Class C directors (David Brown, Stephen Coley, Dr. Anthony Knap, Ph.D and Peter F. Watson) to hold office until the 2013 Annual General Meeting of Shareholders or until their respective successors have been duly elected or appointed.
- To approve the appointment of Deloitte & Touche to serve as the Company’s independent auditor for fiscal year 2010 and until our 2011 Annual General Meeting of Shareholders and to refer the determination of the auditor’s remuneration to the Board of Directors.
- To approve amendments to the Performance Share Unit Plan.
- To consider and approve the Redomestication from Bermuda to Luxembourg, the authorizing of the Board of Directors to abandon or delay the Redomestication for any reason at any time prior to it becoming effective notwithstanding the approval of the Shareholders, and the granting of a power of attorney to each member of the Board of Directors (or such persons appointed attorney in Luxembourg) to appear before a Luxembourg public

notary and to take all necessary steps and to sign all necessary documents to effect the Redomestication.

- If the Redomestication is approved, to approve the change of the Company's corporate name to Flagstone Reinsurance Holdings, S.A.
  - If the Redomestication is approved, to approve the Company's corporate purpose.
  - If the Redomestication is approved, to fix the Company's registered office in Luxembourg.
  - If the Redomestication is approved, to approve the Company's Luxembourg articles of incorporation.



Table of Contents

- If the Redomestication is approved, to approve the Company's issued share capital.
- If the Redomestication is approved, to approve the Company's authorized share capital.
- If the Redomestication is approved, to waive any preferential or pre-emptive subscription rights under Luxembourg law.
- If the Redomestication is approved, to allow the Company and its subsidiaries to acquire and own shares of the Company.
  - If the Redomestication is approved, to approve the fiscal year of the Company.
- If the Redomestication is approved, to approve the date and time for future Annual General Meetings of Shareholders.
  - If the Redomestication is approved, to confirm the appointment of the Company's directors.
  - If the Redomestication is approved, to confirm the Company's independent auditor.
  - If the Redomestication is approved, to elect the Company's statutory auditor.
- If the Redomestication is approved, to acknowledge an independent auditors' report for the Company.
- If there are insufficient votes at the time of the meeting to approve the Redomestication, to approve the motion to adjourn the meeting to a later date to solicit additional proxies.

How do I attend the Annual General Meeting?

All shareholders are invited to attend the Annual General Meeting. For admission to the Annual General Meeting, shareholders of record should bring valid proof of identification as a shareholder. Those who have beneficial ownership of shares held by a bank, brokerage firm or other nominee must bring account statements or letters from their banks or brokers showing that they own shares of the Company as of the record date.

What should I do now to vote?

The meeting will take place on , 2010. After carefully reading and considering the information contained in this Proxy Statement and the documents incorporated by reference, please indicate on the enclosed proxy card how you want to vote. Submit your proxy by following the instructions on the enclosed proxy card as soon as possible so that your shares may be represented at the meeting.

What if I return my proxy or voting instruction card but do not mark it to show how I am voting?

Your shares will be voted according to the instructions you have indicated on your proxy. If you sign and return your proxy card but do not indicate instructions for voting, your shares will be voted "FOR" each of the proposals described in this Proxy Statement and, with respect to any other matter which may properly come before the Annual General Meeting, at the discretion of the proxy holders.

May I change or revoke my vote after I return my proxy or voting instruction card?

You may change your vote in one of three ways at any time before it is exercised:

- notify our Secretary in writing before the Annual General Meeting that you are revoking your proxy;
- submit another proxy card (or voting instruction card if you hold your shares in street name) with a later date; or
- if you are a holder of record, or a beneficial holder with a proxy from the holder of record, vote in person at the Annual General Meeting.

3

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Table of Contents

Your presence without voting at the meeting will not automatically revoke your proxy, and any revocation during the meeting will not affect votes previously taken. If you hold your shares in the name of a bank, broker or other nominee, you should follow the instructions provided by your bank, broker or nominee in revoking your previously granted proxy.

What constitutes a quorum?

The presence, in person or by proxy, of two or more of the holders representing in excess of 50% of the total shares outstanding and entitled to vote at the Annual General Meeting constitutes a quorum for the conduct of business.

What vote is required in order to approve each proposal?

Under Proposal 1, the nominees for election as directors at the Annual General Meeting who receive the highest number of “FOR” votes will be elected as directors. This is called plurality voting. All other proposals require the affirmative “FOR” vote of a majority of those shares present, in person or by proxy, at the meeting and entitled to vote on the proposal.

How will voting on any other business be conducted?

Other than matters incidental to the conduct of the Annual General Meeting, we do not know of any business or proposals to be considered at the Annual General Meeting other than those set forth in this Proxy Statement. If any other business is proposed and properly presented at the Annual General Meeting, the proxies received from our shareholders give the proxy holders the authority to vote on the matter at their discretion.

Redomestication

What is the Redomestication?

In the Redomestication, the Company will discontinue its existence as a Bermuda company and continue as a Luxembourg company.

Why do we want to change our jurisdiction of incorporation from Bermuda to Luxembourg?

We believe that the Redomestication is in the best interests of Flagstone and our shareholders. This determination was based in part on our belief that the Redomestication will:

- increase our strategic and capital flexibility;
- build upon our existing European presence with few risks to our operating model or our long-term strategy; and
  - help reduce reputational, political, regulatory and financial risks to the Company.

We have chosen to redomesticate to Luxembourg, among other reasons, because it:

- is a leading financial center with political, economic and regulatory stability;
- has a sophisticated financial and regulatory environment;

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- has a network of excellent relations with major developed and developing countries around the world;
- is party to an extensive network of commercial and tax treaties, significantly with the United States and certain members of the European Union;
- settles our identity as a European company;
- leverages our regulatory and legal familiarity and office space in Luxembourg given the existing presence of our investment management operations there; and

Table of Contents

- potentially makes a listing of our common shares on a European exchange more attractive.

Will the Redomestication affect the Company's current or future operations?

We believe that the Redomestication should have no material impact on how we conduct our day-to-day operations.

Will the Redomestication dilute my economic interest?

The Redomestication will not dilute your economic interest in the Company. Immediately after the Redomestication, the number of our issued and outstanding shares will be the same as the number of our issued and outstanding shares immediately before the Redomestication.

Will the Redomestication alter my rights with respect to shares I hold in the Company?

The completion of the Redomestication will change the governing law that applies to our shareholders from Bermuda law to Luxembourg law. Many of the principal attributes of our shares will be similar. There are, however, differences between your rights under Luxembourg law and under Bermuda law, and there are differences between our current Memorandum of Association and Bye-Laws and the proposed Luxembourg articles of incorporation (the "Articles") that will apply to us after we continue as a Luxembourg company. We discuss these differences under "Proposal 4 - Approval of the Redomestication—Description of Flagstone (Luxembourg) Shares" and "Proposal 4 - Approval of the Redomestication—Comparison of Rights of Shareholders". A copy of the English version of the Flagstone (Luxembourg) Articles is attached as Annex A to this Proxy Statement.

In addition, to mitigate certain potential adverse U.S. federal income tax consequences to U.S. shareholders, our current Bye-Laws reduce the total voting power of any shareholder who is a U.S. person controlling 9.9% or more of our common shares to less than 9.9% of the voting power of our common shares. For a more detailed description of the operation of this rule, see "The Shareholder Meeting—Voting Securities and Record Date—Voting Rights". After the Redomestication, each share will be entitled to one vote with no potential reduction in voting power. Thus, as a result of the Redomestication and the corresponding removal of the 9.9% voting limitation from the Company's corporate documents, there may be an increase in the voting rights of certain U.S. shareholders and a dilution of the voting rights of other shareholders. This change will be undertaken for Luxembourg legal reasons and could result in adverse U.S. federal income tax consequences to U.S. shareholders controlling 10% or more of our common shares. See "Risk Factors—Tax Risk Factors—After the Redomestication, U.S. persons holding shares in Flagstone (Luxembourg) with an aggregate voting power of 10% or greater may be subject to current U.S. federal income tax with respect to certain income earned by Flagstone (Luxembourg) and its subsidiaries".

When do you expect the Redomestication to be completed?

Assuming the Redomestication is approved by the requisite shareholder vote, we expect to complete the Redomestication as soon as practicable following such approval. We expect to complete the Redomestication soon after the Annual General Meeting (the "Effective Time"). The Redomestication may be abandoned or delayed for any reason by our Board of Directors at any time prior to the Effective Time, even though the Redomestication may have been approved by our shareholders and all conditions to the Redomestication may have been satisfied.

What effect will the Redomestication have on my current shares?

If you hold shares in certificated form, you do not need to take any action as a result of the Redomestication. Your certificated shares will still be valid and continue to represent your interest in the Company.

If you hold your shares through a broker, dealer, commercial bank, trust company or similar institution, you should not need to take any action as a result of the Redomestication. Since the Redomestication will not impact the number of shares you own, we expect the account statements from your institution will look largely the same after the Redomestication.

If you hold direct registration shares, after the Redomestication the Company will be required to issue you certificated shares.

Table of Contents

Can I trade shares between the date of this Proxy Statement and the Effective Time?

Yes. Our shares will continue to trade during this period.

After the Redomestication, will the shares still be listed on the New York Stock Exchange?

Yes. We will submit an application so that immediately following the Redomestication our shares will continue to be listed on the New York Stock Exchange under the symbol “FSR”, the same symbol under which our shares currently are listed.

What are the material tax consequences of the Redomestication?

The Company should not be subject to U.S. federal income tax as a result of the Redomestication. For U.S. federal income tax purposes, holders of Flagstone (Bermuda) shares should not recognize gain or loss solely as a result of the Redomestication. See “Proposal 4 - Approval of the Redomestication—Material Tax Considerations—Material U.S. Tax Consequences of the Redomestication”.

For Luxembourg tax purposes, holders of Flagstone (Bermuda) shares should not realize a taxable gain solely as a result of the Redomestication. See “Proposal 4 - Approval of the Redomestication—Material Tax Considerations—Material Luxembourg Tax Consequences of the Redomestication”.

Will there be Luxembourg withholding tax on any future dividends?

Regular dividends are, in principle, subject to a Luxembourg withholding tax of 15%. Any repurchase of shares or repayment of capital or share premium is, under certain circumstances, also subject to a 15% Luxembourg withholding tax, for example, if the Company has distributable reserves or profits generated post-Redomestication. If Flagstone (Luxembourg) were to make any such taxable payment, it would in principle be required to withhold at the 15% rate and remit the withheld amounts to the Luxembourg tax authorities.

However, it is our intention to make payments to shareholders in the form of share capital reductions and share premium reductions in such a way that no Luxembourg withholding tax is due. As such, we expect that a substantial amount of any potential future payments to be made by Flagstone (Luxembourg) may be exempt from Luxembourg withholding tax. Flagstone recommends that each shareholder consult his or her own tax advisor as to the tax consequences of holding shares in and receiving share capital, share premium and dividend payments from Flagstone (Luxembourg). See “Risk Factors After the Redomestication, dividends you receive may be subject to Luxembourg dividend withholding tax and Luxembourg income tax” and “—Material Tax Consequences Relating to the Redomestication—Luxembourg Tax Considerations—Post-Redomestication Consequences to Flagstone (Luxembourg) Shareholders”.

Table of Contents

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SUMMARY OF THE REDOMESTICATION

This summary highlights selected information from this Proxy Statement. It does not contain all of the information that is important to you. For a better understanding of the Redomestication, and for a more complete legal description of the Redomestication, you should read carefully the entire Proxy Statement, including the annexes. The Articles, which are attached as Annex A to this Proxy Statement, will govern us after the completion of the Redomestication. We encourage you to read those documents.

The Company

Flagstone Reinsurance Holdings Limited  
Crawford House  
23 Church Street  
Hamilton HM 11  
Bermuda  
(441) 278-4300

The Company, a global reinsurance and insurance company, was incorporated under the laws of Bermuda in October 2005 and commenced operations in December 2005. The Company is currently organized into three business segments: Reinsurance, Lloyd's and Insurance. Through our Reinsurance segment, we write primarily property, property catastrophe and short-tail specialty and casualty reinsurance. Through our Lloyd's segment we primarily write property and short-tail specialty and casualty insurance and reinsurance for risks such as energy, hull and cargo, marine liability, engineering and aviation. Through our Insurance segment, we primarily write property insurance for homes, condominiums and office buildings in the Caribbean region. We diversify our risks across business lines by risk zones, each of which combines a geographic zone with one or more types of peril (for example, Texas Windstorm, Florida Hurricane or California Earthquake). The majority of our reinsurance contracts contain loss limitation provisions such as fixed monetary limits to our exposure and per event caps. We specialize in underwriting where sufficient data exists to analyze effectively the risk/return profile, and where we are subject to legal systems we deem reasonably fair and reliable.

The Redomestication

At the Annual General Meeting, we will be asking you to approve the change of our jurisdiction of incorporation from Bermuda to Luxembourg and to approve a number of organizational matters necessary to accomplish the Redomestication. The Redomestication will be effected by our discontinuing our existence as a Bermuda company, as provided in Section 132G of The Companies Act 1981 of Bermuda, and continuing our existence as a Luxembourg société anonyme ("S.A."). We also will be asking you to approve a number of changes to our charter documents to facilitate the Redomestication and a number of organizational matters required under Luxembourg law. Under Luxembourg law, a number of these matters must be voted on separately, and so we will present multiple proposals (the "Luxembourg Organizational Proposals") to be voted on at the Annual General Meeting. We have summarized these proposals below.

First, we will ask you to approve the Redomestication.

Second, Luxembourg law requires that a number of matters be specifically approved by shareholders, including our corporate purpose, our registered office, the Articles, our issued share capital, our authorized share capital, the waiver of preferential and pre-emptive subscription rights under Luxembourg law, the ability of the Company to purchase and



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hold its own shares, our fiscal year, our Annual General Meeting, our directors, our independent auditor, our statutory auditor and the acknowledgement of an auditors' report.

We anticipate that the Redomestication will become effective as soon as practicable following approval of the shareholders, with the exact date and time being determined by our Board of Directors. Subject to filing the relevant documents with the Bermuda Registrar of Companies, the Redomestication will become effective upon the execution of the required notarial deed at the meeting to be held before the public notary in Luxembourg.

As of the record date for the Annual General Meeting, there were 80,001,073 shares outstanding.

Table of Contents

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Reasons for the Redomestication

We believe that the Redomestication is in the best interests of Flagstone and our shareholders. This determination was based in part on our belief that the Redomestication will:

- increase our strategic and capital flexibility;
- build upon our existing European presence with few risks to our operating model or our long-term strategy; and
  - help reduce reputational, political, regulatory and financial risks to the Company.

We have chosen to redomesticate to Luxembourg, among other reasons, because it:

- is a leading financial center with political, economic and regulatory stability;
- has a sophisticated financial and regulatory environment;
- has a network of excellent relations with major developed and developing countries around the world;
- is party to an extensive network of commercial and tax treaties, significantly with the United States and certain members of the European Union;
  - settles our identity as a European company;
- leverages our regulatory and legal familiarity and office space in Luxembourg given the existing presence of our investment management operations there; and
  - potentially makes a listing of our common shares on a European exchange more attractive.

Our reinsurance and insurance operations worldwide will continue to operate without material changes, and our principal operating company will remain in Switzerland. We do not expect the Redomestication to have any material change on our operations or financial results. Our common shares will continue to be listed on the New York Stock Exchange (“NYSE”) under the ticker symbol “FSR” and on the Bermuda Stock Exchange. We will continue to be registered with the U.S. Securities and Exchange Commission (“SEC”) and remain subject to SEC reporting requirements, the mandates of the Sarbanes-Oxley Act of 2002, and the corporate governance rules of the NYSE. Finally, we will continue to report our consolidated financial results in U.S. dollars using U.S. generally accepted accounting principles (“U.S. GAAP”).

Effects of the Redomestication

After the Redomestication, we will remain in existence as the same company, but as a Luxembourg company rather than a Bermuda company. You will continue to own an interest in the same company that will continue to conduct the same business operations as conducted by, and to own the same assets as owned by, it before the Redomestication. The number of shares you will own will be the same as the number of shares you owned immediately prior to the Redomestication, and your relative economic interest will be unchanged.

Upon completion of the Redomestication, we will continue to be responsible for our existing obligation to deliver shares in connection with awards granted under our incentive plans, warrants or other outstanding rights. Immediately after the Redomestication, we will have issued and outstanding the same number of shares as we had issued and outstanding immediately before the completion of the Redomestication.

Upon completion of the Redomestication, we will remain subject to SEC reporting requirements, the mandates of the Sarbanes-Oxley Act and the applicable corporate governance rules of the NYSE, and we will continue to report our financial results in U.S. dollars and under U.S. GAAP.

## Table of Contents

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### Voting

To mitigate potential U.S. federal income tax consequences, our current Bye-Laws reduce the total voting power of any shareholder who is a U.S. person controlling 9.9% or more of our common shares to less than 9.9% of the voting power of our common shares. After the Redomestication, each share will be entitled to one vote with no potential reduction in voting power. For a more detailed description of the operation of this rule and potential adverse U.S. federal income tax implications to shareholders resulting from its removal, see “The Shareholder Meeting—Voting Securities and Record Date—Voting Rights” and “Risk Factors—Tax Risk Factors—After the Redomestication, U.S. persons holding shares in Flagstone (Luxembourg) with an aggregate voting power of 10% or greater may be subject to current U.S. federal income tax with respect to certain income earned by Flagstone (Luxembourg) and its subsidiaries”.

### Rights of Shareholders

The completion of the Redomestication will change the governing law that applies to our shareholders from Bermuda law to Luxembourg law. Many of the principal attributes of our shares will be similar. There are, however, differences between your rights under Luxembourg law and under Bermuda law, and there are differences between our current Memorandum of Association and Bye-Laws and the Articles that will apply to us after we continue as a Luxembourg company. We discuss certain of the main differences under “Proposal 4 - Approval of the Redomestication—Description of New Luxembourg Shares” and “Proposal 4 - Approval of the Redomestication—Comparison of Rights of Shareholders”. A copy of the English version of the Articles is attached as Annex A to this Proxy Statement.

### Stock Exchange Listing

We will submit an application so that our shares will continue to be listed on the NYSE under the symbol “FSR”, the same symbol under which our shares currently are listed. Our shares are also currently listed on the Bermuda Stock Exchange, and we expect that they will continue to be listed on the Bermuda Stock Exchange after the Redomestication.

### Accounting Treatment

Under U.S. GAAP, the assets and liabilities in our financial statements after the Redomestication will be reflected at their historical value in our financial statements at the time of the Redomestication.

### Tax Considerations of the Redomestication

The Company should not be subject to U.S. federal income tax as a result of the Redomestication. For U.S. federal income tax purposes, holders of Flagstone (Bermuda) shares should not recognize gain or loss solely as a result of the Redomestication. See “Proposal 4 - Approval of the Redomestication—Material Tax Considerations—Material U.S. Tax Consequences of the Redomestication”.

For Luxembourg tax purposes, holders of Flagstone (Bermuda) shares should not realize a taxable gain solely as a result of the Redomestication. See “Proposal 4 - Approval of the Redomestication—Material Tax Considerations—Material Luxembourg Tax Consequences of the Redomestication”.

Please refer to “Proposal 4 - Approval of the Redomestication—Material Tax Considerations” for a description of certain material U.S. federal, Luxembourg and Bermuda tax consequences of the Redomestication to Flagstone Reinsurance shareholders. Determining the actual tax consequences to you may be complex and will depend on your specific

situation. Accordingly, the tax consequences summarized above may not apply to all holders of Flagstone Reinsurance shares and you should consult your own tax advisors regarding the particular U.S. (federal, state and local), Luxembourg, Bermuda and other non-U.S. tax consequences of the Redomestication and ownership and disposition of the Flagstone (Luxembourg) shares in light of your particular situation.

Table of Contents

## Selected Financial Data

The following table presents selected financial data for the Company. Statement of operations data and balance sheet data of the Company are derived from our audited consolidated financial statements which have been prepared in accordance with U.S. GAAP. The historical financial information may not be indicative of the Company's future performance. The data should be read in conjunction with the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009 and the Company's financial statements, related notes and other financial information incorporated by reference in this Proxy Statement.

(in thousands, except per share data)	Years Ended December 31,				Period October
	2009	2008	2007	2006	4, 2005 through December 31, 2005
<b>Summary Statement of Operations Data:</b>					
Net premiums written	792,469	694,698	527,031	282,498	-
Net income (loss)	242,192	(187,302)	167,922	152,338	(12,384)
<b>Net income (loss) per common share</b>					
outstanding—Basic	2.87	(2.20)	2.05	2.17	(0.22)
Dividends declared per common share	0.16	0.16	0.08	-	-
<b>Summary Balance Sheet Data:</b>					
	As at December 31,				
	2009	2008	2007	2006	2005
Total assets	2,566,768	2,215,970	2,103,773	1,144,502	548,356
Total investments, cash and cash equivalents and restricted cash	1,945,320	1,700,844	1,865,698	1,018,126	548,255
Long term debt	252,402	252,575	264,889	137,159	-
Loss and loss adjustment reserves	480,660	411,565	180,978	22,516	-
Shareholders' equity	1,211,018	986,013	1,210,485	864,519	547,634
Book Value Per Common Share —Basic	14.56	11.61	14.17	12.08	9.91

As of January 1, 2007, we adopted SFAS No. 157, "Fair Value Measurements" and SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115" (currently FASB Accounting Standards Codification Topics on Fair Value Measurements and Disclosures and on Financial Instruments (see Item 8, Note 1 "Significant Accounting Policies" of our Annual Report on Form 10-K for the year ended December 31, 2009 for additional details regarding the adoption of the FASB Accounting Standards Codification)). As a result, substantially all of our investments are now carried at fair value with changes in fair value being reported as net realized and unrealized gains (losses) in our statement of operations. Prior to the adoption of these Topics, our available for sale investments were carried at fair value with changes in fair value with changes therein reported as a component of other comprehensive income.

On January 12, 2007, we began to consolidate the operations of Mont Fort Re Ltd. in accordance with the FASB ASC Topic on Consolidation and on July 1, 2007, we began to consolidate the operations of Island Heritage Holdings Ltd. in accordance with the FASB ASC Topic on Consolidation.

On July 1, 2008, we began to consolidate the operations of Flagstone Reinsurance Africa Limited, on October 1, 2008, we began to consolidate the operations of Flagstone Alliance Insurance & Reinsurance PLC and on November 18, 2008, we began to consolidate the operations of Marlborough Underwriting Agency Limited in accordance with the FASB ASC Topic on Consolidation.

#### Pro Forma Selected Financial Data

Pro forma financial statements are not included in this Proxy Statement because no significant pro forma adjustments are required to be made to the historical statement of operations and balance sheet of the Company for the year ended and as of December 31, 2009. Those financial statements are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

#### Market Price Information

On March 19, 2010, the last trading day before the public announcement of the Redomestication, the closing price of our shares on the NYSE was \$11.15 per share.

Table of Contents

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Quorum

The presence, in person or by proxy, of two or more of the holders representing in excess of 50% of the total shares outstanding and entitled to vote at the Annual General Meeting constitutes a quorum for the conduct of business. Abstentions will be counted as present for purposes of determining whether there is a quorum in respect of the proposals. “Broker non-votes” (i.e., common shares held by brokers which are represented at the Annual General Meeting but with respect to which the broker is not empowered to vote on a particular proposal) will be counted as present for purposes of determining whether there is a quorum in respect of the proposals.

Required Vote

Under our Bye-Laws, the Redomestication requires the approval of a majority of the shares present and voting on the proposals at the Annual General Meeting, whether in person or by proxy.

As of the record date, we believe our directors, executive officers and affiliates as a group held 45.6% of our outstanding common shares. Under our Bye-Laws, some members of this group may have their voting rights reduced, and the group’s voting rights could be less than 45.6%. See “Security Ownership of Certain Beneficial Owners, Management and Directors”.

Regulatory Matters

Prior to the Redomestication, we expect to move the location of certain U.K. subsidiaries within our company structure for which we will seek the approval of the U.K.’s Financial Services Authority (“FSA”) and Lloyd’s of London. We are not aware of any other governmental approvals or actions that are required to complete the Redomestication, other than compliance with U.S. federal and state securities laws and Bermuda and Luxembourg corporate law.

No Appraisal Rights

Under Bermuda law, our shareholders do not have any right to an appraisal of the value of their shares or payment for them in connection with the Redomestication. See “The Shareholder Meeting—Dissenter’s Right of Appraisal”.



Table of Contents

RISK FACTORS

Before you decide how to vote on the Redomestication, you should consider carefully the following risk factors, in addition to the other information contained in this Proxy Statement and the documents incorporated by reference, including our Annual Report on Form 10-K for the year ended December 31, 2009 and subsequent filings with the SEC.

COMPANY RISK FACTORS

The market for our common shares may differ after the Redomestication.

We intend to take steps to ensure that, immediately following the Redomestication, our common shares will continue to be listed on the NYSE under the symbol “FSR”; however, the market price, trading volume or volatility of our common shares could be different after the Redomestication.

After the Redomestication, there may be less demand for our shares if persons seek to avoid being a 10% U.S. Shareholder.

After the Redomestication, the voting power of any shareholder owning 9.9% or more of the Company’s shares will not be reduced to less than 9.9%, which could result in adverse tax consequences to U.S. holders controlling 10% or more of our shares. See “ After the Redomestication, U.S. persons holding shares in Flagstone (Luxembourg) with an aggregate voting power of 10% or greater may be subject to current U.S. federal income tax with respect to certain income earned by Flagstone (Luxembourg) and its subsidiaries”. As a result, existing U.S. shareholders may sell a certain portion of their shares in the Company, and U.S. persons may, in general, purchase fewer shares in the Company than they might otherwise purchase, in order to avoid controlling 10% or more of our shares. This, in turn, could adversely impact our share price.

Following the Redomestication, we may be removed from certain stock indices and mutual funds, which we expect could have an adverse impact on our share price.

Stock indices and mutual funds often impose a variety of qualifications for a company’s inclusion that could be affected by the Redomestication. If our shares are removed as a component of certain stock indices or no longer meet the qualifications of certain mutual funds, institutional investors that are required to track the performance of such indices or the funds that impose those qualifications may be required to sell their shares, which we anticipate may adversely affect the price of our shares.

Legislative or regulatory action could materially and adversely affect us after the Redomestication or eliminate or reduce some of the anticipated benefits of the Redomestication.

Our tax position could be adversely impacted by changes in tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof by the tax authorities in Luxembourg, the United States and other jurisdictions following the Redomestication. Any future amendments to the current income tax treaties between Luxembourg and other jurisdictions, including the United States, could subject us to increased taxation and potentially significant expense. We cannot assure you that the Redomestication will eliminate the risk that these changes, if made, will apply to us.

As a Luxembourg company following the Redomestication, we will be required to comply with numerous Luxembourg and European Union laws and regulations as from time to time in effect, which may have a material and

adverse effect on our financial condition and results of operations.

The Redomestication will result in additional direct and indirect costs, even if the Redomestication is not completed.

We will incur additional direct costs as a result of the Redomestication. Following the Redomestication, we will hold certain Board of Directors meetings, management meetings and annual general meetings in Luxembourg. We also expect to increase our presence in Luxembourg and incur costs and expenses, including professional fees, to comply with Luxembourg corporate and tax laws. In addition, we expect to incur attorneys' fees, accountants' fees, filing fees, mailing expenses and financial printing expenses in connection with the Redomestication, even if it is not approved or completed. The Redomestication also may negatively affect us by diverting attention of our management and employees from our operating business and by increasing other administrative costs and expenses.

Table of Contents

As a Luxembourg company we will incur additional accounting and audit costs. We will be required to hire and incur the additional expense of a statutory auditor to audit the Company and its stand alone accounts, separate from the subsidiaries, which accounts will be prepared in accordance with Luxembourg Generally Accepted Accounting Principles (“Lux GAAP”) on an annual basis. The requirement to appoint the statutory auditor is in addition to the requirement of the Company to prepare consolidated financial statements under U.S. GAAP for SEC purposes. Should the Company, in the future, meet certain thresholds under Luxembourg law on a stand alone basis, it may be required to appoint an independent auditor to audit its stand alone accounts. If the Company is required to appoint such an independent auditor, it is released from its obligations to have a statutory auditor for its stand alone accounts.

In addition, the Company is required by Luxembourg law to prepare consolidated accounts under Lux GAAP (or IFRS). The consolidated accounts will be required to be audited by an independent auditor. The preparation of these consolidated accounts is in addition to the requirement of the Company to prepare consolidated financial statements under U.S. GAAP for SEC purposes. The Company will apply to the appropriate government authorities in Luxembourg for an exemption from the requirement to prepare consolidated accounts under Lux GAAP (or IFRS). Even if the exemption is granted, Luxembourg may require us to prepare a reconciliation of our shareholders’ equity and annual results between U.S. GAAP and Lux GAAP (or IFRS). Should the application for exemption not be successful, the preparation of consolidated accounts under U.S. GAAP will not release the Company from its legal obligation under Luxembourg Law to prepare consolidated accounts under Lux GAAP (or IFRS).

The Company may potentially therefore be required to prepare three sets of accounts and to have these three sets of accounts audited.

We may choose to abandon or delay the Redomestication.

We may abandon or delay the Redomestication at any time prior to it becoming effective by action of our Board of Directors, even after the Annual General Meeting. While we currently expect the Redomestication to take place as soon as practicable after obtaining shareholder approval of the Redomestication at the Annual General Meeting, our Board of Directors may delay the Redomestication for a significant time or may abandon the Redomestication after the Annual General Meeting because, among other reasons, of an increase in our estimated cost of the Redomestication or a determination by the Board of Directors that the Redomestication is no longer in the best interests of our shareholders or may not result in the benefits we expect.

Table of Contents

TAX RISK FACTORS

After the Redomestication, U.S. persons holding shares in Flagstone (Luxembourg) with an aggregate voting power of 10% or greater may be subject to current U.S. federal income tax with respect to certain income earned by Flagstone (Luxembourg) and its subsidiaries.

If the Company or any of its subsidiaries is characterized as a controlled foreign corporation (“CFC”) for an uninterrupted period of 30 days or more during a taxable year, then any 10% U.S. Shareholder that owns, directly or indirectly through non-U.S. entities shares of the Company or any of its non-U.S. subsidiaries (based on voting power) on the last day of the taxable year on which the Company or any of its non-U.S. subsidiaries (as the case may be) is a CFC, would be required to include in such 10% U.S. Shareholder’s U.S. federal gross income for the taxable year, as income subject to taxation at ordinary income tax rates, such 10% U.S. Shareholder’s pro rata share of the relevant company’s undistributed earnings and profits characterized as “subpart F income”. A “10% U.S. Shareholder” is a United States person (as defined in Section 957(c) of the Internal Revenue Code of 1986, as amended (the “Code”)) (“U.S. Person”) that owns (directly or indirectly through non-U.S. entities or constructively) at least 10% of the total combined voting power of all classes of stock entitled to vote of the Company or any of its non-U.S. subsidiaries (as the case may be). Subpart F income generally includes passive investment income (such as interest, dividends and certain rent or royalties) and subpart F insurance income, which includes certain insurance underwriting income and related investment income. Additionally, a United States person (as defined in Section 7701(a)(30) of the Code) that sells or exchanges our common shares (including by way of repurchase or liquidation) and that was a 10% U.S. Shareholder at any time during the five-year period ending on the date of such disposition while the Company was characterized as a CFC may be taxable at dividend rates on any gain realized on the disposition to the extent of our current and accumulated earnings and profits attributable to such common shares.

Unlike the Bye-Laws of Flagstone (Bermuda), the Articles will not contain a provision reducing the voting power of any shareholder owning 9.9% or more of the Company’s shares to less than 9.9%. For a more detailed description of the operation of this rule, see “The Shareholder Meeting—Voting Securities and Record Date—Voting Rights”. Accordingly, no assurance can be given that Flagstone (Luxembourg) or any of its subsidiaries will not be, or become, a CFC after the Redomestication. Investors should consult their own tax advisors regarding the U.S. tax ramifications of owning shares of Flagstone (Luxembourg), and in particular regarding the manner in which ownership is computed for purposes of applying the CFC rules described above, and the potential U.S. tax ramifications of ownership of shares of Flagstone (Luxembourg) with an aggregate voting power of 10% or greater.

After the Redomestication, dividends you receive may be subject to Luxembourg dividend withholding tax and Luxembourg income tax.

Dividend withholding tax (currently at a rate of 15%) may arise in respect of dividends paid on Flagstone (Luxembourg) shares. A Luxembourg withholding tax levied at a rate of 15% is due on dividends and similar non-exempt distributions to Flagstone (Luxembourg)’s holders. Flagstone (Luxembourg) will be required to withhold at such rate from distributions to the shareholder and to pay such withheld amounts to the Luxembourg tax authorities.

Dividends and similar distributions paid to Flagstone (Luxembourg)’s holders may be exempt from Luxembourg dividend withholding tax if: (1) the shareholder is a qualifying corporate entity holding a stake of at least 10% of the total issued and outstanding share capital of Flagstone (Luxembourg) or a stake of such share capital with an acquisition price of at least €1.2 million; and (2) has either held this qualifying stake in the capital of Flagstone (Luxembourg) for an uninterrupted period of at least 12 months at the time of the payment of the dividend, or if it undertakes to continue to own such qualifying shareholding until such time as the entity has held the shares for an uninterrupted period of at least 12 months. Examples of qualifying corporate shareholders are taxable Luxembourg

companies, certain taxable companies resident in other EU member states, capital companies resident in Switzerland subject to income tax and companies fully subject to a tax corresponding to Luxembourg corporate income tax that are resident in countries that have concluded a treaty for the avoidance of double taxation with Luxembourg. Residents of countries that have concluded a treaty for avoidance of double taxation with Luxembourg might claim application of a dividend withholding tax reduced rate (or exemption) depending on the applicable tax treaty.

## Table of Contents

Under current Luxembourg tax law, payments to shareholders in relation to a reduction of share capital or share premium are not subject to Luxembourg dividend withholding tax if certain conditions are met, including, for example, the condition that Flagstone (Luxembourg) does not have distributable reserves or profits generated post-Redomestication. If Flagstone (Luxembourg) has, at the time of the payment to shareholders with respect to their shares, distributable reserves or profits in Flagstone (Luxembourg) generated Post-Redomestication, a distribution of share capital or share premium will be recharacterized for Luxembourg tax purposes as a distribution of such reserves or earnings subject to withholding tax. While it is our intention to make payments to shareholders in a way that no Luxembourg withholding tax is due, we may not be able to do so or our ability to do so could be limited.

Flagstone recommends that each shareholder consult his or her own tax advisor as to the tax consequences of holding shares in and receiving share capital, share premium and dividend payments from Flagstone (Luxembourg).

The Redomestication may not allow us to maintain a competitive worldwide effective corporate tax rate.

We believe the Redomestication should permit us to maintain a competitive worldwide effective tax rate. However, we cannot provide any assurance as to what our worldwide effective tax rate will be after the Redomestication because of, among other things, uncertainty regarding the amount of business activities and profits in any particular jurisdiction in the future and the tax laws of such jurisdictions. Our actual worldwide effective tax rate may vary from our expectation and that variation may be material.

We will be subject to various Luxembourg taxes as a result of the Redomestication.

Although we do not expect Luxembourg taxes materially to affect our worldwide effective corporate tax rate, we will be subject to additional corporate taxes in Luxembourg as a result of the Redomestication. Luxembourg imposes corporate income tax plus municipal business tax and surcharges for Luxembourg resident companies at an effective tax rate, currently, of 28.59% (for companies registered in Luxembourg City). However, we should be entitled to a “participation relief” that in most cases will effectively eliminate any Luxembourg taxation on the dividends paid to us out of profits of our qualifying subsidiaries as well as on capital gains related to the sale of equity interests in our qualifying subsidiaries. We also will be subject to Luxembourg net wealth tax at the rate of 0.5% levied on the net assets except for equity interests in our qualifying subsidiaries. The net wealth tax charge can be reduced if a specific reserve is created and maintained for five years. However, the maximum reduction is limited to the corporate income tax rate due for the same year. In addition, we will be subject to Luxembourg indirect taxes (e.g., VAT). We currently are not subject to income, capital, net wealth or indirect taxes in Bermuda.

There could be adverse tax consequences if we fail to maintain sufficient presence in Luxembourg.

If the Company does not maintain sufficient presence in Luxembourg, the Luxembourg tax authorities may not be willing to confirm that the Company is a tax resident of Luxembourg. In such case, the Company may not be entitled to tax treaty benefits. In addition, a foreign jurisdiction may claim the right to tax Flagstone (Luxembourg) as if it were a tax resident of that foreign jurisdiction, and ultimately double taxation may result.

## **BERMUDA V. LUXEMBOURG SHAREHOLDER RIGHTS RISK FACTORS**

Certain of your rights as a shareholder will change as a result of the Redomestication.

The completion of the Redomestication will change the governing law that applies to our shareholders from Bermuda law to Luxembourg law. There are differences between your rights under Luxembourg law and under Bermuda law, and there are differences between our current Memorandum of Association and Bye-Laws and the Articles that will

apply to us after we continue as a Luxembourg company. We discuss these differences under “Proposal 4 - Approval of the Redomestication—Description of Flagstone (Luxembourg) Shares” and “Proposal 4 - Approval of the Redomestication—Comparison of Rights of Shareholders”. A copy of the English version of the Articles is attached as Annex A to this Proxy Statement.

## Table of Contents

In addition, to mitigate certain potential adverse U.S. tax consequences to U.S. shareholders, our current Bye-Laws reduce the total voting power of any shareholder who is a U.S. person controlling 9.9% or more of our common shares to less than 9.9% of the voting power of our common shares. For a more detailed description of the operation of this rule, see “The Shareholder Meeting—Voting Securities and Record Date—Voting Rights”. After the Redomestication, each share will be entitled to one vote with no potential reduction in voting power. Thus, as a result of the Redomestication and the corresponding removal of the 9.9% voting limitation from the Company’s corporate documents, there may be an increase in the voting rights of certain U.S. shareholders and a dilution of the voting rights of other shareholders. This change will be undertaken for Luxembourg legal reasons and could create adverse tax consequences to certain U.S. shareholders. See “Risk Factors—Tax Risk Factors—After the Redomestication, U.S. persons holding shares in Flagstone (Luxembourg) with an aggregate voting power of 10% or greater may be subject to current U.S. federal income tax with respect to certain income earned by Flagstone (Luxembourg) and its subsidiaries.”

These differences could cause our shares to be less attractive to you and other shareholders and could adversely impact the share price.

As a result of increased shareholder approval requirements, we may have less flexibility as a Luxembourg company than as a Bermuda company with respect to certain aspects of capital management.

Under Bermuda law, our directors may issue, without further shareholder approval, any shares authorized in our Memorandum of Association that are not already issued or reserved. Bermuda law also provides substantial flexibility in establishing the terms of preferred shares. In addition, our Board of Directors currently has the right, subject to statutory limitations, to declare and pay dividends on our shares without a shareholder vote. Luxembourg law will allow our shareholders to authorize share capital that can be issued by the Board of Directors without further shareholder approval, but this authorization will be limited to the amount fixed in the Articles, and the authorization given to the Board of Directors must be renewed by the shareholders every five years. The renewal requires a general meeting of shareholders deliberating in accordance with the requirements for amendments to the Articles. The increase of capital must be recorded in a notarial instrument, prepared at the request of the Board of Directors, within one month from the end of the subscription period or within three months from the day on which that period commenced. Luxembourg law grants pre-emptive rights to existing shareholders to subscribe for new issuances of shares where such shares are issued for cash. Shareholders will be asked to waive their pre-emption rights in relation to shares to be issued for cash. In addition, after the Redomestication, we will not be able to issue different classes of shares (including preferred shares) unless the shareholders approve them. If shareholders do not approve further extensions of the Board’s ability to issue shares without prior shareholder approval and free from shareholder pre-emption rights, or approve the issuance of different classes of shares, the Company’s capital flexibility could be adversely impacted.

Luxembourg law also reserves for approval by shareholders many corporate actions over which our Board of Directors currently has authority under Bermuda law. We cannot assure you that situations will not arise where such flexibility would have provided substantial benefits to our shareholders.



Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Proxy Statement, including the documents we incorporate by reference, contains, and the Company may from time to time make, written or oral “forward-looking statements” within the meaning of the U.S. federal securities laws, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All forward-looking statements rely on a number of assumptions concerning future events and are subject to a number of uncertainties and other factors, many of which are outside the Company’s control that could cause actual results to differ materially from such statements. In particular, statements using words such as “may”, “should”, “estimate”, “expect”, “anticipate”, “intend”, “believe”, “predict”, “potential”, or words of similar import generally involve forward-looking statements.

Important events and uncertainties that could cause the actual results to differ include, but are not necessarily limited to: market conditions affecting the Company’s common share price; the impact of volatility in the financial markets, including the duration of the economic crisis and the effectiveness of governmental solutions; the weakening economy, including the impact on our consumers’ businesses; fluctuations in interest rates; the effects of corporate bankruptcies on capital markets; the possibility of severe or unanticipated losses from natural or man-made catastrophes; the effectiveness of our loss limitation methods; our dependence on principal employees; the cyclical nature of the insurance and reinsurance business; the levels of new and renewal business achieved; opportunities to increase writings in our core property and specialty reinsurance and insurance lines of business and in specific areas of the casualty reinsurance market; the sensitivity of our business to financial strength ratings established by independent rating agencies; the estimates reported by cedents and brokers on pro-rata contracts and certain excess of loss contracts where the deposit premium is not specified in the contract; the inherent uncertainties of establishing reserves for loss and loss adjustment expenses; our reliance on industry loss estimates and those generated by modeling techniques; unanticipated adjustments to premium estimates; changes in the availability, cost or quality of reinsurance or retrocessional coverage; changes in general economic conditions; changes in governmental regulation or tax laws in the jurisdictions where we conduct business; the amount and timing of reinsurance recoverables and reimbursements we actually receive from our reinsurers; the overall level of competition, and the related demand and supply dynamics in our markets relating to growing capital levels in the insurance and reinsurance industries; declining demand due to increased retentions by cedents and other factors; the impact of terrorist activities on the economy; and rating agency policies and practices. In addition, the Company’s forward-looking statements about the Redomestication and its anticipated effects, operations, stock trading matters, and tax and financial matters could be affected by risks including that the Redomestication may not close, shareholders or regulators may not provide required approvals, the Company may encounter difficulties moving jurisdictions, tax and financial expectations might not materialize or might change, and Luxembourg corporate governance and regulatory schemes could prove different or more challenging than currently expected.

These and other events that could cause actual results to differ are discussed in more detail from time to time in our filings with the SEC. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by U.S. federal securities laws. Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made.

Table of Contents

THE SHAREHOLDER MEETING

Date, Time and Place

The Annual General Meeting of Shareholders will be held on , 2010 at 8:30 a.m. local time at The Mid Ocean Club, Tucker's Town, St. George's, Bermuda.

We are first mailing this Proxy Statement and accompanying form of proxy to shareholders beginning on or about , 2010.

Company's Mailing Address

Flagstone Reinsurance Holdings Limited  
Crawford House  
Church Street  
Hamilton HM 11  
Bermuda  
(441) 278-4300

Purpose of the Meeting

At the meeting, the Board of Directors will ask our shareholders to vote:

- Proposal 1: To elect four (4) Class C directors (David Brown, Stephen Coley, Dr. Anthony Knap, Ph.D and Peter F. Watson) to hold office until the 2013 Annual General Meeting of Shareholders or until their respective successors have been duly elected or appointed.
- Proposal 2: To approve the appointment of Deloitte & Touche to serve as the Company's independent auditor for fiscal year 2010 and until our 2011 Annual General Meeting of Shareholders and to refer the determination of the auditor's remuneration to the Board of Directors.
- Proposal 3: To approve amendments to the Performance Share Unit Plan.
- Proposal 4: To consider and approve the Redomestication from Bermuda to Luxembourg, the authorizing of the Board of Directors to abandon or delay the Redomestication for any reason at any time prior to it becoming effective notwithstanding the approval of the Shareholders, and the granting of a power of attorney to each member of the Board of Directors (or such persons appointed attorney in Luxembourg) to appear before a Luxembourg public notary and to take all necessary steps and to sign all necessary documents to effect the Redomestication.
- Proposal 5: If the Redomestication is approved, to approve the change of the Company's corporate name to Flagstone Reinsurance Holdings, S.A.
- Proposal 6: If the Redomestication is approved, to change the Company's corporate purpose.
- Proposal 7: If the Redomestication is approved, to fix the Company's registered office in Luxembourg.
- Proposal 8: If the Redomestication is approved, to approve the Company's Luxembourg articles of incorporation.

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- Proposal 9: If the Redomestication is approved, to approve the Company's issued share capital.
- Proposal 10: If the Redomestication is approved, to approve the Company's authorized share capital.
- Proposal 11: If the Redomestication is approved, to waive any shareholder preferential or pre-emptive subscription rights under Luxembourg law.

Table of Contents

- Proposal 12: If the Redomestication is approved, to allow the Company and its subsidiaries to acquire and own shares of the Company.
  - Proposal 13: If the Redomestication is approved, to approve the fiscal year of the Company.
- Proposal 14: If the Redomestication is approved, to approve the date and time for future Annual General Meetings of Shareholders.
  - Proposal 15: If the Redomestication is approved, to confirm the appointment of the Company's directors.
  - Proposal 16: If the Redomestication is approved, to confirm the Company's independent auditor.
  - Proposal 17: If the Redomestication is approved, to elect the Company's statutory auditor.

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