

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 8-K**

**CURRENT REPORT**  
**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of report (Date of earliest event reported) October 26, 2004

**Annuity and Life Re (Holdings), Ltd.**

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(Exact Name of Registrant as Specified in its Charter)

Bermuda

1-16561

66-0619270

(State or Other Jurisdiction  
of Incorporation)

(Commission  
File Number)

(IRS Employer  
Identification No.)

Cumberland House, 1 Victoria Street, Hamilton, Bermuda

HM 11

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code: (441) 296-7667

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(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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COMMUTATION AND RELEASE AGREEMENT

ANNUITY AND LIFE RE (HOLDINGS), LTD. COMMON STOCK PURCHASE WARRANT

PRESS RELEASE DATED OCTOBER 26, 2004

**Item 1.01. Entry into a Material Definitive Agreement.**

On October 26, 2004, Annuity & Life Reassurance, Ltd. (“Annuity & Life Reassurance”), a wholly owned subsidiary of Annuity and Life Re (Holdings), Ltd. (“Annuity”), entered into a Commutation and Release Agreement with Connecticut General Life Insurance Company (“CIGNA”). The Commutation and Release Agreement provides for CIGNA’s recapture of its guaranteed minimum death benefit and guaranteed minimum income benefit reinsurance agreement with Annuity & Life Reassurance (the “Reinsurance Agreement”). The Commutation and Release Agreement also provides for a mutual release by each of the parties of all past, present, and future claims under the Reinsurance Agreement, including all obligations for claims and premiums that had accrued under the Reinsurance Agreement since July 1, 2004. The parties also agreed to a mutual release of all claims under a letter of credit (the “Letter of Credit”) that had been provided to CIGNA as collateral for Annuity & Life Reassurance’s obligations under the Reinsurance Agreement.

Pursuant to the terms of the Commutation and Release Agreement, CIGNA will retain \$11 million it previously drew under the Letter of Credit. In addition, Annuity issued CIGNA a warrant to acquire one million common shares of Annuity at an exercise price of \$1.00 per share (the “Warrant”). The Warrant expires on September 30, 2014.

The Commutation and Release Agreement and the Warrant are attached hereto as Exhibits 99.1 and 99.2, respectively.

**Item 2.02. Results of Operations and Financial Condition.**

On October 26, 2004, Annuity issued a press release announcing the Commutation and Release Agreement described in Item 1.01 above. In that press release, Annuity indicated that it expects to record a charge of approximately \$2.4 million for the third quarter of 2004 as a result of the transactions described in the Commutation and Release Agreement. A copy of the October 26, 2004 press release is attached hereto as Exhibit 99.3.

**Item 3.02. Unregistered Sales of Equity Securities.**

On October 26, 2004, in consideration of the transactions contemplated by the Commutation and Release Agreement between Annuity & Life Reassurance and CIGNA described in Item 1.01 above, Annuity issued a warrant dated as of September 30, 2004 to purchase one million of its common shares at an exercise price of \$1.00 per share to CIGNA. The warrant expires on September 30, 2014. The issuance of the warrant was exempt from the registration requirements of the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof.

**Item 9.01. Financial Statements and Exhibits.**

(c) Exhibits

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99.1 Commutation and Release Agreement, by and between Annuity & Life Reassurance, Ltd. and Connecticut General Life Insurance Company, dated October 26, 2004.

99.2 Annuity and Life Re (Holdings), Ltd. Common Stock Purchase Warrant, issued to Connecticut General Life Insurance Company, dated as of September 30, 2004.

99.3 Press release dated October 26, 2004.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ANNUITY AND LIFE RE (HOLDINGS), LTD.

Date: October 27, 2004

By: /s/ John W. Lockwood

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John W. Lockwood  
Chief Financial Officer

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Exhibit Index

- 99.1 Commutation and Release Agreement, by and between Annuity & Life Reassurance, Ltd. and Connecticut General Life Insurance Company, dated October 26, 2004.
- 99.2 Annuity and Life Re (Holdings), Ltd. Common Stock Purchase Warrant, issued to Connecticut General Life Insurance Company, dated as of September 30, 2004.
- 99.3 Press release dated October 26, 2004.

<DOCUMENT>  
<TYPE> EX-99.1  
<FILENAME> w68018exv99w1.htm  
<DESCRIPTION> COMMUTATION AND RELEASE AGREEMENT  
<TEXT>

## COMMUTATION AND RELEASE AGREEMENT

This Commutation and Release Agreement (the "Agreement") is made by and between Annuity & Life Reassurance, Ltd. (the "REINSURER"), an insurance company domiciled in Bermuda, and Connecticut General Life Insurance Company (the "COMPANY"), an insurance company domiciled in Connecticut, effective as of the EFFECTIVE DATE (as hereinafter defined). The REINSURER and the COMPANY are hereinafter referred to collectively as the "Parties" and individually as a "Party".

### RECITALS

**WHEREAS**, the REINSURER and the COMPANY (through its CIGNA Reinsurance division) have entered into a certain Retrocessional Agreement, Treaty No. 5100107, Effective August 1, 1998 (a copy of which is attached hereto), pursuant to which the REINSURER reinsured certain liabilities of the COMPANY (the "Reinsurance Agreement"); and

**WHEREAS**, in order to secure its obligations under the Reinsurance Agreement, the REINSURER delivered to the COMPANY letter of credit No. CS1304122 issued by Fleet National Bank in the amount of \$11.0 million (the "Letter of Credit"); and

**WHEREAS**, on or about July 27, 2004, the COMPANY drew the entire amount of the Letter of Credit, and continues to hold the proceeds thereof, together with all income and interest thereon (the "Proceeds"); and

**WHEREAS**, certain premiums (the "Accrued Premium") have become due and payable under the Reinsurance Agreement and remain unpaid as of the date hereof; and

**WHEREAS**, the Parties now wish to fully and finally terminate, release, determine and fully and finally settle, commute and extinguish all their respective past, present, and future obligations and liabilities, known and unknown, fixed and contingent, under, arising out of, related to and/or pursuant to the Reinsurance Agreement; and

**WHEREAS**, the Parties recognize and understand that a final settlement now by the REINSURER to fully satisfy and terminate its past, present and future obligations to the COMPANY under the Reinsurance Agreement as and when they become due will eliminate the uncertainty of contingent liabilities for currently unresolved or unknown losses, and that the Parties will benefit by the Company's acceptance of a final settlement from the REINSURER now and hereinafter crediting the REINSURER with full discharge of all obligations including full payment of all future losses and expenses which would otherwise have been payable by the REINSURER as and when the REINSURER's obligation becomes due; and

**WHEREAS**, the COMPANY has agreed to accept in full satisfaction of the REINSURER's past, present and future liability under the Reinsurance Agreement, the Proceeds, the issuance of a warrant for the purchase of common stock of the REINSURER (hereafter described) and the termination of any obligation to pay the Accrued Premium and future

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premium under the Reinsurance Agreement (collectively, the “COMMUTATION CONSIDERATION”);

**NOW, THEREFORE**, in consideration of the covenants, conditions, promises and releases contained herein, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree to commute all rights and obligations under the Reinsurance Agreement as follows:

**Article 1. Consideration.**

(a) On the EFFECTIVE DATE (as hereinafter defined), the REINSURER shall issue to the COMPANY a Common Stock Purchase Warrant in the form of Schedule B hereto (the “Warrant”) and the COMPANY shall retain the Proceeds and the Accrued Premium and shall have ownership thereof and indefeasible, unencumbered title thereto.

(b) On the EFFECTIVE DATE, the Reinsurance Agreement shall terminate and neither the COMPANY nor the REINSURER shall have any ongoing obligations thereunder. All payments and transactions prior to the EFFECTIVE DATE shall become final and all further obligations shall be commuted in accordance with this Agreement.

**Article 2. Release.**

(a) In consideration of the COMMUTATION CONSIDERATION, the COMPANY shall automatically credit the REINSURER with full payment of all future balances under the Reinsurance Agreement as and when those balances become due, and the COMPANY hereby irrevocably and unconditionally releases and forever discharges the REINSURER, including any predecessor or any affiliated insurance company, its parent, subsidiaries and affiliates, and their respective predecessors, successors, assigns, officers, directors, agents, employees, shareholders, representatives and attorneys from any and all present and future actions, causes of action, suits, debts, liens, contracts, rights, agreements, obligations, promises, liabilities, claims, demands, setoffs damages, controversies, losses, costs and expenses (including attorneys’ fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, which the COMPANY now has, owns or holds or claims to have, own, or hold, or at any time heretofore had, owned, or held or claimed to have had, owned, or held, or may hereafter have, own, or hold or claim to have, own, or hold, arising out of conduct or matters occurring prior to or subsequent to the EFFECTIVE DATE, against the REINSURER, arising from, based upon, or in any way related to the Reinsurance Agreement or the Letter of Credit, arising out of or relating to tort or contract or otherwise, including without limitation claims for indemnification and contribution, provided, however that the provisions of this Article 2(a) shall not discharge obligations of the REINSURER which have been undertaken or imposed by the terms of this Agreement or the Warrant.

(b) The REINSURER hereby irrevocably and unconditionally releases and forever discharges the COMPANY, its parents, subsidiaries and affiliates, and their respective predecessors, successors, assigns, officers, directors, agents, employees, shareholders, representatives and attorneys from any and all present and future actions, causes of action, suits, debts, liens, contracts, rights, agreements, obligations, promises, liabilities, claims, demands,

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setoffs, damages, controversies, losses, costs and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, which the REINSURER now has, owns, holds or claims to have, own, or hold, or at any time heretofore had, owned, or held or claimed to have had, owned, or held, or may hereafter have, own, or hold or claim to have, own, or hold, arising out of conduct or matters occurring prior to or subsequent to the EFFECTIVE DATE, against the COMPANY, arising from, based upon, or in any way related to the Reinsurance Agreement or the Letter of Credit, arising out of or relating to tort or contract or otherwise, including without limitation claims for indemnification and contribution, provided, however, that the provisions of this Article 2(b) shall not discharge obligations of the COMPANY which have been undertaken or imposed by the terms of this Agreement or the Warrant.

(c) It is the intention of the Parties that this release operates as a full and final settlement and discharge of each other Party's past, present and future claims, causes of action, obligations and liabilities to each other Party hereto whether known or unknown, reported or unreported, accrued or yet to accrue, arising directly or indirectly under or in connection with the Reinsurance Agreement and the Letter of Credit. The Parties acknowledge that full payment of the COMMUTATION CONSIDERATION will be in complete accord, satisfaction, settlement and commutation of any and all past, current and future liabilities and obligations that each Party owes or may owe to the other arising directly or indirectly under or in connection with the Reinsurance Agreement and/or the Letter of Credit including, without limitation, the obligation to pay the Premium or provide reinsurance cover or otherwise comply with the Reinsurance Agreement.

(d) This Agreement is intended to and does finally resolve the rights, liabilities and obligations of the Parties arising directly or indirectly under or in connection with the Reinsurance Agreement and the Letter of Credit and none of the Parties shall seek to reopen or set aside this Agreement on any grounds whatsoever, including (without prejudice to the generality of the foregoing) that the whole or any part of this Agreement or all or any of the Reinsurance Agreement and the Letter of Credit are void or voidable for any misrepresentation, mistake of fact or for any error howsoever arising (including any intentional or negligent act, error or omission of any other party) or on the basis that any of the Parties in the future becomes aware of any mistake of law (including any such mistake arising out of a subsequent change in the law which shall include, without limitation, a settled understanding of the law which is subsequently departed from by judicial decision), in any way whatsoever connected with or related directly or indirectly to this Agreement or the Reinsurance Agreement or the Letter of Credit.

(e) To the extent, applicable, the Parties fully understand and agree that they are, by entering into this Agreement, expressly waiving their rights and benefits under section 1542 of the *California Civil Code* or any similar provisions of the law. Section 1542 provides in its material parts that a general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known to him must have materially affected his settlement with the debtor.

**Article 3. Exclusive Benefit of the Parties and Binding Effect.** The rights, duties and obligations set forth herein shall inure to the benefit of and be binding upon the COMPANY

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and the REINSURER as they are identified in this Agreement and their respective predecessors, parents, successors, affiliates, officers, directors, employees, agents, subsidiaries, shareholders, representatives, attorneys, liquidators, receivers and assigns of the parties hereto and is not intended to confer any rights or benefits upon persons or entities other than the foregoing parties.

**Article 4. Full and Independent Knowledge.** Each of the Parties represents to the other as follows: (a) it has had full opportunity to consult with its respective attorneys in connection with the negotiation and drafting of this Agreement and the Warrant; (b) it has carefully read and understands the scope and effect of each provision contained in this Agreement and the Warrant; (c) it has conducted all necessary due diligence, investigation and analysis of the transactions contemplated by this Agreement and the Warrant; and (d) it is not relying upon any representations made by any other party, its attorneys or other representatives except as set forth herein.

**Article 5. Compromise.** The Parties agree that this Agreement sets forth a compromise and shall never at any time for any purpose be considered as an admission of liability or responsibility on the part of any party hereto regarding any aspect of the Reinsurance Agreement or the Letter of Credit.

**Article 6. Other Actions.** The Parties agree that this Agreement and the negotiations and proceedings leading to this Agreement shall not form the basis for any claim by either against the other or against any officer, director, consultant, professional or shareholder of the other, except with respect to an action for enforcement of this Agreement or the Warrant.

**Article 7. Confidentiality.** The Parties agree to maintain in strict confidence and refrain from disclosing this Agreement, the terms of this Agreement and the negotiations and proceedings leading up to this Agreement (including any related documents) unless such disclosure is required as a result of court order, subpoena, or lawful discovery procedures. In the event of any court order, subpoena, or lawful discovery procedures seeking disclosure, no disclosure shall be made unless and until the disclosing Party has given the other Party not less than five (5) business days prior written notice of the requirement of making such disclosure and an opportunity to obtain a protective order. Notwithstanding the foregoing, the Parties may disclose the existence and terms of this Agreement (a) to their respective auditors, counsel and retrocessionaires, (b) in connection with a proceeding to enforce the terms of this Agreement, (c) to any governmental authority having regulatory authority over such party to the extent that such authority shall have requested such information or such disclosure is required by law; and (d) in public filings required by applicable securities laws, provided that the REINSURER shall have provided the COMPANY with the proposed text of any disclosure and an opportunity to comment on such text prior to publishing such disclosure. The disclosing party shall be liable for the non-compliance by any third party with the provisions of this Article 7. The provisions of this Article 7 shall survive any termination or rescission of this Agreement.

**Article 8. Further Assurances.** The Parties, without further consideration, agree to execute and deliver such other documents and take such other action as may be necessary to effect this Agreement. Nothing contained herein shall obligate the Company to provide any information which it would not have been obligated to provide (or in the ordinary course would

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not have provided) to REINSURER under the Reinsurance Agreement or otherwise in the absence of this Agreement.

**Article 9. Warranties.** Each of the Parties warrants and represents to the other that it is a corporation in good standing in its respective jurisdiction of domicile; that the execution and performance of this Agreement and the Warrant is fully authorized by such Party; that the persons executing this Agreement have full authority to execute this Agreement and the Warrant on behalf of such party, and its respective successors and assigns; that the commutation and release set forth in this Agreement is valid, effective and binding in all aspects; that, upon the EFFECTIVE DATE, all necessary authorizations, consents and approvals of all regulatory or government entities with regulatory jurisdiction over such Party shall have been obtained to make this Agreement and the Warrant valid and binding upon it, including without limitation, in the case of the REINSURER, the approval (if necessary) of the Bermuda regulators having jurisdiction over the Reinsurer; and that no claim or loss being paid or settled by this Agreement has been previously assigned, sold or transferred to any other person or entity.

**Article 10. Opinion of Counsel.** The REINSURER shall deliver to the COMPANY an opinion of counsel (the "Opinion") in form and substance satisfactory to the COMPANY to the effect that it is a corporation in good standing in its jurisdiction of domicile; that the execution and performance of this Agreement and the Warrant is fully authorized by the REINSURER and does not conflict with any organizational documents or other agreements to which the REINSURER is subject; that the persons executing this Agreement have full authority to execute this Agreement and the Warrant on behalf of the REINSURER, that this Agreement and the Warrant are binding and enforceable in accordance with their respective terms; and that all necessary authorizations, consents and approvals of all regulatory or government entities with regulatory jurisdiction over the REINSURER have been obtained.

**Article 11. Miscellaneous.**

(a) Should any provision of this Agreement, except Article 2, be declared or determined by any court to be illegal or invalid, the validity of the remaining part, terms or provisions shall not be affected thereby and said illegal or invalid part, term or provision shall be deemed not to be part of this Agreement. If Article 2(b) or the Warrant is deemed or becomes unenforceable for any reason, COMPANY, at its option, will be entitled to rescind this Agreement and any agreement executed in connection with this Agreement relating to the Reinsurance Agreement in which case any and all claims or defenses that might have been asserted by the REINSURER shall be revived free of any release or other provisions of this Agreement, and any such claims or defenses shall be deemed for purposes of any applicable time bar to have been asserted and filed as of August 15, 2004.

(b) This Agreement sets forth the entire Agreement between the Parties with respect to the subject matter hereof and supersedes all prior Agreement or understanding between them pertaining to the subject matter hereof. A facsimile copy of a signature shall have the same force and effect as an original signature.

(c) This Agreement may not be amended, altered, supplemented or modified, except by written agreement signed by the Parties.

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(d) This Agreement may be executed and delivered in multiple counterparts, each of which, when so executed and delivered, shall be an original, but such counterparts shall together constitute but one and the same instrument and agreement.

(e) This Agreement shall be effective on the day on which this Agreement and the Warrant shall both have been executed and delivered by the Parties, and the Opinion shall have been delivered to the COMPANY (such day being the "EFFECTIVE DATE").

(f) This Agreement shall be governed by and construed in accordance with the laws of the State of Connecticut without regard to principles of conflicts of law or choice of law.

(g) The Parties hereby consent to the jurisdiction of the courts of the State of Connecticut exclusively in connection with any legal action arising out of this Agreement.

(h) In the event of any breach of the terms or conditions of this Agreement, the party prevailing at trial shall be entitled to recover from the breaching party, all costs and expenses, including, without limitation, reasonable attorneys fees and disbursements.

(i) All notices under this Agreement shall be in writing and shall be deemed to be duly given and received (i) upon delivery if delivered by certified mail; or (ii) on the next Business Day if sent by overnight courier, if sent to a Party to its Address for Notices on Schedule A hereto or to such other address as any party may have furnished to the other in writing.

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**IN WITNESS WHEREOF**, the Parties have executed this Agreement by their respective authorized officers as of the day and year first written below.

**Connecticut General Life Insurance Company**

By: \_\_\_\_\_  
Name:  
Title:

Dated: \_\_\_\_\_

**Annuity & Life Reassurance, Ltd.**

By: \_\_\_\_\_  
Name:  
Title:

Dated: \_\_\_\_\_

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**SCHEDULE A**

**Address for Notice**

If to the COMPANY

Connecticut General Life Insurance Company  
900 Cottage Grove Rd, S-352  
Bloomfield CT\_06152-2352  
Phone: (860) 226-5445  
Fax: (860) 226-8885  
Attn: Joel Messing, Esq.

With a copy to (which does not constitute notice):

Bingham McCutchen LLP  
Suite 2200  
1 State St.  
Hartford CT 06103  
Phone: 860-240-2722  
Fax: 860-240-2800  
Attn: Harold S. Horwich, Esq.

If to the REINSURER

Annuity and Life Re (Holdings), Ltd.  
Cumberland House  
1 Victoria Street  
Hamilton, Bermuda HM11  
Phone: (441) 296-7667  
Fax: (441) 296-7665  
Attn: John Burke, Chief Executive Officer

With a copy to (which does not constitute notice):

Drinker, Biddle & Reath LLP  
One Logan Square  
18<sup>th</sup> and Cherry Streets  
Philadelphia PA 19103-6996  
Attn: Robert C. Jelke, Esq.  
Phone: (215) 988-2759  
Fax: (215) 988-2757

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**SCHEDULE B**

**Form of Common Stock Purchase Warrant**

<DOCUMENT>  
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<FILENAME> w68018exv99w2.htm  
<DESCRIPTION> ANNUITY AND LIFE RE (HOLDINGS), LTD. COMMON STOCK PURCHASE WARRANT  
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NEITHER THIS WARRANT NOR THE SHARES OF COMMON STOCK ISSUABLE UPON ITS EXERCISE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY APPLICABLE STATE SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS (I) PURSUANT TO REGISTRATION UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS OR (II) IN COMPLIANCE WITH AN EXEMPTION THEREFROM AND ACCOMPANIED, WITH AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH TRANSFER IS IN COMPLIANCE WITH AN EXEMPTION THEREFROM (UNLESS SUCH TRANSFER IS TO AN AFFILIATE OF THE REGISTERED HOLDER).

THIS WARRANT AND THE SHARES OF COMMON STOCK ISSUED UPON ITS EXERCISE ARE SUBJECT TO THE RESTRICTIONS ON TRANSFER SET FORTH IN SECTION 4 OF THIS WARRANT

Warrant No. 3

Number of Shares: 1,000,000  
(subject to adjustment)

Date of Issuance: September 30, 2004

ANNUITY AND LIFE RE (HOLDINGS), LTD.  
COMMON STOCK PURCHASE WARRANT

Annuity and Life Re (Holdings), Ltd., a Bermuda corporation (the "COMPANY"), for value received, hereby certifies that Connecticut General Life Insurance Company, or its registered assigns (the "REGISTERED HOLDER"), is entitled, subject to the terms and conditions set forth below, to purchase from the Company, in whole or in part, at any time and from time to time on or after the date of issuance and on or before 5:00 p.m., New York time, on September 30, 2014 and shall be void thereafter (the "EXERCISE PERIOD"), 1,000,000 shares of Common Stock, \$1.00 par value per share, of the Company, at an exercise price of \$1.00 per share. The shares purchasable upon exercise of this Warrant ("WARRANT") and the exercise price per share, each as adjusted from time to time pursuant to the provisions of this Warrant, are hereinafter referred to as the "WARRANT SHARES" and the "EXERCISE PRICE," respectively.

**1. EXERCISE.**

(a) This Warrant may be exercised by the Registered Holder by surrendering this Warrant, along with the purchase form appended hereto as Exhibit A duly executed and completed by the Registered Holder or by the Registered Holder's duly authorized attorney, at the principal office of the Company, or at such other office or agency as the Company may designate by notice in writing to the Registered Holder, accompanied by either (i) cash or certified cashier's check payable to the Company (or wire transfer of immediately available funds), in lawful money of the United States, of the Exercise Price payable in respect of the number of Warrant Shares purchased upon such exercise (the "AGGREGATE EXERCISE PRICE") or (ii) a written notice to the Company that the Registered Holder is exercising this Warrant on a "cashless" exercise basis by authorizing the Company to withhold from issuance a number of shares of Common Stock issuable upon such

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exercise of the Warrant which when multiplied by the Fair Market Value of the Common Stock is equal to the Aggregate Exercise Price (and such withheld shares shall no longer be issuable under this Warrant).

(b) Each exercise of this Warrant shall be deemed to have been effected immediately prior to the close of business on the day on which this Warrant shall have been surrendered to the Company as provided in subsection 1(a) above (the "EXERCISE DATE"). At such time, the person or persons in whose name or names any certificates for Warrant Shares shall be issuable upon such exercise as provided in subsection 1(c) below shall be deemed to have become the holder or holders of record of the Warrant Shares represented by such certificates.

(c) Within ten (10) days after the date of exercise of this Warrant, the Company, at its expense, will cause to be issued in the name of, and delivered to, the Registered Holder, or as such Holder (upon payment by such Holder of any applicable transfer taxes) may direct, a certificate or certificates for the number of full Warrant Shares to which the Registered Holder shall be entitled upon such exercise plus, in lieu of any fractional share to which the Registered Holder would otherwise be entitled, cash in an amount determined pursuant to Section 3 hereof; provided, however, that the Company shall not be required to pay any tax that may be payable in respect of any transfer involving the issuance and delivery of any such certificate upon exercise in a name other than that of the Registered Holder. Notwithstanding the foregoing, the Registered Holder shall be solely responsible for any income taxes payable and arising from the issuance or exercise of this Warrant, or any ad valorem property or intangible tax assessed against the Registered Holder. If this Warrant shall be exercised in part only, the Company shall, upon surrender of this Warrant for cancellation, execute and deliver a new Warrant evidencing the rights of the Registered Holder to purchase the balance of the Warrant Shares purchasable hereunder.

(d) The Company shall reasonably assist and cooperate with any Registered Holder required to make any governmental filings or obtain any governmental approvals prior to or in connection with any exercise of this Warrant (including, without limitation, making any filings required to be made by the Company).

(e) Notwithstanding any other provision of this Warrant, if the exercise of all or any portion of this Warrant is to be made in connection with a registered public offering, a sale of the Company or any other transaction or event, such exercise may, at the election of the Registered Holder, be conditioned upon consummation of such transaction or event in which case such exercise shall not be deemed effective until the consummation of such transaction or event.

2. **ADJUSTMENTS.** In order to prevent dilution of the rights granted under this Warrant and to grant the Registered Holder certain additional rights, the Exercise Price shall be subject to adjustment from time to time as provided in this Section 2 and the number of Warrant Shares shall be subject to adjustment from time to time as provided in this Section 2.

(a) **Adjustment for Stock Splits and Combinations.** If the Company shall at any time after the date on which this Warrant was first issued (the "ORIGINAL ISSUE DATE") while this Warrant remains outstanding and unexpired in whole or in part, effect a subdivision (by any stock split or otherwise) of the outstanding Common Stock into a greater number of shares, the Exercise Price in effect immediately before that subdivision shall be proportionately decreased and the number of shares of Common Stock obtainable upon exercise of this Warrant shall be proportionately increased. Conversely, if the Company shall at any time or from time to time after the Original Issue Date combine (by reverse stock split or otherwise) the outstanding shares of Common Stock into a smaller number of shares, the Exercise Price in effect immediately before the

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combination shall be proportionately increased and the number of shares of Common Stock obtainable upon exercise of this Warrant shall be proportionately decreased. Any adjustment under this paragraph shall become effective at the close of business on the date the subdivision or combination becomes effective.

(b) **Adjustment for Certain Dividends and Distributions.** In the event the Company at any time or from time to time after the Original Issue Date while this Warrant remains outstanding and unexpired in whole or in part shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in additional shares of Common Stock, then and in each such event the Exercise Price then in effect immediately before such event shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying the Exercise Price then in effect by a fraction:

(i) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date; and

(ii) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the total number of shares of Common Stock issuable in payment of such dividend or distribution;

provided, however, that if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Exercise Price shall be recomputed accordingly as of the close of business on such record date and thereafter the Exercise Price shall be adjusted pursuant to this paragraph as of the time of actual payment of such dividends or distributions.

(c) **Adjustment for Reclassification, Exchange and Substitution.** If at any time after the Original Issue Date while this Warrant remains outstanding and unexpired in whole or in part, the Common Stock issuable upon exercise of this Warrant is changed into the same or a different number of shares of any class or classes of stock, this Warrant will thereafter represent the right to acquire such number and kind of securities as would have been issuable as a result of exercise of this Warrant and the Exercise Price therefor shall be appropriately adjusted, all subject to further adjustment in this Section 2.

(d) **Adjustments for Other Dividends and Distributions.** In the event the Company at any time or from time to time after the Original Issue Date while this Warrant remains outstanding and unexpired in whole or in part shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Company (other than shares of Common Stock) or in cash or other property (other than cash out of earnings or earned surplus, determined in accordance with generally accepted accounting principles), then and in each such event provision shall be made so that the Registered Holder shall receive upon exercise hereof, in addition to the number of shares of Common Stock issuable hereunder, the kind and amount of securities of the Company and/or cash and other property which the Registered Holder would have been entitled to receive had this Warrant been exercised into Common Stock on the date of such event and had the Registered Holder thereafter, during the period from the date of such event to and including the Exercise Date, retained any such securities receivable, giving application to all adjustments called for during such period under this Section 2 with respect to the rights of the Registered Holder.

(e) **Adjustment for Mergers or Reorganizations, etc.** Any reorganization, recapitalization, reclassification, consolidation, merger, sale of all or substantially all of the Company's assets or other transaction involving the Company in which the Common Stock is converted into or exchanged for

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securities, cash or other property while this Warrant remains outstanding and unexpired in whole or in part (other than a transaction covered by subsections 2(a), 2(b) or 2(d)) is referred to herein as an “ORGANIC CHANGE”. Prior to the consummation of any such Organic Change, the Company shall make appropriate provision (in form and substance satisfactory to the Registered Holders of the Warrants then remaining outstanding and unexpired) to ensure that the Registered Holder shall have the right to receive, in lieu of or in addition to (as the case may be) such shares of Common Stock immediately acquirable and receivable upon exercise of this Warrant, the kind and amount of securities, cash or other property as may be issued or payable with respect to or in exchange for the number of shares of Common Stock immediately acquirable and receivable upon exercise of this Warrant had such Organic Change not taken place. In such case, appropriate adjustment (in form and substance satisfactory to the Registered Holders of the Warrants then remaining outstanding and unexpired) shall be made with respect to the Registered Holder’s rights and interests to ensure that the provisions of this Section 2 shall thereafter be applicable to the Warrants. The Company shall not effect any reorganization, recapitalization, consolidation or merger unless, prior to the consummation thereof, the successor entity (if other than the Company) resulting from the consolidation or merger or the entity purchasing such assets assumes by written instrument (in form and substance satisfactory to the Registered Holders of the Warrants then remaining outstanding and unexpired) the obligation to deliver to each Registered Holder such shares of stock, securities or assets as, in accordance with the foregoing provisions, such holder may be entitled to acquire; provided, that any assumption shall not relieve the Company of its obligations hereunder.

(f) **Other Events.** If any event occurs that would adversely affect the Registered Holder’s rights but is not expressly provided for by this Section 2, including, any issuance of Common Stock or rights to acquire Common Stock, for less than 90% of Fair Market Value; then the Company’s Board of Directors will make an appropriate adjustment in the Exercise Price and number of Warrant Shares subject to this Warrant so as to protect the Registered Holder’s rights; provided, however, that no such adjustment will increase the Exercise Price or decrease the number of shares of Common Stock obtainable as otherwise determined pursuant to this Section 2.

(g) **Certificate as to Adjustments.** Upon the occurrence of each adjustment or readjustment of the Exercise Price pursuant to this Section 2, the Company at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to the Registered Holder a certificate setting forth such adjustment or readjustment (including the kind and amount of securities, cash or other property for which this Warrant shall be exercisable and the Exercise Price) and showing in detail the facts upon which such adjustment or readjustment is based. The Company shall, upon the written request at any time of the Registered Holder, promptly furnish or cause to be furnished to the Registered Holder a certificate setting forth (i) the Exercise Price then in effect and (ii) the number of shares of Common Stock and the amount, if any, of other securities, cash or property which then would be received upon the exercise of this Warrant, and shall cause a copy of such certificate to be mailed (by first-class mail, postage prepaid) to the Registered Holder.

**3. FRACTIONAL SHARES.** The Company shall not be required upon the exercise of this Warrant to issue any fractional shares, but shall make an adjustment therefor in cash on the basis of the fair market value (“FAIR MARKET VALUE”) per share of Common Stock, such Fair Market Value to be determined as follows:

(a) If traded on a securities exchange or through the Nasdaq National Market or SmallCap Market, the Fair Market Value shall be deemed to be the average of the closing prices of the securities on such exchange over the thirty (30) day period ending three (3) days prior to the closing. If actively traded over the counter, the

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value shall be deemed to be the average of the closing bid or sales prices (whichever is applicable) over the thirty (30) day period ending three (3) days prior to the closing; or

(b) If at any time such security is not listed on any securities exchange or quoted in the Nasdaq National Market or the SmallCap Market, or actively traded over the counter, the Fair Market Value shall be the fair value thereof, as determined jointly by the Board of Directors and the Registered Holders of the Warrants then remaining outstanding and unexpired. If such parties are unable to reach agreement within a reasonable period of time, such fair value shall be determined by an appraisal conducted, at the Company's selection, of either CS First Boston, Goldman Sachs, Merrill Lynch, or Morgan Stanley. If none of these potential appraisers are able to serve, then such fair value shall be determined by an independent appraiser experienced in valuing securities jointly selected by the Company's Board of Directors and the Registered Holders of the Warrants then remaining outstanding and unexpired. The determination of the appraiser shall be final and binding upon the parties and the parties shall share the fees and expenses of such appraiser equally.

#### **4. REQUIREMENTS FOR TRANSFER.**

(a) This Warrant and the Warrant Shares shall not be sold or transferred unless either (i) they first shall have been registered under the Act or (ii) the Company first shall have been furnished with an opinion of legal counsel reasonably satisfactory to the Company to the effect that such sale or transfer is exempt from the registration requirements of the Act.

(b) Notwithstanding the foregoing, no registration or opinion of counsel shall be required for (i) a transfer by a Registered Holder which is a corporation to a wholly owned subsidiary of such corporation or to a corporation owned by the same parent entity of such corporation, a transfer by a Registered Holder which is a partnership to a partner of such partnership or a retired partner of such partnership or to the estate of any such partner or retired partner, or a transfer by a Registered Holder which is a limited liability company to a member of such limited liability company or a retired member or to the estate of any such member or retired member, provided that, as a condition to the Company effecting such transfer, the transferee in each case agrees in writing to be subject to the terms of this Section 4, or (ii) a transfer made in accordance with Rule 144 under the Act, unless in the case of clause (ii) only, the Company reasonably requests an opinion of counsel regarding compliance with Rule 144 under the Act.

(c) Each certificate representing Warrant Shares shall bear a legend substantially in the following form:

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL SUCH SECURITIES ARE REGISTERED UNDER SUCH ACT AND SUCH LAWS OR UNLESS SOLD PURSUANT TO AN EXEMPTION THEREFROM AND AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY IS OBTAINED TO THE EFFECT THAT SUCH REGISTRATION IS NOT REQUIRED.”

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The foregoing legend shall be removed from the certificates representing any Warrant Shares, at the request of the holder thereof, at such time as they become eligible for resale pursuant to Rule 144(k) under the Act.

5. **NO IMPAIRMENT.** The Company will not, by amendment of its charter or through reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the holder of this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (a) not increase the par value of any shares of Common Stock obtainable upon the exercise of this Warrant and (b) take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant, including, without limitation, reducing the par value of the Common Stock.

6. **NOTICES OF RECORD DATE, ETC.** In the event:

(a) the Company shall take a record of the holders of its Common Stock (or other stock or securities at the time deliverable upon the exercise of this Warrant) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares of stock of any class or any other securities, or to receive any other right; or

(b) of any organic Change; or

(c) of the voluntary or involuntary dissolution, liquidation or winding-up of the Company,

then, and in each such case, the Company will mail or cause to be mailed to the Registered Holders at least twenty (20) days prior to the record date specified therein (or such shorter period approved by a majority of the Registered Holders) and at least twenty (20) days prior to the effective date of such event specified in clause (b) or (c) hereof a notice specifying, as the case may be, (i) the record date for such dividend, distribution or right, and the amount and character of such dividend, distribution or right, or (ii) the effective date on which such Organic Change, dissolution, liquidation or winding-up is to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or such other stock or securities at the time deliverable upon the exercise of this Warrant) shall be entitled to exchange their shares of Common Stock (or such other stock or securities) for securities or other property deliverable upon such Organic Change, dissolution, liquidation or winding-up; provided, however, that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. Nothing herein shall prohibit the Registered Holder from exercising this Warrant during the twenty (20) day period commencing on the date of such notice.

7. **RESERVATION OF STOCK.** The Company covenants that for the duration of the Exercise Period, the Company will at all times reserve and keep available, from its authorized and unissued Common Stock solely for issuance and delivery upon the exercise of this Warrant and free of preemptive rights, such number of Warrant Shares and other securities, cash and/or property, as from time to time shall be issuable upon the exercise of this Warrant. The Company further covenants that it shall, from time to time, take all steps necessary to increase the authorized number of shares of its Common Stock if at any time the authorized number of shares of Common Stock remaining unissued is insufficient to permit the exercise of this Warrant.

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**8. ISSUANCE UPON EXERCISE.** All shares of Common Stock issuable upon exercise of this Warrant will be duly and validly issued, fully paid and nonassessable and will be free of restrictions on transfer, other than restrictions on transfer under any agreement between the Registered Holder and the Company and under applicable state and federal securities laws, and will be free from all taxes, liens and charges in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously or otherwise specified herein). The Company shall take all such actions as may be necessary to ensure that all such shares of Common Stock may be so issued without violation of any applicable law or governmental regulation or any requirements of any domestic stock exchange upon which shares of Common Stock may be listed (except for official notice of issuance which shall be delivered by the Company upon each such issuance as soon as practicable).

**9. EXCHANGE OF WARRANTS.** Upon the surrender by the Registered Holder of this Warrant, properly endorsed, to the Company at the principal office of the Registered Company, the Company will, subject to the provisions of Section 4 hereof, issue and deliver to or upon the order of such Registered Holder, at the Company's expense, a new Warrant or Warrants of like tenor, in the name of the Registered Holder or as the Registered Holder may direct, calling in the aggregate on the face or faces thereof for the number of shares of Common Stock (or other securities, cash and/or property) then issuable upon exercise of this Warrant.

**10. REPLACEMENT OF WARRANTS.** Upon receipt of evidence reasonably satisfactory to the Company (an affidavit of a Registered Holder shall be satisfactory) of the ownership and loss, theft, destruction or mutilation of any certificate evidencing this Warrant and, in the case of loss, theft or destruction, upon delivery of an indemnity agreement of the Registered Holder in form reasonably satisfactory to the Company, or in the case of mutilation, upon surrender and cancellation of such certificate, the Company shall, at its expense, execute and deliver in lieu of such certificate, a new certificate of like kind representing the same rights represented by such lost, stolen, destroyed or mutilated certificate and dated the date of such lost, stolen, destroyed or mutilated certificate.

**11. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.** The Company represents and warrants to the Registered Holder that:

(a) **Organization, Qualifications and Corporate Power.** The Company is a corporation duly organized, validly existing and in good standing under the laws of Bermuda and is duly licensed or qualified to transact business as a foreign corporation and is in good standing in each jurisdiction in which the nature of the business transacted by it or the character of the properties owned or leased by it requires such licensing or qualification. The Company has full corporate power and authority to own and hold its properties and to carry on its business as now conducted and as proposed to be conducted, to execute, deliver and perform this Agreement.

(b) **Authorization; No Conflict; No Violation.** The Company's execution and delivery of this Agreement and performance of its obligations hereunder, and issuance and delivery of the Warrant Shares have been duly authorized by all requisite corporate action and will not (a) result in a violation of the charter or the Company's bylaws, as amended, (b) result in a violation of any applicable law, rule or regulation, or any material order, injunction, judgment or decree of any court or other agency of government, (c) conflict with, result in a breach of, or constitute (or, with due notice or lapse of time or both, would constitute) a default under, or give rise to any right of termination, acceleration or cancellation under, any material indenture, agreement,

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contract, license, arrangement, understanding, evidence of indebtedness, note, lease or other instrument to which the Company or any of its properties or assets is bound, (d) result in the creation or imposition of any material lien, charge, restriction, claim or encumbrance of any nature whatsoever upon the Company or any of the Company's material properties or assets or (e) require any consent, approval, notification, waiver or other similar action from any third party.

(c) **Consents and Approvals.** No registration or filing with, or consent or approval of or other action by, any federal, state or other governmental agency or instrumentality or any third party is or will be necessary for the Company's valid execution, delivery and performance of this Agreement or the Company's issuance and delivery of the Warrant Shares, other than those (a) which have previously been obtained or made or (b) those which are required to be made under federal or state securities laws, which will be obtained or made, and will be effective, within the time periods required by law.

(d) **Validity.** This Agreement has been duly executed and delivered by the Company and constitutes the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with its terms, except to the extent limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws of general application related to the enforcement of creditors' rights generally and (b) general principles of equity, and except that enforcement of rights to indemnification and contribution contained therein may be limited by applicable federal or state laws or the public policy underlying such laws, regardless of whether enforcement is considered in a proceeding in equity or at law.

(e) **Ownership Percentage.** If exercised on the date hereof, the number of shares of Common Stock issued pursuant to this Warrant would constitute less than five percent (5%) of the issued and outstanding Common Stock of the Company following such exercise.

## 12. TRANSFERS, ETC.

(a) The Company shall maintain a register at its principal executive office containing the name and address of the Registered Holder of this Warrant. The Registered Holder may change its or his address as shown on the warrant register by written notice to the Company requesting such change.

(b) Subject to the provisions of Section 4 hereof, this Warrant and all rights hereunder are transferable, in whole or in part, upon surrender of this Warrant with a properly executed assignment (in the form of Exhibit B hereto) at the principal executive office of the Company.

(c) Until any transfer of this Warrant is made in the warrant register, the Company may treat the Registered Holder as the absolute owner hereof for all purposes; provided, however, that if and when this Warrant is properly assigned in blank, the Company may (but shall not be obligated to) treat the bearer hereof as the absolute owner hereof for all purposes, notwithstanding any notice to the contrary.

(d) The Company shall not close its books against the transfer of this Warrant or any share of Common Stock issued or issuable upon the exercise of this Warrant in any manner which interferes with the timely exercise of this Warrant. The Company shall from time to time take all such action as may be necessary to ensure that the par value per share of the unissued Common Stock acquirable upon exercise of this Warrant is at all times equal to or less than the Exercise Price then in effect.

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13. **SPECIAL OWNERSHIP NOTICE.** In the event the number of shares of Common Stock issued upon exercise of this Warrant, would constitute five percent (5%) or more of the issued and outstanding Common Stock of the Company following such exercise, then the Company will promptly notify the Registered Holder hereof in accordance with the provisions of Section 14.

14. **MAILING OF NOTICES, ETC.** Any notice, request, demand or other communication required or permitted to be given to a party pursuant to the provisions of this Agreement will be in writing and will be effective and deemed given under this Agreement on the earliest of: (a) the date of personal delivery, (b) the date of transmission by facsimile, with confirmed transmission and receipt, (c) two (2) days after deposit with a nationally-recognized courier or overnight service such as Federal Express, or (d) five (5) days after mailing via certified mail, return receipt requested. All notices not delivered personally or by facsimile will be sent with postage and other charges prepaid and properly addressed to the party to be notified at the address set forth below for such party:

If to a Registered Holder:

Connecticut General Life Insurance Company  
900 Cottage Grove Rd, S-352  
Bloomfield CT\_06152-2352  
Phone: (860) 226-5445  
Fax: (860) 226-8885  
Attn: Joel Messing, Esq.

With a copy to (which does not constitute notice):

Bingham McCutchen LLP  
One State St., Suite 2200  
Hartford CT 06103  
Phone: 860-240-2722  
Fax: 860-240-2800  
Attn: Harold S. Horwich, Esq.

If to the Company:

Annuity and Life Re (Holdings), Ltd.  
Cumberland House  
1 Victoria Street  
Hamilton, Bermuda HM11  
Phone: (441) 296-7667  
Fax: (441) 296-7665  
Attn: John Burke, Chief Executive Officer

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With a copy to (which does not constitute notice):

Drinker, Biddle & Reath LLP  
One Logan Square  
18<sup>th</sup> and Cherry Streets  
Philadelphia PA 19103-6996  
Attn: Robert C. Juelke, Esq.  
Phone: (215) 988-2759  
Fax: (215) 988-2757

Any party hereto (and such party's permitted assigns) may change such party's address for receipt of future notices hereunder by giving written notice to the Company and the other parties hereto.

**15. NO RIGHTS OR LIABILITIES AS STOCKHOLDER.** Subject to the provisions of Sections 2 and 6 hereof, until the exercise of this Warrant, the Registered Holder shall not have or exercise any rights by virtue hereof as a stockholder of the Company, including, without limitation, the right to vote, to receive dividends and other distributions or to receive notice of or attend meetings of stockholders or any other proceedings of the Company. Notwithstanding the foregoing, in the event (a) the Company effects a split of the Common Stock by means of a stock dividend and the Exercise Price of and the number of Warrant Shares are adjusted as of the date of the distribution of the dividend (rather than as of the record date for such dividend), and (b) the Registered Holder exercises this Warrant between the record date and the distribution date for such stock dividend, the Registered Holder shall be entitled to receive, on the distribution date, the stock dividend with respect to the shares of Common Stock acquired upon such exercise, notwithstanding the fact that such shares were not outstanding as of the close of business on the record date for such stock dividend.

**16. AMENDMENT OR WAIVER.** Any term of this Warrant may be amended or waived upon the written consent of the Company and the holder of this Warrant.

**17. SUCCESSORS AND ASSIGNS.** This Warrant shall be binding upon and inure to the benefit of the Registered Holder and its assigns, and shall be binding upon any entity succeeding to the Company by consolidation, merger or acquisition of all or substantially all of the Company's assets. The Company may not assign this Warrant or any rights or obligations hereunder without the prior written consent of the Registered Holder. The Registered Holder may assign this Warrant without the Company's prior written consent.

**18. REMEDIES.** In the event of a breach by the Company of any of its obligations under this Warrant, the Registered Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not provide adequate compensation for any losses incurred by reason of its breach of any of the provisions of this Warrant and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it shall waive the defense that a remedy at law would be adequate.

**19. SECTION HEADINGS.** The section headings in this Warrant are for the convenience of the parties and in no way alter, modify, amend, limit or restrict the contractual obligations of the parties.

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20. **COUNTERPARTS.** This Warrant may be executed in two or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument.

21. **SEVERABILITY.** The provisions of this Warrant will be deemed severable and the invalidity or unenforceability of any provision hereof will not affect the validity or enforceability of the other provisions hereof; provided that if any provision of this Warrant, as applied to any party or to any circumstance, is adjudged by a court or governmental body not to be enforceable in accordance with its terms, the parties agree that the court or governmental body making such determination will have the power to modify the provision in a manner consistent with its objectives such that it is enforceable, and/or to delete specific words or phrases, and in its reduced form, such provision will then be enforceable and will be enforced.

22. **TITLES AND SUBTITLES.** The article and section headings contained in this Warrant are inserted for convenience only and will not affect in any way the meaning or interpretation of this Warrant.

23. **THIRD PARTIES.** Nothing in this Warrant, express or implied, is intended to confer upon any person other than the parties hereto and their successors and assigns, any rights or remedies under or by reason of this Warrant.

24. **GOVERNING LAW.** This Warrant and the performance of the transactions and the obligations of the parties hereunder will be governed by and construed and enforced in accordance with the laws of the State of New York, without giving effect to any choice of law principles.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the Company has caused this Warrant to be signed and attested by its duly authorized officers under its corporate seal and to be dated the Date of Issuance hereof.

**ANNUITY AND LIFE RE (HOLDINGS), LTD.**

By: \_\_\_\_\_  
Name:  
Title:

(Corporate Seal]

ATTEST:

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PURCHASE FORM

To: \_\_\_\_\_

Dated: \_\_\_\_\_

The undersigned, pursuant to the provisions set forth in the attached Warrant (No 3.\_\_\_\_), hereby irrevocably elects to purchase \_\_\_\_\_ shares of the Common Stock covered by such Warrant.

The undersigned herewith makes payment of the full exercise price for such shares at the price per share provided for in such warrant, which is \$ in lawful money of the United States.

[ \_\_\_\_\_ ]

Name:

Title:

Address:

\_\_\_\_\_

\_\_\_\_\_

ASSIGNMENT FORM

FOR VALUE RECEIVED, \_\_\_\_\_ hereby sells, assigns and transfers all of the rights of the undersigned under the attached Warrant (No. \_\_\_\_\_) with respect to the number of shares of Common Stock covered thereby set forth below, unto:

Name of Assignee:

\_\_\_\_\_

Dated: \_\_\_\_\_

Address:

\_\_\_\_\_

[ \_\_\_\_\_ ]

\_\_\_\_\_

Name:

Title:

Address:

\_\_\_\_\_

\_\_\_\_\_

Signature Guaranteed: By:

\_\_\_\_\_

The signature should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program) pursuant to Rule 17Ad-15 under the Securities Exchange Act of 1934.

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<DESCRIPTION> PRESS RELEASE DATED OCTOBER 26, 2004  
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Cumberland House  
1 Victoria Street  
Hamilton HM 11  
P.O. Box HM 98  
Hamilton HM AX  
Bermuda  
(441) 296-7667  
fax (441) 296-7665

FOR IMMEDIATE RELEASE

CONTACT: John Lockwood  
Annuity & Life Re (Holdings), Ltd.  
441-298-9902

**ANNUITY & LIFE RE (HOLDINGS), LTD. ANNOUNCES RECAPTURE OF CIGNA GMDB/GMIB REINSURANCE AGREEMENT**

Hamilton, Bermuda, October 26, 2004 – Annuity & Life Re (Holdings), Ltd. today announced that CIGNA has recaptured its Guaranteed Minimum Death Benefit and Guaranteed Minimum Income Benefit reinsurance agreement with the Company. In connection with the recapture, CIGNA retained the \$11 million it previously drew from a letter of credit provided to CIGNA by the Company as collateral for the Company’s obligations under the reinsurance agreement. In addition, the Company issued CIGNA a warrant to acquire 1 million common shares of the Company. The warrant has a strike price of \$1.00 per share and expires on September 30, 2014. The Company expects to record a charge of approximately \$2.4 million in the third quarter as a result of the settlement.

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 (the “Act”) provides a safe harbor for forward-looking statements made by us or on our behalf. All statements which address operating performance, events, or developments that we expect or anticipate 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. Management cautions that actual results could differ materially from those expressed or implied in forward-looking statements. Investors are also directed to consider the risks and uncertainties discussed in documents filed by the Company with the Securities and Exchange Commission.