

Prospectus Supplement to the Short Form Base Shelf Prospectus dated April 30, 2009

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This prospectus supplement, together with the short form base shelf prospectus dated April 30, 2009 to which it relates, as amended or supplemented, and each document deemed to be incorporated by reference in the short form base shelf prospectus, as amended or supplemented, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

These securities have not been and will not be registered under the United States Securities Act of 1933, as amended and may not be offered, sold or delivered within the United States of America, its possessions and other areas subject to its jurisdiction or to, or for the account or benefit of, U.S. persons.

Information has been incorporated by reference in this prospectus supplement and the short form base shelf prospectus dated April 30, 2009 from documents filed with securities commissions or similar authorities in Canada. See "Documents Incorporated by Reference". Copies of the documents incorporated herein or therein by reference may be obtained on request without charge from the Vice-President, Legal Services and Corporate Secretary, Industrial Alliance Insurance and Financial Services Inc., 1080 Grande Allée West, Québec City, Québec, G1K 7M3, telephone (418) 684-5000 or fax (418) 684-5185, and are also available electronically at www.sedar.com.

Prospectus Supplement

New Issue

October 7, 2009



\$100,000,000

(4,000,000 Shares)

6.00% Non-Cumulative Class A Preferred Shares Series E

Industrial Alliance Insurance and Financial Services Inc. ("Industrial Alliance" or the "Company") is offering 4,000,000 Non-Cumulative Class A Preferred Shares Series E (the "Series E Preferred Shares") under this prospectus supplement.

The holders of Series E Preferred Shares will be entitled to receive fixed non-cumulative preferential cash dividends, if, as and when declared by the board of directors of Industrial Alliance (the "Board of Directors"), payable quarterly on March 31, June 30, September 30 and December 31 in each year, at an annual rate equal to \$1.50 per Series E Preferred Share. The initial dividend, if declared, will be payable on December 31, 2009 and will amount to \$0.3139 per Series E Preferred Share, based on an anticipated closing date of October 15, 2009. See "Details of the Offering".

Subject to the provisions of *An Act respecting Insurance* (Québec), including the regulations, rules, policy statements, instruments and guidelines thereunder (the "Insurance Act") and the prior consent of the *Autorité des marchés financiers* (the "AMF") and to the provisions described below under "Details of the Offering - Certain Provisions of the Series E Preferred Shares as a Series - Restrictions on Dividends and Retirement of Shares", on or after December 31, 2014, Industrial Alliance may, on not less than 30 nor more than 60 days' notice, redeem all or any part of the then outstanding Series E Preferred Shares, at Industrial Alliance's option without the consent of the holder, by the payment of an amount in cash (the "Redemption Price") for each Series E Preferred Share so redeemed of \$26.00 per share if redeemed on or after December 31, 2014 and prior to December 31, 2015, \$25.75 per share if redeemed on or after December 31, 2015 and prior to December 31, 2016, \$25.50 per share if redeemed on or after December 31, 2016 and prior to December 31, 2017, \$25.25 per share if redeemed on or after December 31, 2017 and prior to December 31, 2018 and \$25.00 per share if redeemed on or after December 31, 2018, in each case together with all declared and unpaid dividends to but excluding the date of redemption. See "Details of the Offering".

There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this prospectus supplement. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "Risk Factors".

The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Series E Preferred Shares. Listing of the Series E Preferred Shares offered hereunder is subject to the Company fulfilling all of the requirements of the TSX on or before January 4, 2010.

Industrial Alliance's head office is located at 1080 Grande Allée West, Québec City, Québec, G1K 7M3.

Price: \$25.00 per Series E Preferred Share to yield 6.00% per annum

Scotia Capital Inc., RBC Dominion Securities Inc., National Bank Financial Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., TD Securities Inc., Desjardins Securities Inc., Casgrain & Company Limited, Dundee Securities Corporation, HSBC Securities (Canada) Inc., Industrial Alliance Securities Inc. and Laurentian Bank Securities Inc. (collectively, the “Underwriters”), as principals, conditionally offer the Series E Preferred Shares, subject to prior sale if, as and when issued by Industrial Alliance and accepted by the Underwriters in accordance with the terms and conditions of the underwriting agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of Industrial Alliance by Lavery, de Billy, L.L.P. and on behalf of the Underwriters by Fasken Martineau DuMoulin LLP. **Industrial Alliance Securities Inc., one of the Underwriters, is a wholly-owned subsidiary of Industrial Alliance. Industrial Alliance is a “related” issuer of Industrial Alliance Securities Inc. under applicable securities legislation by virtue of Industrial Alliance’s interest in Industrial Alliance Securities Inc. See “Plan of Distribution”.**

	Price to the Public	Underwriters’ Fee⁽¹⁾	Net Proceeds to Industrial Alliance⁽²⁾
Per Series E Preferred Share	\$25.00	\$0.75	\$24.25
Total	\$100,000,000	\$3,000,000	\$97,000,000

(1) The Underwriters’ fee is \$0.25 for each Series E Preferred Share sold to certain institutions and \$0.75 for all other Series E Preferred Shares which are sold. The totals set forth in the table represent the Underwriters’ fee and net proceeds assuming no Series E Preferred Shares are sold to such institutions.

(2) Before deduction of expenses of this offering payable by Industrial Alliance estimated at \$325,000.

In connection with this offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Series E Preferred Shares. **The Underwriters may offer Series E Preferred Shares at a price lower than the offering price of \$25.00. See “Plan of Distribution”.**

Subscriptions for the Series E Preferred Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of this offering will take place on October 15, 2009 or on such other date as Industrial Alliance and the Underwriters may agree but not later than November 13, 2009. On the closing of this offering, the Company will cause a “book-entry only” global certificate representing the Series E Preferred Shares to be delivered to, and registered in the name of, CDS Clearing and Depository Services Inc. or its nominee (“CDS”). Subject to certain exception, purchasers of Series E Preferred Shares will not have the right to receive physical certificates evidencing their ownership of Series E Preferred Shares. Purchasers of Series E Preferred Shares will receive a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Series E Preferred Shares are purchased. See “Book-Entry Only Securities”.

TABLE OF CONTENTS

CAUTION REGARDING FORWARD-LOOKING STATEMENTS.....	S-3
DOCUMENTS INCORPORATED BY REFERENCE	S-4
ELIGIBILITY FOR INVESTMENT	S-5
DETAILS OF THE OFFERING.....	S-5
BOOK-ENTRY ONLY SECURITIES.....	S-8
RESTRICTIONS	S-8
USE OF PROCEEDS.....	S-9
RATINGS.....	S-9
PLAN OF DISTRIBUTION.....	S-9
EARNINGS COVERAGE	S-10
CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS	S-11
PRIOR SALES	S-13
TRADING PRICE AND VOLUME OF INDUSTRIAL ALLIANCE’S SECURITIES.....	S-13
RISK FACTORS	S-13
TRANSFER AGENT AND REGISTRAR.....	S-14
EXPERTS AND AUDITORS	S-14
PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION	S-15
CERTIFICATE OF THE UNDERWRITERS	S-16
AUDITORS’ CONSENT	S-17

In this prospectus supplement, unless otherwise indicated, capitalized terms which are defined in the accompanying short form base shelf prospectus of the Company dated April 30, 2009 (the “Prospectus”) are used herein with the meaning defined therein. If information in this prospectus supplement is inconsistent with the accompanying Prospectus, investors should rely on the information in this prospectus supplement. All references to “dollars” in this prospectus supplement are to Canadian dollars unless otherwise indicated.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained or incorporated by reference in this prospectus supplement, including those relating to the Company’s strategies and other statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “may”, “will”, “could”, “should”, “would”, “suspect”, “expect”, “anticipate”, “intend”, “plan”, “believe”, “estimate”, “objective” and “continue” (or the negative thereof) or similar words or expressions, are forward-looking statements within the meaning of securities laws. Forward-looking statements include, without limitation, the information concerning possible or assumed future results of operations of the Company. These statements are not historical facts but instead represent only the Company’s expectations, estimates and projections regarding future events.

Although Industrial Alliance believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Factors that could cause actual results to differ materially from expectations include, but are not limited to: general business and economic conditions (including but not limited to performance of equity markets, interest rate fluctuations, currency rates, investment losses and defaults, movements in credit spreads, market liquidity and creditworthiness of guarantors and counterparties); level of competition and consolidation; changes in laws and regulations including tax laws; liquidity of Industrial Alliance including the availability of financing to satisfy existing financial liabilities on their expected maturity dates when required; accuracy of information received from counterparties and the ability of counterparties to meet their obligations; accuracy of accounting policies and actuarial methods used by Industrial Alliance; insurance risks including mortality, morbidity, longevity and policyholder behaviour including the occurrence of natural or man-made disasters, pandemic diseases and acts of terrorism; failure of information systems and Internet-enabled technology; breaches of computer security and privacy; dependence on third-party relationships including outsourcing arrangements; ability to maintain Industrial Alliance’s reputation; regulatory investigations and proceedings and private legal proceedings and class actions relating to practices in the mutual fund, insurance, annuity and financial product distribution industries; the ability to adapt products and services to

the changing market; the ability to implement effective hedging strategies; the ability to attract and retain key executives; the ability to complete acquisitions including the availability of equity and debt financing when required for this purpose; the ability to execute strategic plans; the disruption of or changes to key elements of Industrial Alliance's or public infrastructure systems; and environmental concerns. Additional information about material factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in this Prospectus under "Risk Factors" as well as under "Risk Management" in Industrial Alliance's most recent management's discussion and analysis, in the "Management of Risks Associated with Financial Instruments" note to the most recent Industrial Alliance's consolidated financial statements, and elsewhere in Industrial Alliance's filings with Canadian securities regulators, which are available for review at www.sedar.com.

The Company does not undertake to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this prospectus supplement or to reflect the occurrence of unanticipated events, except as required by law.

DOCUMENTS INCORPORATED BY REFERENCE

This prospectus supplement is deemed to be incorporated by reference, as of the date hereof, into the Prospectus solely for the purpose of this offering of Series E Preferred Shares. Other documents are also incorporated or deemed to be incorporated by reference into the Prospectus and reference should be made to the Prospectus for full particulars thereof. The following documents have been filed by Industrial Alliance with the securities commissions or similar authorities in each province of Canada and are incorporated by reference into the Prospectus:

- (a) Industrial Alliance's audited comparative consolidated financial statements and the notes thereto for the years ended December 31, 2008 and 2007, together with the auditors' report thereon;
- (b) Industrial Alliance's report of the appointed actuary for the years ended December 31, 2008 and 2007, as set out on page 3 of the audited comparative consolidated financial statements referred in paragraph (a);
- (c) Industrial Alliance's management's discussion and analysis of results of operations and financial position to the audited comparative consolidated financial statements referred to in paragraph (a), as amended on April 28, 2009;
- (d) Industrial Alliance's Annual Information Form dated March 27, 2009 for the year ended December 31, 2008;
- (e) Industrial Alliance's management proxy circular dated March 1, 2009 in connection with the annual meeting of shareholders and participating policyholders held on May 6, 2009, as supplemented on August 19, 2009 by a first supplement and on August 28, 2009 by a second supplement;
- (f) Industrial Alliance's interim unaudited consolidated comparative financial statements as at and for the three and six-month periods ended June 30, 2009 and 2008;
- (g) Industrial Alliance's management discussion and analysis of results of operations and financial position for the three and six-month periods ended June 30, 2009.

Any statement contained in the Prospectus, in this prospectus supplement or in a document incorporated or deemed to be incorporated by reference herein or in the Prospectus for the purposes of this offering shall be deemed to be modified or superseded, for purposes of this prospectus supplement, to the extent that a statement contained herein or in the Prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein or in the Prospectus modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or included any other information set forth in the document that it modifies or supersedes. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a

misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

ELIGIBILITY FOR INVESTMENT

In the opinion of Lavery, de Billy, L.L.P., counsel to Industrial Alliance, and Fasken Martineau DuMoulin LLP, counsel to the Underwriters, the Series E Preferred Shares, provided they are listed on a designated stock exchange (which currently includes the TSX), would, if issued on the date hereof, be qualified investments under the *Income Tax Act* (Canada) and the regulations thereunder for a tax-free savings account or for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan, a registered disability savings plan or a deferred profit sharing plan, except for a deferred profit sharing plan to which contributions are made by the Company or a corporation with which the Company does not deal at arm's length within the meaning of the *Income Tax Act* (Canada).

The Series E Preferred Shares will not be a "prohibited investment" for a trust governed by a tax-free savings account on such date provided the holder of the tax-free savings account deals at arm's length with the Company for purposes of the *Income Tax Act* (Canada) and does not have a significant interest (within the meaning of the *Income Tax Act* (Canada)) in the Company or in any person or partnership with which the Company does not deal at arm's length for purposes of the *Income Tax Act* (Canada).

DETAILS OF THE OFFERING

The following is a summary of certain provisions of the Series E Preferred Shares as a series offered hereby which represents a series of Class A Preferred Shares of the Company. See "Description of Share Capital - Class A Preferred Shares" in the Prospectus for a description of the general terms and provisions of the Class A Preferred Shares of the Company as a class.

Certain Provisions of the Series E Preferred Shares as a Series

Issue Price

The Series E Preferred Shares will have an issue price of \$25.00 per share.

Dividends

The holders of the Series E Preferred Shares will be entitled to receive fixed non-cumulative preferential cash dividends, if, as and when declared by the Board of Directors, and subject to the provisions of the Insurance Act, payable quarterly on March 31, June 30, September 30 and December 31 in each year, at an annual rate equal to \$1.50 per Series E Preferred Share. The initial dividend, if declared, will be payable on December 31, 2009 and will amount to \$0.3139 per Series E Preferred Share, based on the anticipated closing date of October 15, 2009.

If the Board of Directors does not declare a dividend, or any part thereof, on the Series E Preferred Shares on or before the dividend payment date for a particular quarter, then the entitlement of the holders of the Series E Preferred Shares to receive such dividend, or to any part thereof, for such quarter will be forever extinguished.

Redemption by the Company

The Series E Preferred Shares will not be redeemable by Industrial Alliance prior to December 31, 2014. Subject to the provisions of the Insurance Act and to the prior consent of the AMF and to the provisions described below under the heading "Restrictions on Dividends and Retirement of Shares", on or after December 31, 2014, the Company may redeem all or any part of the then outstanding Series E Preferred Shares, at the Company's option without the consent of the holder, by the payment of an amount in cash for each Series E Preferred Share so redeemed of \$26.00 per share if redeemed on or after December 31, 2014 and prior to December 31, 2015, \$25.75 per share if redeemed on or after December 31, 2015 and prior to December 31, 2016, \$25.50 per share if redeemed on or after December 31, 2016 and prior to December 31, 2017, \$25.25 per share if redeemed on or after December 31, 2017 and prior to December 31, 2018 and \$25.00 per share if redeemed on or after December 31, 2018, in each

case together with all declared and unpaid dividends to but excluding the date of redemption.

Notice of any redemption will be given by the Company not less than 30 days and not more than 60 days prior to the date fixed for redemption. If less than all the outstanding Series E Preferred Shares are at any time to be redeemed, the shares to be redeemed will be redeemed on a *pro rata* basis, disregarding fractions, or in any other equitable manner as determined by the Company, subject to obtaining any required regulatory approval.

Purchase for Cancellation

Subject to the provisions of the Insurance Act, the prior consent of the AMF and the provisions described below under “Restrictions on Dividends and Retirement of Shares”, Industrial Alliance may at any time purchase for cancellation all or from time to time any Series E Preferred Share outstanding in the open market or by private contract or tender, at any price.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of Industrial Alliance, whether voluntary or involuntary, or any other distribution of assets of Industrial Alliance for the purpose of winding-up its affairs, the holders of the Series E Preferred Shares will be entitled to receive \$25.00 per Series E Preferred Share, together with all declared and unpaid dividends to the date of payment, before any amounts are paid or any assets of Industrial Alliance are distributed to the holders of any shares ranking junior to the Series E Preferred Shares. After payment of those amounts, the holders of Series E Preferred Shares will not be entitled to share in any further distribution of the property or assets of Industrial Alliance.

Restrictions on Dividends and Retirement of Shares

As long as any Series E Preferred Shares are outstanding, Industrial Alliance will not, without the approval of the holders of outstanding Series E Preferred Shares:

- (a) declare or pay any dividend on its Common Shares or any other shares ranking junior to the Series E Preferred Shares (other than stock dividends in any shares ranking junior to the Series E Preferred Shares);
- (b) redeem, purchase or otherwise retire any Common Shares or any other shares ranking junior to the Series E Preferred Shares (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Series E Preferred Shares);
- (c) redeem, purchase or otherwise retire or make any return of capital in respect of less than all the Series E Preferred Shares; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provision attaching to any series of Class A Preferred Shares or other preferred shares of Industrial Alliance issuable in series, redeem, purchase, or otherwise retire any other shares ranking on a parity with the Series E Preferred Shares;

unless, in each case, all dividends on the Series E Preferred Shares up to and including those payable on the dividend payment date for the last completed period for which dividends are payable and in respect of which the rights of holders to such dividends have not been extinguished, and all dividends then accrued on all other shares ranking senior to or on a parity with the Series E Preferred Shares up to the immediately preceding respective date or dates for payment and in respect of which the rights of holders of those shares have not been extinguished, have been declared and paid or set apart for payment.

In addition, the Company is prohibited from paying dividends on its preferred shares in certain other circumstances. See “Restrictions” and “Risk Factors”.

Issue of Additional Series of Class A Preferred Shares

Industrial Alliance may issue other series of Class A Preferred Shares ranking on a parity with the Series E Preferred Shares or may issue shares of any other class or series ranking on a parity or junior to Class E Preferred Shares without the approval of the holders of the Series E Preferred Shares.

Amendments to the Series E Preferred Shares

Industrial Alliance will not, without the approval of the holders of the Series E Preferred Shares given as specified under “Shareholder Approval” below and any other necessary approval, delete, add to or vary any rights, privileges, restrictions or conditions attaching to the Series E Preferred Shares. In addition to the aforementioned approval, Industrial Alliance will not without, but may from time to time with, any necessary consent of the AMF, make any such deletion, addition or variation which might affect the classification afforded the Series E Preferred Shares from time to time for capital adequacy requirements pursuant to the Insurance Act and the regulations and guidelines thereunder.

Shareholder Approval

The approval of holders of the Series E Preferred Shares to change or remove any right, privilege, restriction or condition attaching to the Series E Preferred Shares as a series or in respect of any other matter requiring the consent of the holders of the Series E Preferred Shares may be given in such manner as may then be required by law, subject to the requirement that such approval be given by resolution passed by the affirmative vote of at least two-thirds ($\frac{2}{3}$) of the votes cast at a meeting of the holders of the Series E Preferred Shares duly called for that purpose at which the holders of at least one-fourth ($\frac{1}{4}$) of the outstanding Series E Preferred Shares are present in person or represented by proxy. If at any such meeting, the holders of at least one-fourth ($\frac{1}{4}$) of the outstanding Series E Preferred Shares are not present in person or represented by proxy within 30 minutes after the time appointed for the meeting, then the meeting will be adjourned to such date not less than 15 days thereafter and to such time and place as may be appointed by the chairman of the meeting. A notice of not less than seven days will be given of the adjourned meeting. At such adjourned meeting, the holders of the Series E Preferred Shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed thereat by not less than two-thirds ($\frac{2}{3}$) of the votes cast constitutes the approval of the holders of the Series E Preferred Shares referred to above.

Voting Rights

Subject to applicable law, the holders of Series E Preferred Shares will not be entitled to receive notice of, or to attend or to vote at, any meeting of the shareholders or participating policyholders of Industrial Alliance unless and until the first time at which the Board of Directors has not declared the whole dividend on the Series E Preferred Shares in respect of any quarter. In that event, the holders of the Series E Preferred Shares will be entitled to receive notice of, and to attend, only meetings of shareholders at which directors are to be elected and will be entitled to one vote for each Series E Preferred Share held in the election of directors only but not in respect of any other business. The voting rights of the holders of the Series E Preferred Shares will forthwith cease upon payment by Industrial Alliance of the first quarterly dividend on the Series E Preferred Shares to which the holders are entitled subsequent to the time such voting rights first arose until such time as the Company may again fail to declare the whole dividend on the Series E Preferred Shares in respect of any quarter, in which event such voting rights will become effective again and so on from time to time.

Tax Election

As required by the terms and conditions of the Series E Preferred Shares, the Company will elect, in the manner and within the time provided under Part VI.1 of the *Income Tax Act* (Canada), to pay tax at a rate such that holders of Series E Preferred Shares will not be required to pay tax under Part IV.1 of the *Income Tax Act* (Canada) on dividends received (or deemed to be received) on the Series E Preferred Shares. See “Certain Canadian Federal Income Tax Considerations”.

Business Days

If any action is required to be taken by the Company on a day that is not a business day, then such action will

be taken on the next succeeding day that is a business day.

BOOK-ENTRY ONLY SECURITIES

Except as otherwise provided below, the Series E Preferred Shares will be issued in “book-entry only” form and must be purchased, transferred or redeemed through participants (“Participants”) in the depository service of CDS or its nominee. Each of the Underwriters is a Participant. On the closing of this offering, the Company will cause a global certificate representing the Series E Preferred Shares to be delivered to, and registered in the name of, CDS or its nominee. Except as described below, no purchaser of Series E Preferred Shares will be entitled to a certificate or other instrument from the Company or CDS evidencing that purchaser’s ownership thereof, and no purchaser will be shown on the records maintained by CDS except through a book-entry account of a Participant acting on behalf of such purchaser. Each purchaser of Series E Preferred Shares will receive a customer confirmation of purchase from the registered dealer from or through whom the Series E Preferred Shares are purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the Series E Preferred Shares. Reference in this prospectus supplement to a holder of Series E Preferred Shares means, unless the context otherwise requires, the owner of the beneficial interest in the Series E Preferred Shares.

If the Company determines, or CDS notifies the Company in writing, that CDS is no longer willing or able to discharge properly its responsibilities as depository with respect to the Series E Preferred Shares and the Company is unable to locate a qualified successor, or if the Company at its option elects, or is required by law, to withdraw the Series E Preferred Shares from the book-entry system, then Series E Preferred Shares will be issued in fully registered form to holders or their nominees.

Transfers

Transfers of ownership in the Series E Preferred Shares will be effected only through records maintained by CDS for such Series E Preferred Shares with respect to interests of Participants and on the records of Participants with respect to interests of holders other than Participants. Holders of Series E Preferred Shares other than Participants, wishing to purchase, sell or otherwise transfer ownership of or other interests in the Series E Preferred Shares may do so only through Participants. The ability of a holder to pledge Series E Preferred Shares, or otherwise take action with respect to such holder’s interest in Series E Preferred Shares (other than through a Participant) may be limited due to the lack of a physical certificate evidencing ownership of a Series E Preferred Share.

Payments and Deliveries

Payments of dividends, if any, or other amounts in respect of Series E Preferred Shares will be made by or on behalf of the Company to CDS or its nominee, as the case may be, as the registered holder of the Series E Preferred Shares, and the Company understands that such payments will be forwarded by CDS or its nominee in the appropriate amounts to the relevant Participants in accordance with CDS Procedures. As long as CDS or its nominee is the sole registered holder of the Series E Preferred Shares, CDS or its nominee will be considered the sole owner of the Series E Preferred Shares for purposes of receiving any payments thereon and for all other purposes.

RESTRICTIONS

The Prospectus sets out a summary of the restrictions contained in the Insurance Act concerning the declaration and payment of dividends. The Company does not anticipate that such restrictions will prevent the declaration or payment of dividends on the Series E Preferred Shares in the normal course and the AMF has not made any direction to the Company pursuant to the Insurance Act regarding its capital or its liquidity. See “Insurance Act Restrictions and Approvals” in the Prospectus.

The Prospectus also sets out a summary on the restrictions for acquisition, issue, transfer and voting of voting shares of Industrial Alliance representing 10% or more of the voting rights attached to such shares. See “Constraints on Voting Shares under Québec Insurance Legislation” in the Prospectus. The Prospectus sets out a summary of the restrictions on declaration of dividends in the event that the non-cumulative fixed cash distribution on Industrial

Alliance Trust Securities - Series A are not paid. See “Additional Restrictions on Declaration of Dividends” in the Prospectus.

USE OF PROCEEDS

The estimated net proceeds to Industrial Alliance from the sale of the Series E Preferred Shares offered by this prospectus supplement, after deducting the Underwriters’ fee (assuming that no Series E Preferred Shares are sold to certain institutions) and estimated expenses of the issue, will amount to \$96,675,000, will be added to its general funds and will be used for general corporate purposes. All expenses relating to the offering of the Series E Preferred Shares, including the fee paid to the Underwriters, will be paid out of Industrial Alliance’s general funds.

RATINGS

The Series E Preferred Shares are provisionally rated Pfd-2 (high) with a Stable trend by DBRS Limited (“DBRS”). Pfd-2” is the second highest of five categories granted by DBRS for preferred shares. A reference to “high” or “low” reflects the relative strength within the rating category. A rating outlook, expressed as positive, stable or negative, provides an opinion regarding the likely direction of any medium-term rating actions.

The Series E Preferred Shares are provisionally rated P-1 (Low) by Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. (“S&P”) using the S&P Canadian scale for preferred shares and “A-” using S&P’s global scale for preferred shares. The “P-1” rating is the highest of the five categories used by S&P on its Canadian preferred share scale. A reference to “high” or “low” reflects the relative strength within the rating category. The “A-” rating is the fifth highest of twenty ratings used by S&P on its global scale.

Credit ratings are intended to provide investors with an independent measure of credit quality of any issue of securities. The credit ratings accorded to securities by the rating agencies are not recommendations to purchase, hold or sell the securities inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if in its judgment circumstances so warrant, and if any such rating is so revised or withdrawn, Industrial Alliance is under no obligation to update this prospectus supplement. Prospective purchasers of Series E Preferred Shares should consult the relevant rating organization with respect to the interpretation and implications of the foregoing provisional ratings.

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement dated October 7, 2009 (the “Underwriting Agreement”) between Industrial Alliance and the Underwriters, Industrial Alliance has agreed to sell and the Underwriters have agreed to purchase jointly (but not solidarily), as principals, on October 15, 2009, or such other date as may be agreed upon, but not later than November 13, 2009, subject to the terms and conditions stated therein, all but not less than all of the 4,000,000 Series E Preferred Shares at a price of \$25.00 per share, payable in cash to Industrial Alliance against delivery of such Series E Preferred Shares. The Underwriting Agreement provides that the Underwriters will be paid a fee per share equal to \$0.25 with respect to the Series E Preferred Shares sold to certain institutions and \$0.75 with respect to all other Series E Preferred Shares sold. Assuming no Series E Preferred Shares are sold to such institutions, the underwriting fee would be \$3,000,000.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Series E Preferred Shares if any of such shares are purchased under the Underwriting Agreement.

The Underwriters propose to offer the Series E Preferred Shares initially at the offering price of \$25.00. After the Underwriters have made a reasonable effort to sell all of the Series E Preferred Shares at that price, the offering price may be decreased and may be further changed from time to time to an amount not greater than \$25.00, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers for the Series E Preferred Shares is less than the price paid by the Underwriters to Industrial Alliance.

Pursuant to policy statements of the Ontario Securities Commission and the AMF, the Underwriters may not, throughout the period of distribution under this prospectus supplement, bid for or purchase Series E Preferred Shares. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions

include a bid or purchase permitted under the Universal Market Integrity Rules administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer when the order was not solicited during the period of distribution.

The Underwriting Agreement provides that, without the prior consent of Scotia Capital Inc. and RBC Dominion Securities Inc., the Company will not sell or announce its intention to sell, nor will the Company authorize or issue, or announce its intention to authorize or issue, any Series E Preferred Shares or any other shares with provisions or characteristics similar to the Series E Preferred Shares, during the period commencing on the date of the Underwriting Agreement and ending 60 days after the closing of the offering.

In connection with this offering and subject to the foregoing and to applicable law, the Underwriters may overallocate or effect transactions which stabilize or maintain the market price of the Series E Preferred Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Series E Preferred Shares. Listing of the Series E Preferred Shares offered hereunder is subject to the Company fulfilling all of the requirements of the TSX on or before January 4, 2010.

The Series E Preferred Shares have not been and will not be registered under the *Securities Act of 1933* of the United States of America, as amended (the "1933 Act") or any state securities laws and may not be offered or sold, directly or indirectly, within the United States, its territories or possessions, or to, or for the account or benefit of, US persons (as defined in Regulation S under the 1933 Act) except in transactions exempt from the registration requirements of the 1933 Act.

Industrial Alliance Securities Inc., one of the Underwriters, is a wholly-owned subsidiary of Industrial Alliance. Industrial Alliance is a "related" issuer of Industrial Alliance Securities Inc. under applicable securities legislation by virtue of Industrial Alliance's interest in Industrial Alliance Securities Inc. The terms of the offering were negotiated at arm's length among Industrial Alliance and the Underwriters. Industrial Alliance Securities Inc. will not receive any benefit in connection with the offering other than as described herein. Scotia Capital Inc. and RBC Dominion Securities Inc., Underwriters in respect of which Industrial Alliance is not a related or connected issuer, have participated in the structuring and pricing of the offering and in the due diligence activities performed by the Underwriters for the offering.

The decision to distribute the Series E Preferred Shares and the determination of the terms of this offering were made through negotiations between Industrial Alliance and the Underwriters.

EARNINGS COVERAGE

Industrial Alliance's pro forma dividend requirements on its outstanding Class A Preferred Shares, after giving effect to the issue of the Series E Preferred Shares to be distributed under this prospectus supplement, and adjusted to a before-tax equivalent using an effective income tax rate of 17.8% and 13.8%, respectively, amounted to \$14.4 million for the 12 months ended December 31, 2008 and \$18.0 million for the 12 months ended June 30, 2009. Industrial Alliance's interest requirements on the existing senior and subordinated long-term indebtedness of Industrial Alliance for the 12 months ended December 31, 2008 amounted to \$21.7 million and for the 12 months ended June 30, 2009, amounted to \$25.8 million. Industrial Alliance's earnings before interest and income tax for the 12 months ended December 31, 2008 were \$113.3 million, which is 3.1 times Industrial Alliance's aggregate dividend and interest requirements for this period, and for the 12 months ended June 30, 2009 were \$60.3 million, which is 1.4 times Industrial Alliance's aggregate dividend and interest requirements for this period.¹⁾

Updated earnings coverage ratios as required will be filed quarterly with the applicable securities regulatory authorities, either as prospectus supplements or as exhibits to Industrial Alliance's unaudited interim and audited annual consolidated financial statements.

¹⁾ In the fourth quarter of 2008, the Company strengthened its provisions for future policy benefits by \$195.2

million before taxes. This one-time charge had no impact on the Company's cash flows. Excluding this \$195.2 million charge, Industrial Alliance's earnings before interest and income tax for the 12 months ended December 31, 2008 were \$308.5 million, which is 8.6 times Industrial Alliance's aggregate dividend and interest requirements for this period, and for the 12 months ended June 30, 2009, were \$255.5 million, which is 5.8 times Industrial Alliance's aggregate dividend and interest requirements for this period.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Lavery, de Billy, L.L.P., counsel to Industrial Alliance, and Fasken Martineau DuMoulin LLP, counsel to the Underwriters, the following is, at the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to an initial purchaser, pursuant to this prospectus supplement, of Series E Preferred Shares who, within the meaning and for the purposes of the *Income Tax Act* (Canada) (the "Tax Act"), is at all relevant times resident in Canada or deemed to be a resident of Canada, deals at arm's length with the Company, is not affiliated with the Company, holds the Series E Preferred Shares as capital property and is not exempt from tax under Part I of the Tax Act.

Generally, the Series E Preferred Shares will be capital property to a purchaser provided the purchaser does not hold such shares in the course of carrying on a business of trading or dealing in securities and does not acquire them as part of an adventure in the nature of a trade. Certain purchasers who might not otherwise be considered to hold Series E Preferred Shares as capital property may, in certain circumstances, be entitled to have them and all other "Canadian securities", as defined in the Tax Act, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to a purchaser that is a "financial institution" for the purposes of the "mark-to-market rules", to a purchaser an interest in which would be a "tax shelter investment" or to a purchaser to whom the "functional currency" reporting rules apply, each as defined in the Tax Act. Such purchasers should consult their own tax advisors. Furthermore, this summary is not applicable to a purchaser that is a "specified financial institution", as defined in the Tax Act, that receives or is deemed to receive, alone or together with persons with whom it does not deal at arm's length, in the aggregate, dividends in respect of more than 10% of the Series E Preferred Shares, as the case may be, outstanding at the time the dividends are received. This summary also assumes that all issued and outstanding Series E Preferred Shares are listed on a designated stock exchange in Canada (as defined in the Tax Act and which currently includes the TSX) at such times as dividends (including deemed dividends) are paid or received on such shares.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. Accordingly, prospective purchasers are urged to consult their own tax advisors with respect to their particular circumstances.

This summary is based upon the current provisions of the Tax Act, the regulations thereunder, all specific proposals to amend the Tax Act and the regulations publicly announced by the Minister of Finance prior to the date hereof (the "Proposals") and counsel's understanding of the current administrative practices and assessing policies published in writing by the Canada Revenue Agency (the "CRA"). This summary does not otherwise take into account any changes in law or in administrative practices or assessing policies, whether by legislative, administrative or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax considerations, which may be different from those discussed herein. No assurance can be given that the Proposals will be enacted as proposed or at all.

Dividends

Dividends (including deemed dividends) received on the Series E Preferred Shares by an individual (other than certain trusts) will be included in the individual's income and will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received by individuals from taxable Canadian corporations, including the enhanced dividend tax credit rules applicable to any dividends designated, if and when, by the Company as "eligible dividends" in accordance with the Tax Act.

Dividends (including deemed dividends) on the Series E Preferred Shares received by a corporation will be included in computing income and will generally be deductible in computing the taxable income of the corporation.

In certain circumstances, all or part of an amount deemed to be a dividend may be treated as proceeds of disposition and not as a dividend.

The Series E Preferred Shares will be “taxable preferred shares” as defined in the Tax Act. The terms of the Series E Preferred Shares require the Company to make the necessary election under Part VI.1 of the Tax Act so that corporate shareholders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) from the Company on the Series E Preferred Shares.

A dividend received or deemed to be received, by an individual or a trust (other than certain specified trusts) may give rise to a liability for alternative minimum tax.

A private corporation, as defined in the Tax Act, or any other corporation controlled, whether by reason of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) will generally be liable to pay a 33¹/₃% refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Series E Preferred Shares to the extent such dividends are deductible in computing its taxable income.

Dispositions

A holder who disposes of or is deemed to dispose of the Series E Preferred Shares (either on redemption of the shares or other acquisition by the Company but not including a conversion) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the holder thereof. The amount of any deemed dividend arising on the redemption or acquisition by the Company of Series E Preferred Shares will generally not be included in computing the proceeds of disposition for a holder for purposes of computing the capital gain or capital loss arising on the disposition of such shares. See “Redemption” below. If the shareholder is a corporation, any such capital loss may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares to the extent and under circumstances prescribed by the Tax Act. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

Generally, one-half of any such capital gain will be included in computing the holder’s income as a taxable capital gain and one-half of any such capital loss may be deducted from the holder’s taxable capital gains in accordance with the rules contained in the Tax Act. Any such capital gain realized by an individual may give rise to a liability for alternative minimum tax. Taxable capital gains of a Canadian-controlled private corporation (as defined in the Tax Act) may be subject to an additional refundable tax at a rate of 6²/₃%.

Redemption

If the Company redeems for cash or otherwise acquires the Series E Preferred Shares, other than by a purchase in the open market in the manner in which shares are normally purchased by a member of the public in the open market, the holder will be deemed to have received a dividend equal to the amount, if any, paid by the Company, including any redemption premium, in excess of the paid-up capital of such shares at such time as computed for purposes of the Tax Act. See “Dividends” above. The difference between the amount paid and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such shares. See “Dispositions” above. In the case of a corporate shareholder, it is possible that in certain circumstances all or part of the amount so deemed to be a dividend may be treated as proceeds of disposition and not as a dividend.

PRIOR SALES

The following table sets out all issuances of preferred shares of the Company during the 12 months preceding the date of this prospectus supplement:

<u>Date Issued</u>	<u>Series No.</u>	<u>Issue Price per Preferred Share</u>	<u>Number of Preferred Shares issued</u>
November 25, 2008	Series C	\$25.00	4,000,000

TRADING PRICE AND VOLUME OF INDUSTRIAL ALLIANCE'S SECURITIES

The following chart sets out the trading price and volume of the Company's securities on the TSX during the 12 months preceding the date of this prospectus supplement:

	October 08	November 08 ⁽¹⁾	December 08	January 09	February 09	March 09
Common Shares						
High Price (\$)	33.98	29.00	28.00	25.35	20.35	20.13
Low Price (\$)	24.95	24.87	19.80	19.50	15.91	13.75
Volume	6,103,187	11,030,253	6,101,500	4,950,689	6,480,540	6,536,360
Class A Preferred Shares Series B						
High Price (\$)	17.80	17.25	15.68	18.00	16.99	15.52
Low Price (\$)	16.00	12.55	12.50	16.35	15.60	14.35
Volume	351,387	123,518	146,870	229,513	43,825	42,375
Class A Preferred Shares Series C						
High Price (\$)	N/A	23.90	25.25	25.00	22.44	22.69
Low Price (\$)	N/A	23.60	23.25	22.44	21.50	21.40
Volume	N/A	131,250	39,320	235,543	249,768	101,647

	April 09	May 09	June 09	July 09	August 09	September 09	October 09 ⁽²⁾
Common Shares							
High Price (\$)	25.88	27.21	27.29	30.44	30.98	30.20	30.97
Low Price (\$)	19.03	23.41	25.06	22.85	27.53	27.41	28.75
Volume	4,501,071	3,651,120	4,723,738	3,850,259	3,416,348	4,504,911	573,682
Class A Preferred Shares Series B							
High Price (\$)	17.24	17.46	17.78	18.10	20.30	20.50	19.90
Low Price (\$)	14.60	16.25	16.25	17.00	17.95	19.66	19.00
Volume	96,611	104,823	112,428	62,193	115,906	61,965	16,231
Class A Preferred Shares Series C							
High Price (\$)	24.50	26.40	27.00	27.50	27.91	27.27	26.76
Low Price (\$)	22.25	24.40	25.15	25.95	26.41	26.24	26.16
Volume	340,499	291,937	197,664	221,342	136,383	117,847	20,103

Notes:

- (1) The Class A Preferred Shares Series C November 2008 data includes trading prices and volume from November 25, 2008.
- (2) The October 2009 data includes trading prices and volume up to and including October 6, 2009.

RISK FACTORS

An investment in the Series E Preferred Shares is subject to certain risks including those set out in the Prospectus and the following. From time to time, the stock market experiences significant price and volume volatility that may affect the market price for reasons unrelated to the Company's performance. Additionally, the value of the Series E Preferred Shares is subject to market value fluctuations based upon factors which influence the Company's operations, such as legislative or regulatory developments, competition, technological change and global capital market activity.

The Company has covenanted that, if a distribution is not paid when due on any outstanding Industrial Alliance Trust - Series A (also known as "IATS - Series A") issued by Industrial Alliance Capital Trust, the Company will not pay dividends on its "Dividend Restricted Shares", which would include the Series E Preferred Shares until the twelfth month following the failure to pay the required distribution in full, unless the required distribution is paid to

the holders of IATS's - Series A.

The value of Series E Preferred Shares will be affected by the general creditworthiness of the Company. The section entitled "Risk Management" contained in the Company's Management's Discussion and Analysis for the year ended December 31, 2008 is incorporated by reference in this prospectus supplement. This analysis discusses, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on the Company's business, financial condition or results of operations.

Real or anticipated changes in credit ratings on the Series E Preferred Shares, if any, may affect the market value of the Series E Preferred Shares. In addition, real or anticipated changes in credit ratings can affect the cost at which the Company can transact or obtain funding, and thereby affect the Company's liquidity, business, financial condition or results of operations.

The Series E Preferred Shares are non-cumulative and dividends are payable at the discretion of the Board of Directors. Reference is made to "Earnings Coverage", which is relevant to an assessment of the risk that the Company will be unable to pay dividends on the Series E Preferred Shares.

The Series E Preferred Shares rank equally with other preferred shares of the Company in the event of an insolvency or winding-up of the Company. If the Company becomes insolvent or is wound-up, the Company's assets must be used to pay debt, including subordinated debt, before payments may be made on Series E Preferred Shares.

Prevailing yields on similar securities will affect the market value of Series E Preferred Shares. Assuming all other factors remain unchanged, the market value of the Series E Preferred Shares will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline. Spread over the Government of Canada Yield and comparable benchmark rate of interest for similar securities will also affect the market value of the Series E Preferred Shares in an analogous manner.

The redemption or purchase by the Company of the Series E Preferred Shares is subject to the consent of the AMF and other restrictions contained in the Insurance Act. See "Insurance Act Restrictions and Approvals" in the Prospectus.

The Series E Preferred Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series E Preferred Shares. The ability of a holder to liquidate its holdings of Series E Preferred Shares may be limited.

Stock market volatility may affect the market price of the Series E Preferred Shares for reasons unrelated to the Company's performance.

There can be no assurance that an active trading market will develop for the Series E Preferred Shares following the closing of the offering, or if developed, that such a market will be sustained at the offering price of the Series E Preferred Shares.

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc. at its office in Montreal, Québec, will be the transfer agent and registrar for the Series E Preferred Shares.

EXPERTS AND AUDITORS

Certain legal matters in connection with the issue and sale of the Series E Preferred Shares will be passed upon by Lavery, de Billy, L.L.P. on behalf of Industrial Alliance and by Fasken Martineau DuMoulin LLP on behalf of the Underwriters. As of the date of this prospectus, the partners, associates and counsel of Lavery, de Billy, L.L.P., as a group, and Fasken Martineau DuMoulin LLP, as a group, respectively, beneficially own, directly or indirectly, less than 1% of the outstanding securities of Industrial Alliance.

Samson Bélair Deloitte & Touche, s.e.n.c.r.l. is the external auditor of Industrial Alliance who prepared the Auditors' Report to Shareholders on the consolidated balance sheets and the separate consolidated statements of net assets of its segregated funds as at December 31, 2008 and 2007 and the consolidated statements of income, of the participating policyholders' account, of the contributed surplus, of the shareholders' retained earnings and

accumulated other comprehensive income, of the comprehensive income, of the cash flows statements and the separate consolidated statements of the changes in net assets of its segregated funds for the years then ended. To the knowledge of Industrial Alliance, Samson Bélair Deloitte & Touche, s.e.n.c.r.l. is independent within the meaning of the Code of Ethics of the *Ordre des comptables agréés du Québec*.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revision of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

CERTIFICATE OF THE UNDERWRITERS

Dated: October 7, 2009

To the best of our knowledge, information and belief, the short form base shelf prospectus dated April 30, 2009, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the securities legislation of each of the provinces of Canada.

SCOTIA CAPITAL INC.

RBC DOMINION SECURITIES INC.

By: (signed) David J. Skurka

By: (signed) Rajiv Bahl

NATIONAL BANK FINANCIAL INC.

By: (signed) Darin E. Deschamps

BMO NESBITT BURNS INC.

CIBC WORLD MARKETS INC.

TD SECURITIES INC.

By: (signed) Pierre-Olivier Perras

By: (signed) Charles St-Germain

By: (signed) Sean Martin

DESJARDINS SECURITIES INC.

By: (signed) Jacques O. Nadeau

CASGRAIN &
COMPANY LIMITED

DUNDEE SECURITIES
CORPORATION

HSBC SECURITIES
(CANADA) INC.

INDUSTRIAL ALLIANCE
SECURITIES INC.

LAURENTIAN BANK
SECURITIES INC.

By: (signed)
Stephen McHarg

By: (signed)
Lindsay Weiss

By: (signed)
Catherine Code

By: (signed) Paul
Bernard

By: (signed)
Michel Richard

APPENDIX A

AUDITORS' CONSENT

We have read the prospectus supplement of Industrial Alliance Insurance and Financial Services Inc. ("Industrial Alliance") dated October 7, 2009 relating to the issue and sale of Non-Cumulative Class A Preferred Shares Series E, to the short form base shelf prospectus dated April 30, 2009, relating to the offering of up to \$1,000,000,000 in aggregate of senior or subordinated unsecured debt securities, class A preferred shares, common shares, subscription receipts, warrants, share purchase contracts and units of Industrial Alliance (collectively, the "Prospectus"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the Prospectus of our report to the shareholders of Industrial Alliance on the consolidated balance sheets and the separate consolidated statements of net assets of its segregated funds as at December 31, 2008 and 2007 and the consolidated statements of income, of the participating policyholders' account, of the contributed surplus, of the shareholders' retained earnings and accumulated other comprehensive income, of the comprehensive income, of the cash flows statements and the separate consolidated statements of the changes in net assets of its segregated funds for the years then ended. Our report is dated February 9, 2009.

(Signed) SAMSON BÉLAIR DELOITTE & TOUCHE, s.e.n.c.r.l. ¹⁾

Québec City, Québec

October 7, 2009

¹⁾ Chartered Accountant Auditor licence no. 11848

This short form base shelf prospectus has been filed under legislation in each of the provinces of Canada that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Vice President, Legal Services and Corporate Secretary, Industrial Alliance Insurance and Financial Services Inc., 1080 Grande Allée West, Québec City, Québec, G1K 7M3, telephone (418) 684-5000 or fax (418) 684-5185, and are also available electronically at www.sedar.com.

Short Form Base Shelf Prospectus

New Issue

April 30, 2009



\$1,000,000,000

**Debt Securities
Class A Preferred Shares
Common Shares
Subscription Receipts
Warrants
Share Purchase Contracts
Units**

Industrial Alliance Insurance and Financial Services Inc. (“Industrial Alliance”) may from time to time offer and issue the following securities: (i) senior or subordinated unsecured debt securities (collectively, the “Debt Securities”); (ii) class A preferred shares (“Class A Preferred Shares”); (iii) common shares (“Common Shares”); (iv) subscription receipts (“Subscription Receipts”); (v) warrants (“Warrants”); (vi) share purchase contracts (“Share Purchase Contracts”), and (vii) units (“Units”) comprised of one or more of the other securities described in this short form base shelf prospectus (the “Prospectus”). The Debt Securities, the Class A Preferred Shares, the Common Shares, the Subscription Receipts, the Warrants, the Share Purchase Contracts and the Units (collectively, the “Securities”) offered hereby may be offered separately or together, in separate series, in amounts, at prices and on terms to be set forth in an accompanying shelf prospectus supplement (a “Prospectus Supplement”) to this Prospectus.

Industrial Alliance may sell up to \$1,000,000,000 in aggregate initial offering amount of Securities (or the Canadian dollar equivalent thereof if any of the Securities are denominated in a foreign currency or currency unit) at any time and from time to time during the 25 month period that this Prospectus, including any amendments thereto, remains valid.

The specific terms of the Securities in respect of which this Prospectus is being delivered will be set forth in the applicable Prospectus Supplement and may include, where applicable: (i) in the case of the Debt Securities, the specific designation, aggregate principal amount, the currency or the currency unit for which such securities may be purchased, maturity, interest provisions, authorized denominations, offering price, any terms for redemption at the option of Industrial Alliance or the holder, any exchange or conversion terms and any other specific terms; (ii) in the case of the Class A Preferred Shares, the designation of the particular series, aggregate amount, the number of shares offered, the issue price, the dividend rate, the dividend payment dates, any exchange, conversion, redemption or repurchase provisions and any other specific terms; (iii) in the case of the Common Shares, the number of shares and offering price; (iv) in the case of Subscription Receipts, the number of Subscription Receipts being offered, the offering price, the procedures for the exchange of the Subscription Receipts for Debt Securities, Class A Preferred Shares or Common Shares, as the case may be, and any other specific terms; (v) in the case of Warrants, the designation, number and terms of the Debt Securities, Class A Preferred Shares or Common Shares purchasable

upon exercise of the Warrants, any procedures that will result in the adjustment of those numbers, the exercise price, dates and periods of exercise, the currency in which the Warrants are issued and any other specific terms; (vi) in the case of Share Purchase Contracts, whether the Share Purchase Contracts obligate the holder thereof to purchase or sell Common Shares or Class A Preferred Shares, as the case may be, and the nature and amount of each of those securities and any other specific terms; and (vii) in the case of Units, the designation and terms of the Units and of the Securities comprising the Units and any other specific terms. A Prospectus Supplement may include other specific terms pertaining to the Securities that are not precluded by the parameters set forth in this Prospectus.

This Prospectus does not qualify for issuance Debt Securities in respect of which the payment of principal and/or interest may be determined, in whole or in part, by reference to one or more underlying interests including, for example, an equity or debt security, a statistical measure of economic or financial performance including, but not limited to, any currency, consumer price or mortgage index, or the price or value of one or more commodities, indices or other items, or any other item or formula, or any combination or basket of the foregoing items. For greater certainty, this Prospectus may qualify for issuance Debt Securities in respect of which the payment of principal and/or interest may be determined, in whole or in part, by reference to published rates of a central banking authority or one or more financial institutions, such as a prime rate or bankers' acceptance rate, or to recognized market benchmark interest rates such as LIBOR, EURIBOR or a U.S. Federal funds rate.

All information permitted under applicable securities laws to be omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus. Each Prospectus Supplement will be deemed to be incorporated by reference into this Prospectus for the purposes of securities legislation as of the date of such Prospectus Supplement but only for the purposes of the distribution of the Securities to which the Prospectus Supplement pertains.

Industrial Alliance's head office is located at 1080 Grande Allée West, Québec City, Québec, G1K 7M3.

The outstanding Common Shares, the Non-Cumulative Class A Preferred Shares Series B and the Non-Cumulative Class A Preferred Shares Series C of Industrial Alliance are currently listed on the Toronto Stock Exchange. Unless otherwise specified in the applicable Prospectus Supplement, the Debt Securities, the Subscription Receipts, the Warrants, the Share Purchase Contracts and the Units will not be listed on any stock exchange or quotation system. **Accordingly, unless so specified, there will be no market through which the Debt Securities, the Subscription Receipts, the Warrants, the Share Purchase Contracts and the Units may be sold and purchasers may not be able to resell the Debt Securities, the Subscription Receipts, the Warrants, the Share Purchase Contracts and the Units purchased under this Prospectus. This may affect the pricing of the Debt Securities, the Subscription Receipts, the Warrants, the Share Purchase Contracts and the Units in the secondary market, the transparency and availability of trading prices, the liquidity of the Debt Securities, the Subscription Receipts, the Warrants, the Share Purchase Contracts and the Units and the extent of issuer regulation. See "Risk Factors".**

The Securities may be sold through underwriters or dealers, by Industrial Alliance directly pursuant to applicable statutory exemptions, or through agents designated from time to time by Industrial Alliance. The Prospectus Supplement will identify each underwriter, dealer or agent, as the case may be, engaged in connection with the offering and sale of those Securities, and will also set forth the terms of the offering of such Securities including the net proceeds to Industrial Alliance and, to the extent applicable, any fees payable to the underwriters, dealers or agents. No underwriter or dealer in Canada has been involved in the preparation of this Prospectus or performed any review of the contents of this Prospectus.

In connection with any underwritten offering of Securities, the underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Securities offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See "Plan of Distribution".

The Debt Securities will be direct unsecured obligations of Industrial Alliance constituting senior or subordinated indebtedness, as identified in the relevant Prospectus Supplement, for the purposes of *An Act respecting Insurance* (Québec) (the "Insurance Act") and will not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act* (the "CDIC Act") or the *Deposit Insurance Act* (Québec) (the "QDI Act").

TABLE OF CONTENTS

	<u>Page</u>
CAUTION REGARDING FORWARD-LOOKING STATEMENTS.....	3
DOCUMENTS INCORPORATED BY REFERENCE	4
CURRENCY INFORMATION.....	5
INDUSTRIAL ALLIANCE	5
RECENT DEVELOPMENTS	5
DESCRIPTION OF SHARE CAPITAL	6
DESCRIPTION OF DEBT SECURITIES	8
DESCRIPTION OF SUBSCRIPTION RECEIPTS.....	11
DESCRIPTION OF WARRANTS	11
DESCRIPTION OF SHARE PURCHASE CONTRACTS	13
DESCRIPTION OF UNITS	14
INSURANCE ACT RESTRICTIONS AND APPROVALS.....	15
CONSTRAINTS ON VOTING SHARES UNDER QUÉBEC INSURANCE LEGISLATION	15
ADDITIONAL RESTRICTIONS ON DECLARATION OF DIVIDENDS.....	15
PLAN OF DISTRIBUTION.....	15
RISK FACTORS	16
USE OF PROCEEDS	17
STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION	17
AUDITORS' CONSENT	18
CERTIFICATE OF INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.....	C-1

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Prospectus or in documents incorporated by reference in this Prospectus, including those relating to Industrial Alliance's strategies and other statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "may", "will", "could", "should", "would", "suspect", "expect", "anticipate", "intend", "plan", "believe", "estimate", "objective" and "continue" (or the negative thereof) or similar words or expressions, are forward-looking statements within the meaning of securities laws. Forward-looking statements include, without limitation, the information concerning possible or assumed future results of operations of Industrial Alliance. These statements are not historical facts but instead represent only Industrial Alliance's expectations, estimates and projections regarding future events.

Although Industrial Alliance believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Factors that could cause actual results to differ materially from expectations include, but are not limited to: general business and economic conditions (including but not limited to performance of equity markets, interest rate fluctuations, currency rates, investment losses and defaults, movements in credit spreads, market liquidity and creditworthiness of guarantors and counterparties); level of competition and consolidation; changes in laws and regulations including tax laws; liquidity of Industrial Alliance including the availability of financing to satisfy existing financial liabilities on their expected maturity dates when required; accuracy of information received from counterparties and the ability of counterparties to meet their obligations; accuracy of accounting policies and actuarial methods used by Industrial Alliance; insurance risks including mortality, morbidity, longevity and policyholder behaviour including the occurrence of natural or man-made disasters, pandemic diseases and acts of terrorism; failure of information systems and Internet-enabled technology; breaches of computer security and privacy; dependence on third-party relationships including outsourcing arrangements; ability to maintain Industrial Alliance's reputation; regulatory investigations and proceedings and private legal proceedings and class actions relating to practices in the mutual fund, insurance, annuity and financial product distribution industries; the ability to adapt products and services to the changing market; the ability to implement effective hedging strategies; the ability to attract and retain key executives; the ability to complete acquisitions including the availability of equity and debt financing when required for this purpose; the ability to execute strategic plans; the disruption of or changes to key elements of Industrial Alliance's or public infrastructure systems; and environmental concerns. Additional information about material factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in

making forward-looking statements may be found in this Prospectus under “Risk Factors” as well as under “Risk Management” in Industrial Alliance's most recent management's discussion and analysis, in the “Management of Risks Associated with Financial Instruments” note to the most recent Industrial Alliance's consolidated financial statements, and elsewhere in Industrial Alliance's filings with Canadian securities regulators, which are available for review at www.sedar.com. Industrial Alliance does not undertake any obligation to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Prospectus or to reflect the occurrence of unanticipated events, except as required by law.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have been filed by Industrial Alliance with the securities commissions or similar authorities in Canada, are incorporated by reference into this Prospectus:

- (a) Industrial Alliance's Annual Information Form dated March 27, 2009 for the year ended December 31, 2008;
- (b) Industrial Alliance's audited comparative consolidated financial statements and the notes thereto for the years ended December 31, 2008 and 2007, together with the auditors' report thereon;
- (c) report of the appointed actuary for the years ended December 31, 2008 and 2007, as set out on page 3 of the audited comparative consolidated financial statements referred to in paragraph (b);
- (d) Industrial Alliance's management's discussion and analysis of results of operations and financial position for the audited comparative consolidated financial statements referred to in paragraph (b) as amended on April 28, 2009;
- (e) Industrial Alliance's management proxy circular dated March 1, 2009 in connection with the annual meeting of shareholders and participating policyholders to be held on May 6, 2009.

Any documents of the types referred to above, any unaudited interim consolidated financial statements and related management's discussion and analysis, any business acquisition reports and any material change reports (excluding confidential material change reports) filed by Industrial Alliance with the securities regulatory authorities in Canada after the date of this Prospectus and prior to the completion or withdrawal of the distribution of Securities, shall be deemed to be incorporated by reference into this Prospectus. Updated earnings coverage ratios, if required, will be filed quarterly with the applicable securities regulatory authorities in Canada either as Prospectus Supplements or as exhibits to Industrial Alliance's unaudited interim and audited annual consolidated financial statements and will be deemed to be incorporated by reference into this Prospectus for the purposes of the offering of Securities hereunder.

Any statement in this Prospectus or contained in a document incorporated or deemed to be incorporated by reference in this Prospectus is deemed to be modified or superseded, for purposes of this Prospectus, to the extent that a statement contained in this Prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this Prospectus, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseded statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Upon a new Annual Information Form and annual audited consolidated financial statements and related management's discussion and analysis being filed by Industrial Alliance with, and where required, accepted by, the applicable securities regulatory authorities during the currency of this Prospectus, the previous Annual Information Form, annual audited consolidated financial statements and related management's discussion and analysis and all unaudited interim financial statements and related management's discussion and analysis, material change reports and information circulars filed prior to the commencement of Industrial Alliance's financial year in which the new

Annual Information Form is filed shall be deemed no longer to be incorporated by reference into this Prospectus for purposes of future offers and sales of Securities hereunder.

Investors should rely only on the information contained in or incorporated by reference in this Prospectus or any applicable Prospectus Supplement. Industrial Alliance has not authorized anyone to provide investors with different or additional information. Industrial Alliance is not making an offer of Securities in any jurisdiction where the offer is not permitted by law. Investors should not assume that the information contained in or incorporated by reference in this Prospectus or any applicable Prospectus Supplement is accurate as of any date other than the date on the front of the applicable Prospectus Supplement.

CURRENCY INFORMATION

All currency amounts in this Prospectus are stated in Canadian dollars, unless otherwise indicated.

INDUSTRIAL ALLIANCE

Industrial Alliance (formerly, “Industrial-Alliance Life Insurance Company”, or its French version, “L’Industrielle-Alliance Compagnie d’Assurance sur la Vie”) is a capital stock life insurance company resulting from its conversion from a mutual life insurance company into a capital stock life insurance company on February 10, 2000. The mutual life insurance company itself resulted from the amalgamation, in 1987, of Industrial Life Insurance Company, founded in 1905, and Alliance Mutual Life Insurance Company, founded in 1892. In 1996, the mutual life insurance company amalgamated with The Solidarity Life Insurance Company.

On June 11, 2003, Industrial Alliance was continued under Part 1A of the *Companies Act* (Québec) (the “Companies Act”) pursuant to Articles of Continuance. As part of its continuance, Industrial Alliance changed its name to “Industrial Alliance Insurance and Financial Services Inc.”, and its French version “Industrielle Alliance, Assurance et services financiers inc.”, and reorganized its share capital. Industrial Alliance is governed by the Insurance Act, Part 1A of the Companies Act and *An Act respecting Industrial-Alliance, Life Insurance Company* (Québec).

Industrial Alliance’s head office is located at 1080 Grande Allée West, Québec City, Québec, G1K 7M3.

Industrial Alliance is a life and health insurance company that conducts activities in the insurance and financial services sector. Industrial Alliance offers a wide range of life and health insurance products, savings and retirement plans, RRSPs, mutual and segregated funds, securities, auto and home insurance, mortgage loans, and other financial products and services. The fourth largest life and health insurance company in Canada, Industrial Alliance is at the head of a large financial group, which is present in all regions of the country and in Western United States. Industrial Alliance insures over three million Canadians, employs more than 3,300 people, and manages and administers over \$49 billion in assets. Industrial Alliance’s Common Shares, Non-Cumulative Class A Preferred Shares Series B and Non-Cumulative Class A Preferred Shares Series C are listed on the Toronto Stock Exchange under the ticker symbols IAG, IAG.PR.A and IAG.PR.C, respectively. Industrial Alliance is among the 100 largest public companies in Canada.

RECENT DEVELOPMENTS

Issuance of \$100 Million of Subordinated Debentures

On March 24, 2009, Industrial Alliance filed a prospectus supplement dated March 24, 2009 concerning the issuance of \$100 million of subordinated debentures (subordinated indebtedness). This issue was made by Industrial Alliance under the terms of the short form base shelf prospectus dated March 30, 2007. The debentures offered under the terms of this prospectus supplement are dated March 27, 2009 and will mature on March 27, 2019. Interest at the rate of 8.25% per year on these debentures will be payable in equal semi-annual payments in arrears on March 27 and September 27 in each year, commencing September 27, 2009 and continuing until March 27, 2014. Subsequently, the interest on these debentures will be payable at an annual rate equal to the 90-day Bankers’ Acceptance Rate plus 7.55% payable quarterly on the 27th day of March, June, September and December in each

year, commencing June 27, 2014 and until maturity. These debentures will not be listed on any stock exchange, but may be traded on the secondary market.

DESCRIPTION OF SHARE CAPITAL

The share capital of Industrial Alliance consists of (a) an unlimited number of Class A Preferred Shares without nominal or par value, issuable in series, (b) 10,000,000 preferred shares with a nominal or par value of \$25 per share, issuable in series (the “Preferred Shares”), and (c) an unlimited number of Common Shares without nominal or par value.

As of April 30, 2009, 80,330,771 Common Shares, 4,000 Non-Cumulative Class A Preferred Shares Series A, 5,000,000 Non-Cumulative Class A Preferred Shares Series B and 4,000,000 Non-Cumulative Class A Preferred Shares Series C were issued and outstanding. In addition, as of April 30, 2009, (a) 3,000,000 Preferred Shares, Series 2 and 3,000,000 Preferred Shares, Series 3 were created and reserved for issuance upon the respective conversion of the Preferred Shares, Series 1 and the Preferred Shares, Series 2, (b) an unlimited number of Non-Cumulative Class A Preferred Shares, Series YY and an unlimited number of Non-Cumulative Class A Preferred Shares, Series ZZ were created and reserved for issuance upon the exchange of Industrial Alliance Trust Securities – Series A, (c) 4,000,000 Non-Cumulative Class A Preferred Shares Series D were created and reserved for issuance upon the conversion of the Non-Cumulative Class A Preferred Shares Series C; and (d) 4,000,000 Non-Cumulative Class A Preferred Shares Series C were reserved for issuance upon the conversion of the Non-Cumulative Class A Preferred Shares Series D.

The following is a summary of certain rights, privileges, restrictions and conditions attaching to the Class A Preferred Shares and the Common Shares. This summary is qualified in its entirety by the articles of Industrial Alliance. The particular terms and provisions of a series of the Class A Preferred Shares offered pursuant to an accompanying Prospectus Supplement, and the extent to which the general terms and provisions described below may apply thereto, will be described in such Prospectus Supplement.

Class A Preferred Shares

Board of Directors’ Authority to Issue in One or More Series

The Board of Directors may issue the Class A Preferred Shares in one or more series. Before any shares of a series are issued, the Board of Directors will fix the number of shares that will form the series and, subject to any limitations set out in the articles of Industrial Alliance, the designation of Class A Preferred Shares series, as well as the rights, privileges, restrictions and conditions attaching thereto. Before the issue of any shares of a series of Class A Preferred Shares, the Board of Directors will amend the articles of Industrial Alliance so as to include therein the number and designation as well as the rights, privileges, restrictions and conditions of the series created by the Board of Directors.

Ranking of the Class A Preferred Shares

No rights, privileges, restrictions or conditions attached to a series of Class A Preferred Shares confer on the series a priority in respect of dividends or return of capital over any other series of Class A Preferred Shares.

With respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation or dissolution of Industrial Alliance, whether voluntary or involuntary, or any other distribution of the assets of Industrial Alliance among its participating policyholders and shareholders for the specific purpose of winding up its affairs, the Class A Preferred Shares: (a) rank equally with the Preferred Shares; and (b) are entitled to a preference over the Common Shares and any other shares ranking junior to the Class A Preferred Shares.

If any cumulative dividends, whether or not declared, or declared non-cumulative dividends or amounts payable on return of capital are not paid in full in respect of any series of Class A Preferred Shares, then the Class A Preferred Shares of all series participate rateably in respect of such dividends in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full, and in respect of such return of capital in accordance with the sums that would be payable on such return of capital if all sums so payable were paid in full;

provided, however, that if there are insufficient assets to satisfy in full all such claims as aforesaid, then the claims of the holders of the Class A Preferred Shares with respect to return of capital will be paid and satisfied first and any assets remaining thereafter will be applied towards the payment and satisfaction of claims in respect of dividends. The Class A Preferred Shares of any series may also be given such other preferences not inconsistent with the rights, privileges, restrictions and conditions attached to the Class A Preferred Shares as a class over the Common Shares and any other shares ranking junior to the Class A Preferred Shares as may be determined in the case of such series of Class A Preferred Shares.

Voting Rights

Except as referred to below or as required by law or as specified in the rights, privileges, restrictions and conditions attached from time to time to any series of Class A Preferred Shares, the holders of the Class A Preferred Shares as a class are not entitled as such to receive notice of, to attend or to vote at any meeting of the shareholders or participating policyholders of Industrial Alliance.

Amendment with Approval of the Holders of Class A Preferred Shares

The rights, privileges, restrictions and conditions attached to the Class A Preferred Shares as a class may be changed or removed but only with the approval of the holders of the Class A Preferred Shares given as specified below.

Approval of the Holders of the Class A Preferred Shares

The approval of the holders of the Class A Preferred Shares to change or remove any right, privilege, restriction or condition attaching to the Class A Preferred Shares as a class or in respect of any other matter requiring the consent of the holders of the Class A Preferred Shares may be given in such manner as may then be required by law, subject to the requirement that such approval be given by resolution passed by the affirmative vote of at least two-thirds (2/3) of the votes cast at a meeting of the holders of the Class A Preferred Shares duly called for that purpose at which the holders of at least one-fourth (1/4) of the outstanding Class A Preferred Shares are present in person or represented by proxy. If at any such meeting, the holders of at least one-fourth (1/4) of the outstanding Class A Preferred Shares are not present in person or represented by proxy within 30 minutes after the time appointed for the meeting, then the meeting will be adjourned to such date not less than 15 days thereafter and to such time and place as may be appointed by the chairman of the meeting. A notice of not less than seven days will be given of the adjourned meeting. At such adjourned meeting the holders of the Class A Preferred Shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed thereat by not less than two-thirds (2/3) of the votes cast constitutes the approval of the holders of the Class A Preferred Shares referred to above.

The formalities to be observed with respect to the giving of notice of any such meeting or any adjourned meeting and the conduct thereof are those from time to time prescribed by the by-laws of Industrial Alliance or the resolutions passed by the Board of Directors with respect to meetings of shareholders or as required by law. On every poll taken at every meeting of the holders of the Class A Preferred Shares as a class, or at any joint meeting of the holders of two or more series of Class A Preferred Shares, each holder of Class A Preferred Shares entitled to vote thereat has one vote in respect of each Class A Preferred Share held.

Common Shares

Dividends

Subject to the prior rights of the holders of the Class A Preferred Shares, the Preferred Shares and any other shares ranking senior to the Common Shares with respect to payment of dividends, the holders of Common Shares will be entitled to receive dividends as and when declared by the Board of Directors out of moneys properly applicable to the payment of dividends, in such amount and in such forms as the Board of Directors may determine and all dividends which the Board of Directors may declare on the Common Shares will be declared and paid in equal amounts per share on all Common Shares outstanding at the time.

Dissolution

In the event of the liquidation or dissolution of Industrial Alliance, whether voluntary or involuntary, or any other distribution of the assets of Industrial Alliance among its participating policyholders and shareholders for the specific purpose of winding up its affairs, subject to the prior rights of the holders of the Class A Preferred Shares, the Preferred Shares and any other shares ranking senior to the Common Shares with respect to the distribution of assets in the event of the liquidation or dissolution of Industrial Alliance, the holders of the Common Shares will be entitled to receive the remaining property of Industrial Alliance that pertains to shareholders in equal amounts per share, without preference or priority of one share over another.

Voting rights

The holders of Common Shares will be entitled to receive notice of and to attend all meetings of the shareholders of Industrial Alliance and will have one vote for each Common Share held at all meetings of the shareholders of Industrial Alliance, except for meetings at which only holders of another specified class or series of shares of Industrial Alliance are entitled to vote separately as a class or series.

Notice of meeting

The formalities to be observed with respect to the giving of notice of any such meeting or any adjourned meeting, the quorum required therefore and the conduct thereof will be those required by law and those, if any, prescribed by the by-laws or the administrative resolutions of Industrial Alliance with respect to meetings of shareholders.

DESCRIPTION OF DEBT SECURITIES

The following sets forth certain general terms and provisions of the Debt Securities. The particular terms and provisions of Debt Securities offered pursuant to an accompanying Prospectus Supplement, and the extent to which the general terms and provisions described below may apply to such Debt Securities, will be described in such Prospectus Supplement.

The Debt Securities will be direct unsecured obligations of Industrial Alliance. The Debt Securities will be senior or subordinated indebtedness of Industrial Alliance as described in the relevant Prospectus Supplement. If the Debt Securities are senior indebtedness for the purposes of the Insurance Act, they will rank equally and rateably with all other unsecured indebtedness of Industrial Alliance, from time to time issued and outstanding, which is not subordinated. If the Debt Securities are subordinated indebtedness for the purposes of the Insurance Act, they will rank equally and rateably with all other subordinated indebtedness of Industrial Alliance, from time to time issued and outstanding. In the event of the insolvency or winding-up of Industrial Alliance, the subordinated indebtedness of Industrial Alliance, including the subordinated Debt Securities, will be subordinate in right of payment to all policy liabilities of Industrial Alliance and all other liabilities of Industrial Alliance (including senior indebtedness), except those other liabilities that, by their terms, rank, equally with or are subordinate to such subordinated indebtedness.

The Debt Securities will not constitute deposits that are insured under the CDIC Act or the QDI Act.

The Debt Securities will be issued under one or more indentures (each, a “Trust Indenture”), in each case between Industrial Alliance and a financial institution to which the *Trust and Loan Companies Act* (Canada) applies or a financial institution organized under the laws of any province of Canada and authorized to carry on business as a trustee (each, a “Trustee”). The statements made hereunder relating to any Trust Indenture and the Debt Securities to be issued thereunder are summaries of certain anticipated provisions thereof and do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all provisions of the applicable Trust Indenture.

Each Trust Indenture may provide that Debt Securities may be issued thereunder up to the aggregate principal amount which may be authorized from time to time by Industrial Alliance. Any Prospectus Supplement for Debt Securities supplementing this Prospectus will contain terms and other information with respect to the Debt Securities being offered thereby, including:

- (i) the designation, aggregate principal amount and authorized denominations of such Debt Securities;
- (ii) the currency or currency units for which the Debt Securities may be purchased and the currency or currency unit in which the principal and any interest is payable (in either case, if other than Canadian dollars);
- (iii) the percentage of the principal amount at which such Debt Securities will be issued;
- (iv) the date or dates on which such Debt Securities will mature;
- (v) the rate or rates per annum at which such Debt Securities will bear interest (if any), or the method of determination of such rates (if any);
- (vi) the dates on which any such interest will be payable and the record dates for such payments;
- (vii) the Trustee under the Trust Indenture pursuant to which the Debt Securities are to be issued;
- (viii) any redemption term or terms under which such Debt Securities may be defeased;
- (ix) whether such Debt Securities are to be issued in registered form, bearer form or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof,
- (x) any exchange or conversion terms; and
- (xi) any other specific terms.

Debt Securities may, at the option of Industrial Alliance, be issued in fully registered form, in "book-entry only" form (the implications of which are discussed below) or may be uncertificated. Debt Securities in registered form will be exchangeable for other Debt Securities of the same series and tenor, registered in the same name, for a like aggregate principal amount in authorized denominations and will be transferable at any time or from time to time at the corporate trust office of the Trustee for such Debt Securities. No charge will be made to the holder for any such exchange or transfer except for any tax or government charge incidental thereto.

Debt Securities of a single series may be issued at various times with different maturity dates, may bear interest at different rates and may otherwise vary.

Book-entry only Debt Securities

Unless otherwise specified in the applicable Prospectus Supplement, Debt Securities will be issued in "book-entry only" form and must be purchased, transferred or redeemed through participants ("Participants") in the depository service of CDS Clearing and Depository Services Inc. or a successor (collectively, "CDS") or its nominee. Each of the underwriters, dealers or agents named in an accompanying Prospectus Supplement will be a Participant. On the closing of a book-entry only offering, Industrial Alliance will cause a global certificate or certificates representing the Debt Securities to be delivered to, and registered in the name of, CDS or its nominee, or will cause the Debt Securities to be issued or authenticated in uncertificated format, as applicable. Except as described below, no purchaser of Debt Securities will be entitled to a certificate or other instrument from Industrial Alliance or CDS evidencing that purchaser's ownership thereof, will not be considered the holder thereof for any purpose under the Trust Indenture and will not be shown on the records maintained by CDS except through a book-entry account of a Participant acting on behalf of such purchaser. CDS will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the Debt Securities. Accordingly, each person owning a beneficial interest in Debt Securities must rely on the procedures of CDS and, if such person is not a Participant, on the procedures of the Participant through which such person owns its interest in order to exercise any rights of a holder under the Trust Indenture. Rights of purchasers of Debt Securities will be governed by the standard "Services Agreement" to be entered into between Industrial Alliance and CDS regarding the use of the book-entry system in respect of the Debt Securities (as amended from time to time), by the agreements, service rules and procedures entered into between CDS and each Participant, by the agreements between purchasers of Debt Securities and the

Participants and by applicable law. The practices of Participants may vary, but generally customer confirmations are issued promptly after execution of a customer order.

Reference in this Prospectus to a holder of Debt Securities means, unless the context otherwise requires, the owner of the beneficial interest in the Debt Securities.

Use of the book-entry system for the Debt Securities may be terminated in certain circumstances including, if Industrial Alliance determines in accordance with the terms of the Trust Indenture, or CDS notifies Industrial Alliance in writing, that CDS is no longer willing or able to discharge properly its responsibilities as depository with respect to the Debt Securities and Industrial Alliance is unable to locate a qualified successor, or if Industrial Alliance at its option elects, or is required by law, to terminate use of the book-entry system. If use of the book-entry system is terminated, then Debt Securities will be issued in fully registered form to holders of Debt Securities or their nominees.

Transfer or Redemption of Debt Securities

Transfer of ownership or redemptions of Debt Securities will be effected through records maintained by CDS or its nominee for such Debt Securities with respect to interests of Participants, and on the records of Participants with respect to interests of persons other than Participants. Holders who desire to purchase, sell or otherwise transfer ownership of or other interests in the Debt Securities may do so only through Participants.

The ability of a holder to pledge a Debt Security or otherwise take action with respect to such holder's interest in a Debt Security (other than through a Participant) may be limited due to the lack of a physical certificate evidencing ownership of a Debt Security.

Payments and Notices

As long as CDS or its nominee is the registered holder of the Debt Securities, payments of principal, premium, if any, redemption price, if any, and interest on each Debt Security will be made by Industrial Alliance to CDS or its nominee, as the case may be, as the registered holder of the Debt Security and Industrial Alliance understands that such payments will be credited by CDS or its nominee in the appropriate amounts to the relevant Participants. Payments to holders of Debt Securities of amounts so credited will be the responsibility of the Participants.

As long as CDS or its nominee is the registered holder of the Debt Security, CDS or its nominee, as the case may be, will be considered the sole owner of the Debt Security for the purposes of receiving notices or payments on the Debt Securities. In such circumstances, the responsibility and liability of Industrial Alliance in respect of notices or payments on the Debt Securities is limited to giving notice or making payment of any principal, premium, if any, redemption price, if any, and interest due on the Debt Securities to CDS or its nominee.

Each holder must rely on the procedures of CDS and, if such holder is not a Participant, on the procedures of the Participant through which such holder owns its interest, to exercise any rights with respect to Debt Securities. Industrial Alliance understands that under existing policies of CDS and industry practices, if Industrial Alliance requests any action of holders or if a holder desires to give any notice or take any action which a registered holder is entitled to give or take with respect to Debt Securities, CDS would authorize the Participant acting on behalf of the holder to give such notice or to take such action, in accordance with the procedures established by CDS or agreed to from time to time by Industrial Alliance, the Trustee and CDS. Any holder that is not a Participant must rely on the contractual arrangement it has directly, or indirectly through its financial intermediary, with its Participant to give such notice or take such action.

Industrial Alliance, the underwriters, dealers or agents and any Trustee identified in an accompanying Prospectus Supplement, as applicable, will not have any liability or responsibility for (i) records maintained by CDS relating to beneficial ownership interest in the Debt Securities held by CDS or the book-entry accounts maintained by CDS, (ii) maintaining, supervising or reviewing any records relating to any such beneficial ownership interest, or (iii) any advice or representation made by or with respect to CDS and contained herein or in any Trust Indenture with respect to the rules and regulations of CDS or at the direction of the Participants.

DESCRIPTION OF SUBSCRIPTION RECEIPTS

The following sets forth certain general terms and provisions of the Subscription Receipts. Industrial Alliance may issue Subscription Receipts that may be exchanged by the holders thereof for Debt Securities, Preferred Shares or Common Shares upon the satisfaction of certain conditions. The particular terms and provisions of the Subscription Receipts offered pursuant to an accompanying Prospectus Supplement, and the extent to which the general terms described below apply to those Subscription Receipts, will be described in such Prospectus Supplement.

Subscription Receipts may be offered separately or together with Debt Securities, Preferred Shares or Common Shares, as the case may be. The Subscription Receipts will be issued under a subscription receipt agreement. Under the subscription receipt agreement, a purchaser of Subscription Receipts will have a contractual right of rescission following the issuance of Debt Securities, Preferred Shares or Common Shares, as the case may be, to such purchaser, entitling the purchaser to receive the amount paid for the Subscription Receipts upon surrender of the Debt Securities, Preferred Shares or Common Shares, as the case may be, if this Prospectus, the relevant Prospectus Supplement, and any amendment thereto, contains a misrepresentation, provided such remedy for rescission is exercised within 180 days of the date the Subscription Receipts are issued.

Any Prospectus Supplement for Subscription Receipts supplementing this Prospectus will contain the terms and conditions and other information with respect to the Subscription Receipts being offered thereby, including:

- (i) the number of Subscription Receipts;
- (ii) the price at which the Subscription Receipts will be offered and whether the price is payable in installments;
- (iii) any conditions to the exchange of Subscription Receipts into Debt Securities, Preferred Shares or Common Shares, as the case may be, and the consequences of such conditions not being satisfied;
- (iv) the procedures for the exchange of the Subscription Receipts into Debt Securities, Preferred Shares or Common Shares, as the case may be;
- (v) the number of Debt Securities, Preferred Shares or Common Shares, as the case may be, that may be exchanged upon exercise of each Subscription Receipt;
- (vi) the designation and terms of any other Securities with which the Subscription Receipts will be offered, if any, and the number of Subscription Receipts that will be offered with each Security;
- (vii) the dates or periods during which the Subscription Receipts may be exchanged into Debt Securities, Preferred Shares or Common Shares, as the case may be;
- (viii) whether such Subscription Receipts will be listed on any securities exchange;
- (ix) any other rights, privileges, restrictions and conditions attaching to the Subscription Receipts; and
- (x) any other specific terms.

Subscription receipt certificates will be exchangeable for new subscription receipt certificates of different denominations at the office indicated in the Prospectus Supplement. Prior to the exchange of their Subscription Receipts, holders of Subscription Receipts will not have any of the rights of holders of the securities subject to the Subscription Receipts.

DESCRIPTION OF WARRANTS

The following sets forth certain general terms and provisions of the Warrants. Industrial Alliance may issue Warrants for the purchase of Debt Securities, Preferred Shares or Common Shares. Warrants may be issued

independently or together with Debt Securities, Preferred Shares or Common Shares offered by any Prospectus Supplement and may be attached to, or separate from, any such offered Securities. Warrants will be issued under one or more warrant agreements between Industrial Alliance and a warrant agent that Industrial Alliance will name in the Prospectus Supplement.

Industrial Alliance has delivered an undertaking to the securities regulatory authority in each of the provinces of Canada that Industrial Alliance will not distribute Warrants that, according to the aforementioned terms as described in the Prospectus Supplement for Warrants supplementing this Prospectus, are “novel” specified derivatives within the meaning of Canadian securities rules or that are "long-term" or "stand-alone" warrants as described in the OSC Staff Notice 51-715 – *Corporate Finance Review Program Report*, separately to any member of the public in Canada unless the offering is in connection with and forms part of the consideration for an acquisition or merger transaction or unless the Prospectus Supplement containing the specific terms of the Warrants to be distributed separately is first approved for filing by or on behalf of the securities commissions or similar regulatory authorities in each of the provinces of Canada where the Warrants will be distributed.

Selected provisions of the Warrants and the warrant agreements are summarized below. This summary is not complete. The statements made in this Prospectus relating to any warrant agreement and Warrants to be issued thereunder are summaries of certain anticipated provisions thereof and are subject to, and are qualified in their entirety by reference to, all provisions of the applicable warrant agreement.

Any Prospectus Supplement for Warrants supplementing this Prospectus will contain the terms and other information with respect to the Warrants being offered thereby, including:

- (i) the designation of the Warrants;
- (ii) the aggregate number of Warrants offered and the offering price;
- (iii) the designation, number and terms of the Debt Securities, Preferred Shares or Common Shares or other securities purchasable upon exercise of the Warrants, and procedures that will result in the adjustment of those numbers;
- (iv) the exercise price of the Warrants;
- (v) the dates or periods during which the Warrants are exercisable;
- (vi) the designation and terms of any securities with which the Warrants are issued;
- (vii) if the Warrants are issued as a unit with another security, the date on and after which the Warrants and the other security will be separately transferable;
- (viii) the currency or currency unit in which the exercise price is denominated;
- (ix) any minimum or maximum amount of Warrants that may be exercised at any one time;
- (x) whether such Warrants will be listed on any securities exchange;
- (xi) any terms, procedures and limitations relating to the transferability, exchange or exercise of the Warrants;
- (xii) any rights, privileges, restrictions and conditions attaching to the Warrants; and
- (xiii) any other specific terms.

Warrant certificates will be exchangeable for new warrant certificates of different denominations at the office indicated in the Prospectus Supplement. Prior to the exercise of their Warrants, holders of Warrants will not have any of the rights of holders of the securities subject to the Warrants.

Modifications

Industrial Alliance may amend the warrant agreements and the Warrants, without the consent of the holders of the Warrants, to cure any ambiguity, to cure, correct or supplement any defective or inconsistent provision, or in any other manner that will not materially and adversely affect the interests of holders of outstanding Warrants. Other amendment provisions will be as indicated in the Prospectus Supplement.

Enforceability

The warrant agent will act solely as Industrial Alliance's agent. The warrant agent will not have any duty or responsibility if Industrial Alliance defaults under the warrant agreements or the warrant certificates. A Warrant holder may, without the consent of the warrant agent, enforce by appropriate legal action on its own behalf the holder's right to exercise the holder's Warrants.

DESCRIPTION OF SHARE PURCHASE CONTRACTS

The following sets forth certain general terms and provisions of the Share Purchase Contracts. Industrial Alliance may issue Share Purchase Contracts, representing contracts obligating holders to purchase from or sell to Industrial Alliance, and obligating Industrial Alliance to purchase from or sell to the holders, a specified number of Common Shares or Preferred Shares, as applicable, at a future date or dates, and including by way of installments. Industrial Alliance has delivered an undertaking to the securities regulatory authority in each of the provinces of Canada that Industrial Alliance will not distribute Share Purchase Contracts to any member of the public in Canada unless the Prospectus Supplement containing the specific terms of the Share Purchase Contracts to be distributed is first approved for filing by the securities commissions or similar regulatory authorities in each of the provinces of Canada where the Share Purchase Contracts will be distributed.

The price per Common Share or Preferred Share, as applicable, may be fixed at the time the Share Purchase Contracts are issued or may be determined by reference to a specific formula contained in the Share Purchase Contracts. Industrial Alliance may issue Share Purchase Contracts in accordance with applicable laws and in such amounts and in as many distinct series as it may determine.

Any Prospectus Supplement for Share Purchase Contracts supplementing this Prospectus will contain the terms and other information with respect to the Share Purchase Contracts being offered thereby, including:

- (i) whether the Share Purchase Contracts obligate the holder to purchase or sell, or both purchase and sell, Common Shares or Preferred Shares, as applicable, and the nature and amount of each of those securities, or the method of determining those amounts;
- (ii) whether the Share Purchase Contracts are to be prepaid or not or paid in installments;
- (iii) any conditions upon which the purchase or sale will be contingent and the consequences if such conditions are not satisfied;
- (iv) whether the Share Purchase Contracts are to be settled by delivery, or by reference or linkage to the value or performance of Common Shares or Preferred Shares;
- (v) any acceleration, cancellation, termination or other provisions relating to the settlement of the share purchase contracts;
- (vi) the date or dates on which the sale or purchase must be made, if any;
- (vii) whether such Share Purchase Contracts will be listed on any securities exchange;
- (viii) whether the Share Purchase Contracts will be issued in fully registered or global form;

- (ix) any rights, privileges, restrictions and conditions attaching to the Share Purchase Contracts;
- (x) whether the Share Purchase Contracts constitute derivatives or hybrid products as defined under Section 3 of the *Derivatives Act* (Québec) or whether they constitute securities within the meaning of the *Securities Act* (Québec) and to which of these two statutes the Share Purchase Contracts are subject to; and
- (xi) any other specific terms.

The Prospectus Supplement will describe the terms of any Share Purchase Contract. The preceding description and any description of Share Purchase Contracts in the applicable Prospectus Supplement does not purport to be complete and is subject to and is qualified in its entirety by reference to the Share Purchase Contract agreement and, if applicable, collateral arrangements and depository arrangements relating to such Share Purchase Contracts.

Share purchase contract certificates will be exchangeable for new share purchase contract certificates of different denominations at the office indicated in the Prospectus Supplement. In the case of Share Purchase Contracts which obligate the holders to purchase securities from Industrial Alliance, the holders will not have any of the rights of holders of the securities to be purchased pursuant to the Share Purchase Contracts until the completion of the purchase of those securities by the relevant holder in accordance with the terms of the Share Purchase Contract.

DESCRIPTION OF UNITS

The following sets forth certain general terms and provisions of the Units. Industrial Alliance may issue Units comprised of one or more of the other Securities described in this Prospectus in any combination. Each Unit will be issued so that the holder of the Unit is also the holder of each Security included in the Unit. Thus, the holder of a Unit will have the rights and obligations of a holder of each included Security. The unit agreement under which a Unit is issued may provide that the Securities included in the Unit may not be held or transferred separately, at any time or at any time before a specified date.

Industrial Alliance has delivered an undertaking to the securities regulatory authority in each of the provinces of Canada that Industrial Alliance will not distribute Units comprised of one or more of Share Purchase Contracts or Warrants that at the time of distribution are “novel” specified derivatives within the meaning of Canadian securities rules or are “long-term” or “stand-alone” warrants as described in the OSC Staff Notice 51-715 – *Corporate Finance Review Program Report*, separately to any member of the public in Canada unless the offering is in connection with and forms part of the consideration for an acquisition or merger transaction or unless the Prospectus Supplement containing the specific terms of the Units to be distributed separately is first approved for filing by the securities commissions or similar regulatory authorities in each of the provinces of Canada where the Units will be distributed.

Any Prospectus Supplement for Units supplementing this Prospectus will contain the terms and other information with respect to the Units being offered thereby, including:

- (i) the designation and terms of the Units and of the Securities comprising the Units, including whether and under what circumstances those Securities may be held or transferred separately;
- (ii) any provisions for the issuance, payment, settlement, transfer or exchange of the Units or of the Securities comprising the Units;
- (iii) whether the Units will be issued in fully registered or global form;
- (iv) any other specific terms.

The Prospectus Supplement will describe the terms of any Unit. The preceding description and any description of Units in the Prospectus Supplement does not purport to be complete and is subject to and is qualified in its entirety by reference to the unit agreement and, if applicable, collateral arrangements and depository arrangements relating to such Units.

INSURANCE ACT RESTRICTIONS AND APPROVALS

Unless there are reasonable grounds for believing that Industrial Alliance is, or the payment or declaration of a dividend or the redemption or purchase of any of its shares would cause Industrial Alliance to be, in contravention of any regulation made under the Insurance Act respecting the maintenance by life insurance companies of an adequate capital base consistent with sound and prudent management and such liquid assets as are adequate to ensure sound and prudent management, or any direction to Industrial Alliance made by the Autorité des marchés financiers (the “AMF”) pursuant to subsections 275.0.0.1 or 275.3.1 of the Insurance Act regarding its capital base or its liquid assets, Industrial Alliance may pay or declare a dividend or, with the prior consent of the AMF, redeem or purchase any of its shares. As of the date of this Prospectus, no such direction to Industrial Alliance has been made and the limitation set forth hereinabove would not restrict a payment of dividends.

CONSTRAINTS ON VOTING SHARES UNDER QUÉBEC INSURANCE LEGISLATION

The Insurance Act and *An Act respecting Industrial Alliance, Life Insurance Company* (Québec) contain restrictions on the acquisition, issue, transfer and voting of voting shares of Industrial Alliance. Pursuant to these restrictions, no person is permitted to acquire, directly or indirectly, any voting shares of Industrial Alliance (including Common Shares) if the acquisition would cause the person and his associates, within the meaning of Section 49 of the Insurance Act, to hold 10% or more of the voting rights attached to the shares of Industrial Alliance. In addition, Industrial Alliance is not permitted to record any transfer or issue of voting shares of Industrial Alliance (including Common Shares) if the transfer or issue would cause the person and his associates, within the meaning of Section 49 of the Insurance Act, to hold 10% or more of the voting rights attached to the shares of Industrial Alliance. No person who holds 10% or more of the voting rights attaching to the shares of Industrial Alliance together with its associates may exercise any voting rights attached to the shares held by such person.

ADDITIONAL RESTRICTIONS ON DECLARATION OF DIVIDENDS

Pursuant to an agreement entered into between Industrial Alliance, Industrial Alliance Capital Trust (the “Trust”), a subsidiary of Industrial Alliance, and Computershare Trust Company of Canada, as trustee for the holders of the Industrial Alliance Trust Securities — Series A (the “IATS – Series A”), Industrial Alliance has agreed, for the benefit of the holders of IATS – Series A, that if the Trust fails on any last day of June or December of each year to pay the non-cumulative fixed cash distribution (the “Indicated Yield”) on the IATS – Series A in full, Industrial Alliance will not pay dividends on its Dividend Restricted Shares until the 12th month following the Trust’s failure to pay the Indicated Yield in full on the IATS - Series A, unless the Trust first pays such Indicated Yield (or the unpaid portion thereof) to the holders of the IATS - Series A. “Dividend Restricted Shares” means the Public Preferred Shares, the Common Shares and the preferred shares of Industrial Alliance. “Public Preferred Shares” means preferred shares of Industrial Alliance which (i) have been issued to the public (excluding any preferred shares of Industrial Alliance held beneficially by affiliates of Industrial Alliance), (ii) are listed on a recognized stock exchange, and (iii) have an aggregate liquidation entitlement of at least \$75 million. Industrial Alliance currently has 5,000,000 Non-Cumulative Class A Preferred Shares Series B and 4,000,000 Non-Cumulative Class A Preferred Shares Series C issued and outstanding which are Public Preferred Shares.

PLAN OF DISTRIBUTION

Industrial Alliance may sell the Securities (i) through underwriters or dealers, (ii) directly to one or more purchasers pursuant to applicable statutory exemptions, or (iii) through agents. The Securities may be sold at fixed prices or non-fixed prices, such as prices determined by reference to the prevailing price of the specified securities in a specified market, at market prices prevailing at the time of sale or at prices to be negotiated with purchasers, which prices may vary as between purchasers and during the period of distribution of the Securities. The Prospectus Supplement for any of the Securities being offered thereby will set forth the terms of the offering of such Securities, including the type of security being offered, the name or names of any underwriters, the purchase price of such Securities, the proceeds to Industrial Alliance from such sale, any underwriting discounts and other items constituting underwriters' compensation, any public offering price and any discounts or concessions allowed or reallocated or paid to dealers. Only underwriters so named in the Prospectus Supplement are deemed to be underwriters in connection with the Securities offered thereby.

If underwriters are used in the sale, the Securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The obligations of the underwriters to purchase such Securities will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all the Securities of the series offered by the Prospectus Supplement if any of such Securities are purchased. Any public offering price and any discounts or concessions allowed or re-allowed or paid to dealers may be changed from time to time.

The Securities may also be sold directly by Industrial Alliance at such prices and upon such terms as agreed to by Industrial Alliance and the purchaser or through agents designated by Industrial Alliance from time to time. Any agent involved in the offering and sale of the Securities in respect of which this Prospectus is delivered will be named, and any commissions payable by Industrial Alliance to such agent will be set forth, in the Prospectus Supplement. Unless otherwise indicated in the Prospectus Supplement, any agent would be acting on a best efforts basis for the period of its appointment.

Industrial Alliance may agree to pay the underwriters, dealers or agents a commission for various services relating to the issue and sale of any Securities offered hereby. Any such commission will be paid out of the general corporate funds of Industrial Alliance. Underwriters, dealers and agents who participate in the distribution of the Securities may be entitled under agreements to be entered into with Industrial Alliance to indemnification by Industrial Alliance against certain liabilities, including liabilities under securities legislation, or to contribution with respect to payments which such underwriters, dealers or agents may be required to make in respect thereof.

In connection with any offering of the Securities, the underwriters, dealers or agents may over-allot or effect transactions which stabilize or maintain the market price of the Securities offered at a higher level than that which might exist in the open market. These transactions may be commenced, interrupted or discontinued at any time.

Each issue of Debt Securities, Subscription Receipts, Warrants, Share Purchase Contracts and Units will be a new issue of securities with no established trading market. Unless otherwise specified in a Prospectus Supplement relating to a specific issue thereof, such Securities will not be listed on any securities exchange or on any automated dealer quotation system. Certain broker-dealers may make a market in such Securities but will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given that any broker-dealer will make a market in such Securities or as to the liquidity of the trading market for such Securities. See “Risk Factors”.

RISK FACTORS

An investment in the Securities is subject to various risks including those risks inherent in conducting the business of a diversified financial institution. Before deciding whether to invest in any Securities, investors should carefully consider the risks set out herein and incorporated by reference in this Prospectus (including subsequently filed documents deemed to be incorporated by reference) and those described in a Prospectus Supplement relating to a specific offering of Securities. Prospective purchasers should consider the categories of risks identified and discussed in other filings Industrial Alliance makes with securities or insurance regulators including, without limitation, the section entitled “Risk Management” contained in the management’s discussion and analysis of results of operations and financial position and the “Management of Risks Associated with Financial Instruments” note to the most recent Industrial Alliance’s consolidated financial statements, both incorporated by reference into this Prospectus. These analyses discuss, among other things, certain known material trends and events, and risks or uncertainties that have had a material effect on, and may reasonably be expected to have a material effect on, Industrial Alliance’s operations, objectives, strategies, financial situation and performance, including legislative or regulatory developments, insurance risk, investment risk, market risk, stock market risk, foreign currency risk, credit risk, liquidity risk, operational risk, legal and regulatory compliance risk, global capital market activity, interest rates, changes in demographic data and general economic conditions in Canada and elsewhere in the world.

No Existing Trading Market

There is currently no market through which the Debt Securities, Subscription Receipts, Warrants, Share Purchase Contracts or Units may be sold and purchasers of such Securities may not be able to resell such Securities. There can

be no assurance that an active trading market will develop for the Debt Securities, Subscription Receipts, Warrants, Share Purchase Contracts or Units after an offering or, if developed, that such market will be sustained. This may affect the pricing of such Securities in the secondary market, the transparency and availability of trading prices, the liquidity of such Securities and the extent of issuer regulation.

The public offering prices of the Securities may be determined by negotiation between Industrial Alliance and underwriters based on several factors and may bear no relationship to the prices at which such Securities will trade in the public market subsequent to such offering. See “Plan of Distribution”.

Credit Ratings

The value of the Securities will be affected by the general creditworthiness of Industrial Alliance. Real or anticipated changes in credit ratings on the Securities may affect the market value of the Securities. In addition, real or anticipated changes in credit ratings could adversely impact the marketability of the insurance and wealth management products offered by Industrial Alliance and could affect the cost at which Industrial Alliance obtains funding, thereby affecting Industrial Alliance’s liquidity, business, financial condition or results of operations.

Market Value Fluctuation

Prevailing interest rates on similar instruments will affect the market value of the Securities. Assuming all other factors remained unchanged, the market value of the Securities would be expected to decline as prevailing interest rates for comparable debt instruments rise, and would be expected to increase as prevailing interest rates for comparable debt instruments decline.

USE OF PROCEEDS

Unless otherwise specified in a Prospectus Supplement, the net proceeds to Industrial Alliance from the sale of the Securities will be used for the general corporate purposes of Industrial Alliance.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus or any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of such purchaser’s province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province for the particulars of these rights or consult with a legal adviser.

AUDITORS' CONSENT

We have read the short form base shelf prospectus of Industrial Alliance Insurance and Financial Services Inc. ("Industrial Alliance") dated April 30, 2009 relating to the offering of up to \$1,000,000,000 in aggregate of senior or subordinated unsecured debt securities, class A preferred shares, common shares, subscription receipts, warrants, share purchase contracts and units of the Industrial Alliance. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned prospectus of our report to the shareholders of Industrial Alliance on the consolidated balance sheets and the separate consolidated statements of net assets of its segregated funds as at December 31, 2008 and 2007 and the consolidated statements of income, of the participating policyholders' account, of the contributed surplus, of the shareholders' retained earnings and accumulated other comprehensive income, of the comprehensive income, of the cash flows statements and the separate consolidated statements of changes in net assets of its segregated funds for years ended. Our report is dated February 9, 2009.

*(Signed) Samson Bélaïr / Deloitte & Touche s.e.n.c.r.l.*¹

Québec City, Québec

April 30, 2009

¹ Chartered accountant auditor permit n° 11848

CERTIFICATE OF INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.

Dated: April 30, 2009

This short form base shelf prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of each of the provinces of Canada.

(Signed) YVON CHAREST
President and Chief Executive Officer

(Signed) DENIS RICARD
Senior Vice-President and Chief Actuary
(as Chief Financial Officer)

On Behalf of the Board of Directors

(Signed) JOHN LEBOUTILLIER
Director

(Signed) L.G. SERGE GADBOIS
Director