



Luxembourg, October 22, 2011

Office of the Secretary  
PCAOB  
1666 K Street, N.W.  
Washington, D.C. 20006-2803.  
Via email: [comments@pcaobus.org](mailto:comments@pcaobus.org)

**PCAOB Rulemaking Docket Matter No. 37**

Dear Sirs,

Flagstone Reinsurance Holdings, S.A. (“Flagstone”), through its operating subsidiaries, is a global reinsurance and insurance company that employs a focused and technical approach to the Property Catastrophe, Property, and Specialty reinsurance and insurance businesses. The Company is traded on the New York Stock Exchange under the symbol “FSR”.

In connection with your concept release on Auditor Independence and Audit Firm Rotation, the Management and Audit Committee of Flagstone considered the contents of the above release and outlined our views below.

***Arguments – Mandatory rotation :***

***Against:***

- Flagstone believes it would eliminate the benefits of the audits teams experience and knowledge of our processes and procedures. There would be an increased learning curve for a new audit firm upon rotation resulting in a reduction of audit efficiency and effectiveness. In an environment of increasing complexity, these challenges would have negative implications for audit quality, detection of fraud, investor protection and the integrity of the financial system.
- We believe existing audit partner rotation rules, as well as personnel turnover at both the audit firm and the company ensure that the relationships between the audit firm and the company stay “fresh”, and promote objectivity without the downsides of mandatory firm rotation. In addition, the second partner review provides sufficient opportunity to bring a

fresh viewpoint to the audit process without creating the significant costs and risks associated with changing accounting firms.

- We also believe independent audit committees and boards, as part of their role as representatives of shareholders' interests and with statutorily mandated responsibility for audit oversight (including the selection and compensation of auditors), are best positioned to appoint and retain the audit firms they believe best meet shareholders' needs.
- We are of the opinion that rotation would considerably increase the costs of audits because of the frequent duplication of the start up and learning time necessary for the auditor to gain familiarity with a company and its operations that is necessary for an effective audit and potential time and disruption impact on the Company's financial reporting staff. In addition, rotation would possibly have a similar impact on the market for non audit services with the duplication and start up time involved in switching from one firm to another due to the independence requirements.

*In favour:*

- Better able to withstand the pressures from management – we believe that auditors establish their own views on the pertinent issues, conduct their audits professionally in accordance with the relevant auditing standards and engage subject matter experts frequently including their national offices;
- Fresh look at the reporting – we believe with second partner audit reviews, partner rotation and the turnover of staff on both the audit and finance teams.

*Alternatives:*

- Solicit bids from competing firms after a certain number of years. We believe a proactive and engaged Audit Committee should do this as a matter of best practice.
- Targeted approach – when the Audit Committee forms the opinion that the auditors are not independent then the Audit Committee would need to address this issue as a matter of best practice



In summary, Flagstone does not believe that mandatory audit firm rotation would lead to enhanced audit independence, objectivity and professional scepticism. We believe it would lead to an overall reduction in audit quality and efficiency and increased costs.

Kind Regards,

A handwritten signature in black ink, appearing to be "Patrick Boisvert", with a long horizontal line extending to the right.

Patrick Boisvert

Chief Financial Officer

c.c. Jan Spiering, Audit Committee Chairman