



Annuity & Life Re

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FOR IMMEDIATE RELEASE

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ANNUITY & LIFE RE SECOND QUARTER 2006 EARNINGS REPORT

Hamilton, Bermuda, August 15, 2006, 5:00 pm. ET – Annuity and Life Re (Holdings), Ltd. (ANNRF.PK) today reported financial results for the three months ended June 30, 2006. The Company reported a net loss of \$(649,959) or \$(0.03) per fully diluted share as compared to a net loss of \$(539,968) or \$(0.02) per fully diluted share for the three months ended June 30, 2005 and a net loss of \$(1,005,511) or \$(0.04) per fully diluted share for the six months ended June 30, 2006 compared to a net loss of \$(1,308,631) or \$(0.05) per fully diluted share for the six months ended June 30, 2005. Total Stockholder's Equity at June 30, 2006 is \$44,560,969.

Net realized investment losses for the three months ended June 30, 2006 were \$(697,189), as compared with net realized investment losses of \$(6) for the three months ended June 30, 2005. Net realized losses for the six month period ended June 30, 2006 amounted to \$(1,058,052) compared to a net realized gain of \$401,144 for the six months ended June 30, 2005.

Gross unrealized losses on the Company's investments were \$(484,484) as of June 30, 2006, as compared to gross unrealized gains of \$673,675 at June 30, 2005. The Company's investment portfolio currently maintains an average credit quality of AA. Cash used by operations for the six months ended June 30, 2006 was \$4,993,547 as compared to cash used by operations of \$41,566,790 for the six months ended June 30, 2005.

Annuity and Life Reassurance, Ltd. and Transamerica entered into an Agreement to novate the Company's reinsurance contracts with F&G and Scottish Re to Transamerica effective December 31, 2004. The Company is currently in a dispute with Transamerica concerning both the F&G and Scottish Re aspects of the novation.

With respect to F&G, Transamerica contends that there should be adjustments to the policy benefit reserves transferred to Transamerica. On March 30, 2005, the Company received a demand letter from Transamerica stating that \$7,000,000 was owed to Transamerica as an adjustment to the F&G policy benefit reserves. On June 14, 2005, the Company received an additional letter from Transamerica revising its original demand to \$6,000,000. The Company and Transamerica were unable to resolve the issues through negotiations and the matter is now in arbitration.

In addition, Transamerica for the first time asserted claims relating to the Scottish Re contracts when it submitted its initial position statement to the arbitration panel on July 20, 2006. Specifically, Transamerica now alleges that it is entitled to damages of approximately \$45 million in connection with the Scottish Re novation. Transamerica also asserts that it is entitled to rescind the novations of both the Scottish Re and F&G books.

Additionally, Transamerica has requested that the arbitration panel award interim relief in the form of a trust fund, to be established by Annuity and Life Reassurance, Ltd., in the amount of \$51 million. This amount is the total damages claimed by Transamerica in connection with both the F&G and Scottish Re books. Transamerica contends that the amount should be held in trust to secure payment of an ultimate award in the arbitration. (Importantly, Annuity and Life Reassurance, Ltd., the company that is party to the arbitration, has total assets of less than \$36 million at June 30, 2006.)

On July 27, 2006 the arbitration panel held its organizational meeting. At that meeting, the panel scheduled the arbitration hearing to take place during the week of April 16, 2007. The panel is expected to address the interim relief request in late September or October.

The Company believes Transamerica's position with respect to both the F&G and Scottish Re books is without merit. The Company is working with counsel in presenting its position to the arbitration panel. The Company cannot predict the outcome of the arbitration proceedings or the impact the arbitration may have on its financial position.

The Company has also learned that Scottish Re has made adjustments to its billing methodology for 2004 and 2005. These adjustments indicate that the Company may have received overpayments of premiums and / or may not have been billed for claims for which it is responsible. Scottish Re estimates the adjustments to be approximately \$9 million, most of which would be related to the period prior to the novation. The Company has not been provided any data or back-up in order to validate the adjustment and no additional liability has been established at this time. The Company cannot predict the timing or magnitude of any required adjustments related to the Scottish Re treaty, nor the impact these adjustments may have on its financial position.

Annuity and Life Re (Holdings), Ltd. provides annuity and life reinsurance to insurers through its wholly owned subsidiaries, Annuity and Life Reassurance, Ltd. and Annuity and Life Reassurance America, Inc.

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by the Company or on its behalf. All statements which address operating performance, events, or developments that the Company expects or anticipates may occur in the future are forward-looking statements. These statements are made on the basis of management's views and assumptions; as a result, there can be no assurance that management's expectations will necessarily come to pass. The Company cautions that actual results could differ materially from those expressed or implied in forward-looking statements. Important factors that could materially and adversely affect the Company's operations and financial condition and/or cause the Company's actual results of operations or financial condition to differ from those expressed or implied in the Company's forward-looking statements include, but are not necessarily limited to, the Company's ability to meet the obligations associated with the Company's current business and to fund the Company's continuing operations; the Company's ability to pursue strategic alternatives on favorable terms; the loss of a key executive; the Company's ability to obtain adequate financial ratings; the ability of the Company's cedents to manage successfully assets they hold on the Company's behalf; the Company's success in managing its investments; the Company's ability to list its common shares on a national exchange or automated quotation system; changes in mortality, morbidity and claims experience; the Company's ability to make accurate estimates and assumptions regarding future mortality, persistency, lapses, expenses and investment performance based upon historical results and information provided to it by its cedents; the Company's ability to underwrite business; unanticipated withdrawal or surrender activity; changes in market conditions, including changes in interest rate levels; the competitive environment; the impact of recent and possible future terrorist attacks and the U.S. government's response thereto; the Company's ability to attract and retain clients; regulatory changes (such as changes in U.S. tax law and insurance regulation that directly affect the competitive environment for the Company's products); and a prolonged economic downturn. Investors are also directed to consider the risks and uncertainties discussed in the Company's 2005 Annual Report

to Shareholders for the year ended December 31, 2005. The Company does not undertake to update any forward-looking statement that may be made from time to time by or on the Company's behalf.

This press release and the Company's financial statements are available from the Company's website at www.alre.bm.