

ANNUITY AND LIFE RE (HOLDINGS), LTD.

Audit Committee Charter

The purpose of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Annuity and Life Re (Holdings), Ltd. (the “Company”) is to assist the Board in its oversight of (1) the integrity of the Company’s financial statements and its system of internal controls; (2) the independent auditor’s qualifications, independence and performance; (3) the performance of the Company’s internal audit function; and (4) the Company’s compliance with legal and regulatory requirements. The Committee shall report to the full Board regularly and review with it any issues that arise regarding these oversight functions.

The Committee shall prepare the Audit Committee report required by the rules of the Securities and Exchange Commission (the “SEC”) to be included in the Company’s annual proxy statement.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company’s financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor.

1. Organization; Meetings

The Committee shall consist of at least three members, appointed annually by the Board. All members of the Committee shall, in the judgment of the Board, satisfy the applicable independence and financial literacy requirements under the listing standards of the New York Stock Exchange (the “NYSE”) (or of such other exchange or automatic quotation system where the Company’s securities are listed) and under the rules and regulations of the SEC. In addition, in the judgment of the Board, at least one member of the Committee shall have accounting or related financial expertise. The Board shall determine whether any members of the Committee are “financial experts,” as defined by the SEC under Section 407 of the Sarbanes-Oxley Act of 2002 (the Act), and make appropriate disclosure of that determination as required by applicable law.

The Committee shall meet at least quarterly or more often as it deems necessary in its judgment to properly discharge its responsibilities. The Committee also shall meet periodically and separately with each of (i) management; (ii) the personnel responsible for the Company’s internal audit function; and (iii) the independent auditor. The Committee may only transact business at a meeting at which a quorum of the Committee is present (in person or by means of telephone conference) or by a resolution in writing signed by all the members of the Committee. A majority of the members of the Committee shall constitute a quorum.

2. Responsibilities and Duties

The Committee, to fulfill its responsibilities and duties, shall:

Relationship with Independent Auditor

1. Appoint, retain, determine the compensation for and, where appropriate, terminate the Company's independent auditor (subject, if applicable, to shareholder ratification). The Committee (or a designated member thereof) shall pre-approve, in accordance with its policies, all audit services and all non-audit services (including the fees and terms thereof) to be provided by the independent auditor. The Committee shall not delegate these responsibilities to management.

2. Evaluate and oversee the work of the Company's independent auditor and discuss any significant changes required in the independent auditor's audit plan. The independent auditor shall report directly to the Committee.

3. Evaluate the independent auditor's qualifications, performance and independence, by receiving annually from the independent auditor a report, which, among other things, shall describe (i) the independent auditor's internal quality-control procedures; (ii) any material issues raised by the independent auditor's most recent internal quality control review, peer review or inquiry or investigation by governmental or professional authorities within the preceding five years concerning one or more of its independent audits and any steps taken to deal with any such issues; and (iii) all relationships between the independent auditor and the Company. The Committee shall discuss with the independent auditor any other matters required by the Independence Standards Board Standard No. 1 as in effect at that time and also should (i) evaluate the lead partner of the independent auditor's team to ensure that all audit partners are rotated as required by applicable law; and (ii) consider whether to rotate the independent auditor. These evaluations may consider the opinions of the Company's management and internal auditors.

4. Review and discuss with the independent auditor the matters required to be discussed under SAS 61, including without limitation, any audit problems or difficulties encountered during the course of the audit, including any restrictions on the scope of the independent auditor's activities or access to requested information and any disagreements with management (which the Committee shall resolve).

5. Set clear hiring policies for employees or former employees of the independent auditor.

6. Receive notice from the independent auditor on matters related to the Company's financial statements or system of internal controls that have been discussed with the independent auditor's national office.

Review of Financial Statement, Disclosure Matters and Internal Controls

1. Review and discuss with management and the independent auditor before filing with the SEC, the Company's annual audited financial statements and quarterly financial statements, including all related footnotes, and the disclosures in "Management's Discussion and Analysis of Financial Condition and Results of Operations," and recommend whether the audited financial statements should be included in the Company's annual report on Form 10-K.

2. Review and discuss with management and the independent auditor analyses or reports of significant accounting and financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including (i) critical accounting policies and practices, including significant changes in their selection or application; (ii) major issues concerning the adequacy of the Company's internal controls and any special audit steps adopted in response to material internal control deficiencies; (iii) alternative treatments of financial information within U.S. GAAP that have been discussed with management, ramifications of their use and the treatment preferred by the independent auditor; (iv) the effect of regulatory and accounting initiatives and off-balance sheet structures on the Company's financial statements; and (v) all material written communications (and proposed written

communications) between the independent auditor and management, such as any management letter or schedule of unadjusted differences.

3. Review generally the types of information in, and the type of presentation of, the Company's earnings press releases (including the use of "pro forma" or "adjusted" non-GAAP information) and the financial information and earnings guidance provided to analysts and rating agencies.

4. Review with management and the independent auditor the adequacy and effectiveness of the Company's internal controls to ensure completeness and accuracy of the Company's financial statements and compliance with Section 404 of the Act.

Review of Internal Audit Function

1. Discuss with the independent auditor the responsibilities, budget and staffing of the Company's internal audit function.

2. Review and discuss with management and the independent auditor the development and effectiveness of the Company's internal audit function.

3. Review significant reports to management prepared by those personnel responsible for the Company's internal audit function and management's responses to those reports.

4. Review with the Company's officers who provide the certifications for annual and quarterly reports those matters required to be discussed under the Securities Exchange Act of 1934.

5. Review and discuss with management the Company's guidelines and policies with respect to risk assessment and risk management, including major financial risk exposures and the steps management has taken to monitor and control such exposure.

General

1. Establish procedures for (i) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

2. Have the sole authority to retain and determine the appropriate compensation for independent legal, accounting, financial and other advisors as the Committee may deem necessary or appropriate to carry out its duties, at the expense of the Company.

3. Review and reassess annually the adequacy of this Charter and make recommendations regarding proposed changes thereto to the Board of Directors.

4. Perform annually an evaluation of the Committee's own performance and make a report thereon to the full Board of Directors.

5. As it deems appropriate, (i) conduct or authorize investigations into any matters within the scope of the Committee's responsibilities; (ii) inspect the Company's books and records; and (iii) require that the personnel responsible for the Company's internal audit function and/or the Company's independent auditor attend any meeting of the Committee.

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This Charter will be made available on
Annuity Re's website and, upon request, in print.

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