

Prospectus Supplement to the Short Form Base Shelf Prospectus dated March 30, 2007

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 March 30, 2007 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 March 30, 2007 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

March 24, 2009



\$100,000,000 **8.25% Debentures due March 27, 2019** **(subordinated indebtedness)**

Industrial Alliance Insurance and Financial Services Inc. ("Industrial Alliance" or the "Company") is offering \$100,000,000 principal amount of 8.25% Debentures due March 27, 2019 (the "Debentures"), representing subordinated indebtedness of Industrial Alliance.

The Debentures offered by this prospectus supplement will be dated March 27, 2009 and will mature on March 27, 2019. Interest on such Debentures at the rate of 8.25% per annum will be payable in equal semi-annual payments in arrears on March 27 and September 27 in each year (the "Semi-Annual Interest Payment Dates"), commencing September 27, 2009 and continuing until March 27, 2014. The initial interest payment, payable on September 27, 2009, will be \$41.25 per \$1,000 principal amount of Debentures, based on an anticipated closing date of March 27, 2009. From March 27, 2014 until maturity on March 27, 2019, interest on such Debentures will be payable at an annual rate equal to the 90-day Bankers' Acceptance Rate (as defined herein) plus 7.55% payable quarterly in arrears on the 27th day of each of March, June, September and December in each year (the "Quarterly Interest Payment Dates" and, together with the Semi-Annual Interest Payment Dates, the "Interest Payment Dates"), commencing June 27, 2014. Reference is made to "Details of the Offering — Interest".

Prior to March 27, 2014, Industrial Alliance may, at its option, with the prior approval of the *Autorité des marchés financiers* (the "AMF"), redeem the Debentures offered by this prospectus supplement, in whole at any time or in part from time to time, at a redemption price which is equal to the greater of the Canada Yield Price (as defined herein) and par, plus accrued and unpaid interest to, but excluding, the date fixed for redemption. On or after March 27, 2014, such Debentures are redeemable by the Company, at its option, with the prior approval of the AMF, in whole or in part, on any Quarterly Interest Payment Date at a redemption price which is equal to par, plus accrued and unpaid interest to, but excluding, the date fixed for redemption. Reference is made to "Details of the Offering — Redemption".

	<u>Price to the Public</u>	<u>Agents' Fee⁽¹⁾</u>	<u>Net Proceeds to the Company⁽²⁾⁽³⁾</u>
Per \$1,000 principal amount of Debentures	\$998.11	\$3.50	\$994.61
Total.....	\$99,811,000	\$350,000	\$99,461,000

(1) Consisting of an agency fee of \$3.50 per \$1,000 principal amount of Debentures.

(2) Plus accrued interest, if any, from March 27, 2009 to the date of delivery.

(3) Before deduction of expenses of issue estimated at \$250,000.

RBC Dominion Securities Inc., Scotia Capital Inc., National Bank Financial Inc., TD Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Desjardins Securities Inc., Casgrain & Company Limited, HSBC Securities (Canada) Inc., Industrial Alliance Securities Inc. and Laurentian Bank Securities Inc. (collectively, the "Agents") have agreed to use their reasonable best efforts to solicit offers to purchase Debentures offered by the Company under this prospectus supplement at 99.811% of their principal amount subject to the terms and conditions set forth in the Agency 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 Agents by Fasken Martineau DuMoulin LLP. The Agents will receive an aggregate fee of \$350,000, assuming the full

amount of the Debentures offered is sold. In the event the full amount of the Debentures is not sold, the fee paid to the Agents will be pro-rated accordingly. **Industrial Alliance Securities Inc., one of the Agents, is a wholly-owned subsidiary of Industrial Alliance. Therefore, 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.** Reference is made to "Plan of Distribution".

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

The Debentures will not be deposits insured under the *Canada Deposit Insurance Corporation Act*, the *Deposit Insurance Act* (Québec) or any other deposit insurance scheme. The Debentures will be direct unsecured obligations of Industrial Alliance constituting subordinated indebtedness for the purposes of *An Act respecting insurance* (Québec), including the regulations and guidelines thereunder (the "Insurance Act"), ranking 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 Debentures will be subordinated in right of payment to all policy liabilities of Industrial Alliance and all other liabilities of Industrial Alliance, except those other liabilities that, by their terms, rank equally with or are subordinated to subordinated indebtedness of Industrial Alliance, including the Debentures. See "Details of the Offering".

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

Subscriptions 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 closing will take place on March 27, 2009 or such later date as may be agreed upon, but in any event not later than April 3, 2009. A "book-entry only" certificate representing the Debentures distributed under this prospectus supplement will be issued in registered form to CDS Clearing and Depository Services Inc. ("CDS"), or its nominee, and will be deposited with CDS on closing of this offering. No physical certificates representing the Debentures will be issued to purchasers, except in limited circumstances, and registration will be made in the depository service of CDS. A purchaser of Debentures will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Debentures are purchased. Reference is made to "Book-entry Only Securities".

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In this prospectus supplement, unless otherwise indicated, capitalized terms which are defined in the accompanying short form base shelf prospectus of the Company dated March 30, 2007 (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.

Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. The Company’s future results and stockholder value may differ materially from those expressed in these forward-looking statements due to, among other factors, the factors detailed under “Risk Factors” in this prospectus supplement as well as in the Company’s filings with Canadian securities regulators, including its annual and interim management’s discussion and analysis, and annual and interim financial statements and the notes thereto.

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, legislative or regulatory developments, competition, technological changes, global capital market activity, interest rates, changes in demographic data and general economic condition in Canada or elsewhere in the world. These and other factors should be considered carefully and may cause the Company’s actual performance to differ materially from that contemplated in its forward-looking statements. The preceding list of important factors is not exhaustive. When relying upon forward-looking statements to make decisions with respect to the Company and its securities, investors and others should carefully consider the preceding factors, other uncertainties and potential events.

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 Debentures. 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 actuaries 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 for the audited comparative consolidated financial statements referred to in paragraph (a), as set out in the Company's Management's Discussion and Analysis for the year ended December 31, 2008;
- (d) Industrial Alliance's annual information form dated March 1, 2008 for the year ended December 31, 2007;
- (e) Industrial Alliance's management proxy circular dated March 1, 2008 in connection with the annual meeting of shareholders and participating policy holders held on May 7, 2008.

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 Agents, the Debentures 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).

RECENT DEVELOPMENTS

Issuance of a \$100 Million Debenture to the Solidarity Fund QFL

On August 1, 2008, the Company, through its wholly-owned subsidiary, Corporation Financière L'Excellence Ltée, issued a \$100 million unsecured subordinated debenture. A tranche of \$12 million was used to refinance the debenture issued to the Solidarity Fund QFL by Corporation Financière L'Excellence Ltée. The remaining tranche of \$88 million was used for general corporate purposes. The \$12 million has a fixed annual rate of 7% for the first five years, a fixed annual rate of 5.63% for the next five years and a variable annual rate (adjusted on the last day of each quarter) equal to the 90-day bankers' acceptance rate, plus 100 basis points, for the last five years. The tranche of \$88 million has a fixed annual rate of 5.63% for the first ten years and a variable annual rate (adjusted on the last day of each quarter) equal to the 90-day bankers' acceptance rate, plus 100 basis points, for the last five years.

Changes to Capital of Industrial Alliance

On November 25, 2008, the Company issued 4,000,000 6.20% Non-Cumulative 5-Year Rate Reset Class A Preferred Shares Series C of the Company (the "Series C Preferred Shares") for aggregate gross proceeds of \$100 million. The Series C Preferred Shares are redeemable by the Company for cash, subject to regulatory consent and other conditions, on December 31, 2013 and on December 31 every five years thereafter. The Series C Preferred Shares are convertible by their holders, in certain circumstances and subject to certain conditions, into Non-Cumulative Floating Rate Class A Preferred Shares Series D of the Company (the "Series D Preferred Shares"), and vice versa. The holders of Series C Preferred Shares may not convert their Series C Preferred Shares in Series D Preferred Shares prior to December 31, 2013.

Financing Initiative and Impact on Financial Strength and Earnings per Share

Industrial Alliance announced on March 24, 2009, the filing of this prospectus supplement for the offering of the Debentures to further strengthen its financial and capital position.

On a *pro forma* basis, after giving effect to this offering, the Company estimates that, as at December 31, 2008, the solvency ratio would increase from 199% to 209%. The Company targets a solvency ratio between 175% and 200%.

This offering would also enable Industrial Alliance to absorb even greater stock market downturns, should they occur. On a *pro forma* basis, after giving effect to this offering, the Company estimates that the solvency ratio would remain above 175% if the S&P/TSX Index were to drop to around 7,100 points (compared to 7,400 points without such an offering) and that it would remain above 150% if the S&P/TSX Index were to fall to around 5,450 points (compared with 5,700 points without such an offering).

On a *pro forma* basis, after giving effect to this offering, the Company estimates that the earnings per common share would be reduced by approximately \$0.04 in 2009 and approximately \$0.05 for a complete financial year.

The above estimates rely on assumptions that take into account known factors on the date of this prospectus supplement and the Company's expectations about the evolution of the current economic and financial context. Actual results could vary significantly from those indicated above if these assumptions do not materialize or if the context evolves in a different way than the Company expected. See "Caution Regarding Forward-Looking Statements".

DETAILS OF THE OFFERING

The following is a summary of certain of the material attributes and characteristics of the Debentures offered hereby, which does not purport to be complete. Reference should be made to the Prospectus and to the Trust Indenture (as defined below) for further particulars of the attributes and characteristics applicable to the Debentures.

General

The Debentures offered hereby will be issued under and pursuant to the provisions of a trust indenture (the "Trust Indenture") to be dated March 27, 2009 between Industrial Alliance and Computershare Trust Company of Canada, as trustee (the "Trustee"). The Debentures will be limited to \$100,000,000 aggregate principal amount, will be dated as of March 27, 2009, and will mature on March 27, 2019. The Debentures will be issued in denominations of \$1,000 and integral multiples thereof. The principal of and interest on the Debentures will be paid in lawful money of Canada in the manner and on terms set out in the Trust Indenture.

Rank

The Debentures will be direct unsecured obligations of Industrial Alliance, constituting subordinated indebtedness for the purpose of the Insurance Act, ranking equally and rateably with all other subordinated indebtedness of Industrial Alliance from time to time issued and outstanding. The Trust Indenture will provide that in the event of the insolvency or winding-up of Industrial Alliance, the indebtedness evidenced by the Debentures will be subordinated in right of payment to all policy liabilities of Industrial Alliance and all other liabilities of Industrial Alliance except those other liabilities that, by their terms, rank equally with, or are subordinated to, subordinated indebtedness of Industrial Alliance, including the Debentures.

Definitions

The Trust Indenture will contain definitions substantially to the following effect:

"90-day Bankers' Acceptance Rate", for any quarterly floating rate interest period, will mean the average bid rate of interest (expressed as an annual percentage rate) rounded to the nearest one hundred thousandth of 1% (with 0.000005% being rounded up) for Canadian dollar bankers' acceptances with maturities of 90 days which appears on the Reuters Screen CDOR Page as of 10:00 a.m. (Montreal time) on the first Business Day of such period, provided that if such rate does not appear on the Reuters Screen CDOR Page on such day, the 90-day Bankers' Acceptance Rate for such period will be the average of the bid rates of interest (expressed as an annual percentage rate and rounded as set forth above) for Canadian dollar bankers' acceptances with maturities of 90 days for same day settlement as quoted by such of the Schedule I Canadian chartered banks as may quote such a rate as of 10:00 a.m. (Montreal time) on the first Business Day of such period;

"Business Day" will mean any day on which Canadian chartered banks are open for business in Montreal, Québec, and which is not a Saturday or Sunday or other statutory or civic holiday;

"Canada Yield Price" will mean, with respect to any Debenture to be redeemed, a price per Debenture calculated to provide an annual yield thereon to, but excluding, March 27, 2014 equal to the Government of Canada Yield (defined below) plus 1.625%, determined on the Business Day immediately preceding the date of the resolution of Industrial Alliance authorizing the redemption of the Debenture;

"Extraordinary Resolution" will be defined, in effect, as a resolution passed by the affirmative vote of the holders of not less than $66\frac{2}{3}\%$ of the principal amount of Debentures represented and voted at a meeting duly called and held in accordance with the Trust Indenture at which holders of more than 50% of the principal amount of the Debentures then outstanding are present in person or represented by proxy or as a resolution contained in one or more instruments in writing signed by the holders of not less than $66\frac{2}{3}\%$ of the principal amount of the then outstanding Debentures;

"Government of Canada Yield" on any date will mean the average of the yields determined by two independent registered Canadian investment dealers selected by the Trustee and approved by Industrial Alliance as being the yield to maturity on such date (assuming semi-annual compounding), which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on such date with a term to maturity approximately equal to the remaining term to, but excluding, March 27, 2014;

"Reuters Screen CDOR Page" will mean the display designated as page "CDOR" on the Reuters Monitor Money Rates Service (or such other page as may replace the CDOR page on that service) for purposes of displaying Canadian dollar bankers' acceptance rates.

Interest

Interest on the Debentures at the rate of 8.25% per annum will be payable in equal semi-annual payments in arrears on March 27 and September 27 in each year, commencing on September 27, 2009 and continuing until March 27, 2014. During this period, any overdue interest will bear interest at the same interest rate after as well as before default in the payment of principal or interest, as applicable. The initial interest payment, payable on September 27, 2009, will be \$41.25 per \$1,000 principal amount of Debentures, based on an anticipated closing date of March 27, 2009. From March 27, 2014 until maturity on March 27, 2019, interest on the Debentures will be payable at a rate per annum equal to the 90-day Bankers' Acceptance Rate plus 7.55%, payable quarterly in arrears on the 27th day of each of March, June, September and December in each year (the "Quarterly Interest Payment Dates"), commencing June 27, 2014. During this period, any overdue interest in respect of any quarterly interest period will bear interest at the same interest rate applicable to such quarterly interest period after as well as before maturity and after as well as before default in payment in the payment of principal or interest, as applicable.

If any Interest Payment Date upon which interest on the Debentures is payable is not a Business Day, such interest will be payable on the next succeeding Business Day. From March 27, 2014 to March 27, 2019, interest will be calculated on the basis of the actual number of days elapsed in the applicable quarterly interest period divided by 365.

Redemption

Prior to March 27, 2014, Industrial Alliance may, at its option, with the prior approval of the AMF, redeem the Debentures offered by this prospectus supplement, in whole at any time or in part from time to time, on not less than 30 nor more than 60 days' prior notice, at a redemption price which is equal to the greater of the Canada Yield Price and par, plus accrued and unpaid interest to, but excluding, the date fixed for redemption.

On or after March 27, 2014, Industrial Alliance may, at its option, with the prior written approval of the AMF, redeem the Debentures offered by this prospectus supplement, in whole or in part, on any Quarterly Interest Payment Date on not less than 30 nor more than 60 days' prior notice, at a redemption price which is equal to par, plus accrued and unpaid interest to, but excluding, the date fixed for redemption.

If less than all the outstanding Debentures are to be redeemed at any one time, the Trustee will select the Debentures to be redeemed on a *pro rata* basis in accordance with the principal amount of Debentures registered in the name of each holder and, for this purpose, the Trustee may make regulations with respect to the manner in which such Debentures may be called for redemption and the regulations so made will be valid and binding upon all holders of such Debentures. Any Debentures that are redeemed by Industrial Alliance will be cancelled and will not be reissued.

Open Market Purchases

Industrial Alliance will have the right at any time when it is not in default under the Trust Indenture, subject to the prior approval of the AMF, to purchase Debentures in the market or by tender (available to all holders of the Debentures) or by private contract at any price and upon such terms and conditions as Industrial Alliance, in its entire discretion, determines. All Debentures that are purchased by Industrial Alliance will be cancelled and will not be reissued. Notwithstanding the foregoing, any subsidiary of Industrial Alliance may purchase Debentures in the ordinary course of its business of dealing in securities.

Covenants

Industrial Alliance will: (i) duly and punctually pay or cause to be paid the principal and any premiums or interest payable in respect of the Debentures in accordance with the Trust Indenture and the Debentures; (ii) maintain its corporate existence (provided that this requirement will not prevent any merger of Industrial Alliance or transfer of substantially all of its business, see "Merger, Reorganization, Consolidation or Transfer" below) and carry on and conduct its business in a proper and efficient manner, keep or cause to be kept proper books of account in accordance with generally accepted accounting principles and furnish or cause to be furnished to the Trustee such information relating to its business as the Trustee may reasonably require; (iii) not directly or indirectly extend or assent to the extension of time for payment of any interest payable in respect to the Debentures;

(iv) provide annually to the Trustee a certificate stating that Industrial Alliance has complied with all requirements contained in the Trust Indenture or if there has been a failure to so comply, giving particulars of such failure to comply; and (v) pay the Trustee reasonable remuneration for its services and repay the Trustee all costs incurred by the Trustee in executing its obligations under the Trust Indenture, such payments and reimbursements to be payable out of any funds coming into the possession of the Trustee and, after default, such payments and reimbursements shall be payable in priority to the principal and any premium or interest on the Debentures.

Merger, Reorganization, Consolidation or Transfer

Industrial Alliance may, without the consent of any holders of Debentures, merge, reorganize, consolidate or transfer, sale, lease or otherwise with any other person, all or substantially all of its business provided that (i) the person resulting from such transaction (the "Successor Company") will be duly incorporated under the laws of Canada or of a province of Canada; (ii) as part of such transaction, the Successor Company agrees to execute prior to or contemporaneously with the completion of such transaction, such instruments (if any) as are satisfactory to the Trustee to evidence the assumption by the Successor Company of the liability for the due and punctual payment of all the Debentures and the interest thereon and amounts payable under the Trust Indenture and the covenant of such Successor Company to pay the same and its agreement to observe and perform all the covenants and obligations of Industrial Alliance under the Trust Indenture; (iii) every such transaction is made on such terms and at such times and otherwise in such manner as is approved by the Trustee as not being prejudicial to the interests of holders of Debentures and as preserving and not impairing the rights and power of the Trustee and holders of Debentures; and (iv) no condition or event exists in respect of Industrial Alliance or the Successor Company, either at the time of such transaction or immediately thereafter after giving full effect thereto, which constitutes or would, after the giving of notice or the lapse of time or both, constitute an event of default.

Events of Default

The Trust Indenture will provide that an event of default in respect of the Debentures will occur only if Industrial Alliance makes a general assignment for the benefit of its creditors, acknowledges its insolvency, becomes insolvent or bankrupt, consents to the institution of bankruptcy or insolvency proceedings against it, resolves to wind-up or liquidate, is ordered wound-up or liquidated or a receiver of Industrial Alliance's property is appointed. If an event of default has occurred and is continuing, the Trustee may, in its discretion and will, upon request of holders of not less than 25% of the principal amount of Debentures, declare the principal of and interest on all outstanding Debentures to be immediately due and payable. There is no right of acceleration in the case of a default in the payment of interest or a default in the performance of any other covenant of Industrial Alliance in the Trust Indenture, although a legal action could be brought by the Trustee to enforce such covenant.

The *Winding-Up and Restructuring Act* (Canada) provides that Industrial Alliance is deemed insolvent if it is unable to pay its debts as they become due, including if it fails to pay amounts due on the Debentures pursuant to its obligations under the Trust Indenture for 60 days after service of a written demand on Industrial Alliance in the manner in which process may be legally served on it. Other circumstances under which the *Winding-Up and Restructuring Act* (Canada) would deem Industrial Alliance insolvent and that would result in an event of default include the failure by Industrial Alliance to pay an undisputed claim arising under a policy of Industrial Alliance, the calling of a meeting of its creditors by Industrial Alliance for the purposes of compounding with them and any general conveyance or assignment by Industrial Alliance of its property for the benefit of its creditors.

The holders of more than 50% in principal amount of the Debentures then outstanding under the Trust Indenture (in addition to the powers of holders exercisable by an Extraordinary Resolution) may, in some circumstances, direct the Trustee to cancel or annul the acceleration and waive the default. Subject to any such waiver, if Industrial Alliance fails to pay on demand any principal or interest declared by the Trustee to be due and payable together with other amounts due under the Trust Indenture following an event of default, the Trustee may in its discretion, and must upon receiving the written direction of holders of not less than 25% in principal amount of Debentures then outstanding under the Trust Indenture, and upon being indemnified to its reasonable satisfaction against all costs, expenses and liabilities to be incurred, proceed to obtain or enforce payment of the amounts due and payable together with other amounts due under the Trust Indenture by any remedy provided by law either by legal proceedings or otherwise.

Holders of the Debentures may, by an Extraordinary Resolution, direct, control or authorize the actions of

the Trustee or of any holder of Debentures bringing an action after the failure of the Trustee to act in any proceedings against Industrial Alliance. Whenever an event of default has occurred, the Trustee, in the exercise of its discretion, may proceed to enforce the rights of the Trustee and the holders of the Debentures by any action, suit, remedy or proceeding authorized or permitted by law or by equity and may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and holders of the Debentures lodged in any bankruptcy, insolvency, winding-up or other judicial proceedings relative to Industrial Alliance.

Modification

Subject to the voting rights discussed below, the Trust Indenture and the rights of the holders of Debentures may, in certain circumstances, be modified, including by way of an Extraordinary Resolution of the holders of Debentures. For that purpose, among others, the Trust Indenture will contain provisions making Extraordinary Resolutions binding upon all holders of Debentures.

Voting Rights

Holders of Debentures will be entitled to vote as a group on all matters affecting the rights of the Debentures and must exercise their rights through Participants in accordance with the rules and procedures of CDS.

Governing Law

The Debentures will be governed by and construed in accordance with the laws of the Province of Québec and the laws of Canada applicable therein.

BOOK-ENTRY ONLY SECURITIES

Except as otherwise provided below, the Debentures will be issued in “book-entry only” form and must be purchased, transferred, converted or redeemed through participants (“Participants”) in the depository service of CDS or its nominee. Each of the Agents is a Participant. On the closing of this offering, the Company will cause a global certificate representing the Debentures to be delivered to, and registered in the name of, CDS or its nominee. Except as described below, no purchaser of Debentures 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 Debentures will receive a customer confirmation of purchase from the registered dealer from or through whom the Debentures 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 Debentures. Reference in this prospectus supplement to a holder of Debentures means, unless the context otherwise requires, the owner of the beneficial interest in the Debentures.

If the Company determines, or CDS notifies the Company in writing, that CDS is no longer willing or able to continue holding the global certificate or if CDS ceases to be a recognized clearing agency or self-regulatory organization under applicable Canadian legislation, and in either case, 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 Debentures from the book-entry system, then the Debentures will be issued in fully registered form to holders or their nominees.

Transfers

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

Payments and Deliveries

Payments of principal, redemption price, if any, interest or other amounts in respect of Debentures 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 Debentures 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 Debentures, CDS or its nominee will be considered the sole owner of the Debentures for purposes of receiving any payments thereon and for all other purposes.

USE OF PROCEEDS

The estimated net proceeds to Industrial Alliance from the sale of the Debentures offered by this prospectus supplement, after deducting the Agents' fee and the estimated expenses of issue, will amount to \$99,211,000, and will be added to its general funds and will be used for general corporate purposes. This issue will increase Industrial Alliance's Tier 2 capital determined in accordance with the capital adequacy guidelines established by the AMF. All expenses relating to the offering of the Debentures, including the fee paid to the Agents, will be paid out of Industrial Alliance's general funds.

RATINGS

The Debentures are provisionally rated "A" with a Stable trend by DBRS Limited ("DBRS"). "A" is the third highest of ten categories granted by DBRS for long-term debt obligations which range from AAA to D. 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 Debentures are provisionally rated "A" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") using S&P's global scale for long-term debt obligations. The "A" rating is the third highest of the ten categories used by S&P for long-term debt, which range from AAA to D. S&P uses the "+" or "-" designations to reflect the relative strength within the rating category.

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 Debentures should consult the relevant rating organization with respect to the interpretation and implications of the foregoing provisional ratings.

EARNINGS COVERAGE

After giving effect to the issue of the Debentures under this prospectus supplement and the other indebtedness of Industrial Alliance, the annual interest requirements on all indebtedness of Industrial Alliance for the 12 months ended December 31, 2007 would have been \$29 million and for the 12 months ended December 31, 2008 would have been \$37 million.

The earnings of Industrial Alliance before the deduction of interest and amortization for discounts and premiums and issue expenses on the Debentures and income taxes for the 12 months ended December 31, 2007 amounted to \$327 million and for the 12 months ended December 31, 2008 amounted to \$113 million. These amounts are approximately 11.2 times Industrial Alliance's interest expense for the 12 months ended December 31, 2007 and 3.1 times Industrial Alliance's interest expense for the 12 months ended December 31, 2008.

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.

CONSOLIDATED CAPITAL AND INDEBTEDNESS

The following table sets forth the consolidated capitalization of Industrial Alliance as at December 31, 2008, before and after giving effect to the sale by Industrial Alliance of the Debentures offered by this prospectus supplement. This table should be read in conjunction with Industrial Alliance's consolidated annual financial statements and Industrial Alliance's Management's Discussion and Analysis as at and for the year ended December 31, 2008.

	December 31, 2008 (\$ millions)	December 31, 2008 as adjusted for the Debentures (\$ millions)
Direct Unsecured 5.13% Subordinated Debentures due June 30, 2019 ⁽¹⁾	\$ 139.0	\$ 139.0
Subordinated Debentures – Series A ⁽²⁾	138.0	138.0
Subordinated Debentures – Series A Financing Debenture ⁽²⁾	9.0	9.0
Subordinated Debenture ⁽³⁾	100.0	100.0
8.25% Subordinated Debentures (this offering).....	—	100.0
Participating Policyholders' Account	27.0	27.0
Shareholders' Equity	1,858	1,858
Total Capital and Indebtedness.....	\$ 2,271	\$ 2,371

(1) The debentures were issued on March 11, 2004 under a prospectus supplement dated March 5, 2004.

(2) Further to the application of Accounting Guideline 15 of the CICA Handbook, the Company ceased to consolidate the Industrial Alliance Trust Securities – Series A (the “IATS – Series A”) in the first quarter of 2005. Following this change, the \$150.0 million in IATS – Series A as well as a \$10.1 million in Industrial Alliance Capital Trust financing debenture were reclassified as subordinated debentures in Industrial Alliance's capital structure.

(3) The Debenture was issued on August 1, 2008.

PLAN OF DISTRIBUTION

Pursuant to an agreement (the “Agency Agreement”) dated March 24, 2009 between Industrial Alliance and the Agents, Industrial Alliance has agreed to sell and the Agents, acting severally and not solidarily, have agreed to use their reasonable best efforts to solicit offers to purchase on March 27, 2009, or on such other date not later than April 3, 2009 as may be agreed upon, subject to the terms and conditions contained therein, up to \$100,000,000 principal amount of Debentures at a price of \$998.11 per \$1,000 principal amount for a total consideration of up to \$99,811,000 plus accrued interest, if any, from March 27, 2009 to the date of delivery, payable in cash to Industrial Alliance against delivery of the Debentures. The Agency Agreement provides that the Agents will be paid an agency fee per \$1,000 principal amount of Debentures sold equal to \$3.50 on account of services rendered. In the event the full amount of the Debentures is not sold, the fee paid to the Agents will be pro-rated accordingly.

The obligations of the Agents under the Agency Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and also upon the occurrence of certain stated events.

While the Agents have agreed to use their best efforts to sell the Debentures offered hereby, they are not obligated to purchase any Debentures which are not sold.

The offering is being made concurrently in all provinces of Canada. The Debentures 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, U.S. persons (as defined in Regulation S under the 1933 Act) except in transactions exempt from the registration requirements of the 1933 Act.

Pursuant to policy statements of the Ontario Securities Commission and the AMF, the Agents may not, throughout the period of distribution under this prospectus supplement, bid for or purchase the Debentures. 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 the Debentures. 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.

Industrial Alliance Securities Inc., one of the Agents, 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 Agents. Industrial Alliance Securities Inc. will not receive any benefit in connection with the offering other than as described herein. RBC Dominion Securities Inc. and Scotia Capital Inc., Agents 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 all the Agents for the offering.

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 Agents, 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 Debentures 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 Debentures as capital property and is not exempt from tax under Part I of the Tax Act.

Generally, the Debentures will be capital property to a purchaser provided the purchaser does not hold the Debentures 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 trade. Certain purchasers who might not otherwise be considered to hold Debentures 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.

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.

Interest on Debentures

A holder of a Debenture that is a corporation, partnership, unit trust or trust of which a corporation or partnership is a beneficiary will be required to include in computing its income for a taxation year any interest or amount that is considered for the purposes of the Tax Act to be interest on the Debenture that accrued to it to the end of the year or became receivable or was received by it before the end of the year, to the extent that the interest (or amount considered to be interest) was not included in computing its income for a preceding taxation year.

A holder of a Debenture (other than a holder referred to in the previous paragraph) will be required to include in computing the holder's income for a taxation year any amount received or receivable (depending upon the method regularly followed by the holder in computing income) by the holder as interest (including any amount considered to be interest) in the year on the Debenture, to the extent that such amount was not included in computing the holder's income for a preceding taxation year.

Any premium paid by the Company to a holder on the redemption of a Debenture, or a purchase for cancellation (other than in the open market in the manner any such obligation would normally be purchased in the open market by any member of the public), will be deemed to be received by such holder as interest on the Debenture and will be required to be included in computing the holder's income, as described above, at the time of the redemption or purchase for cancellation to the extent that such premium can reasonably be considered to relate to, and does not exceed the value at the time of the redemption or purchase for cancellation of, the interest that, but for the redemption or purchase for cancellation, would have been paid or payable by the Company on the Debenture for a taxation year ending after the redemption and to the extent not otherwise included in computing the holder's income for that taxation year or a previous taxation year.

Dispositions

On a disposition or deemed disposition of a Debenture, including redemption or purchase for cancellation by the Company or a repayment by the Company on maturity, a holder will generally be required to include in computing its income for the taxation year in which the disposition occurred the amount of interest (including amounts considered to be interest) that has accrued on the Debenture to the date of disposition to the extent that such amount has not otherwise been included in computing the holder's income for the year in which the disposition occurred or a preceding taxation year.

In general, on a disposition or deemed disposition of Debentures, a holder will realize a capital gain (or a capital loss) equal to the amount, if any, by which the proceeds of disposition, net of any amount included in the holder's income as interest (including any amount considered to be interest) and any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such Debentures to the holder immediately before the disposition or deemed disposition.

Generally, one-half of a capital gain will be included in computing the holder's income as a taxable capital gain and one-half of a capital loss may be deducted from the holder's taxable capital gains in accordance with the rules contained in the Tax Act. Capital gains realized by an individual or a trust (other than certain specified trusts) may give rise to a liability for alternative minimum tax under the Tax Act.

Refundable Tax

A Canadian-controlled private corporation (as defined in the Tax Act) may be subject to an additional refundable tax of 6²/₃% on certain aggregate investment income for the year, including amounts of interest and taxable capital gains.

PRIOR SALES

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

Date Issued	Description	Issue Price per \$ 1,000 Principal Amount	Aggregate Principal Amount
August 1, 2008	5.63% subordinated debentures due 2023 ⁽¹⁾	\$1,000	\$100,000,000

⁽¹⁾ A \$12 million tranche has a fixed annual rate of 7% for the first five years, a fixed annual rate of 5.63% for the next five years and a variable annual rate (adjusted on the last day of each quarter) equal to the 90-day bankers' acceptance rate, plus 100 basis points, for the last five years. The remaining tranche of \$88 million has a fixed annual rate of 5.63% for the first ten years and a variable annual rate (adjusted on the last day of each quarter) equal to the 90-day bankers' acceptance rate, plus 100 basis points, for the last five years.

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 Toronto Stock Exchange during the 12 months preceding the date of this prospectus supplement:

	March 08	April 08	May 08	June 08	July 08	August 08	September 08
Common Shares							
High Price (\$)	37.88	39.61	40.43	36.60	36.27	36.95	38.00
Low Price (\$)	33.52	37.04	34.56	34.01	32.63	33.61	33.00
Volume	4,068,101	3,301,861	3,476,794	3,916,657	4,522,948	2,716,033	5,168,744
Class A Preferred Shares Series B							
High Price (\$)	22.09	21.39	20.89	20.75	20.00	18.89	19.00
Low Price (\$)	20.44	20.35	20.01	18.50	16.36	17.30	17.76
Volume	116,650	69,205	65,262	61,980	145,504	63,032	44,677
Class A Preferred Shares Series C							
High Price (\$)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Low Price (\$)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Volume	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	October 08	November 08 ⁽¹⁾	December 08	January 09	February 09	March 09 ⁽²⁾
Common Shares						
High Price (\$)	33.98	29.00	28.00	25.35	20.35	19.05
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	5,003,890
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	14.40
Volume	351,387	123,518	146,870	229,513	43,825	23,160
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	69,076

Notes:

- (1) The Class A Preferred Shares Series C November 2008 data includes trading prices and volume from November 25, 2008.
- (2) The March 2009 data includes trading prices and volume up to and including March 23, 2009.

RISK FACTORS

An investment in the Debentures is subject to certain risks including those set out in the Prospectus and the following.

The value of the Debentures 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 Debentures, if any, may affect the market value of the Debentures. 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 value of the Debentures may be affected by market value fluctuations resulting from factors which influence the Company's operations, including regulatory developments, competition and global market activity.

Prevailing interest rates will affect the market value of Debentures, which have a fixed interest rate until March 27, 2014. Assuming all other factors remain unchanged, the market value of the Debentures which carry a fixed interest rate until March 27, 2014 will decline as prevailing interest rates for similar debt instruments rise, and increase as prevailing interest rates for comparable debt instruments decline.

Holder of Debentures and other subordinated indebtedness have a limited right to accelerate payment of principal on default. A default may be declared and the obligation to repay principal accelerated only in prescribed circumstances summarized under “Details of the Offering — Events of Default”.

The Debentures are direct unsecured obligations of Industrial Alliance, constituting subordinated indebtedness for the purposes of the Insurance Act, ranking equally and rateably with all other subordinated indebtedness of Industrial Alliance from time to time issued and outstanding. In the event of insolvency or winding up of Industrial Alliance, the indebtedness evidenced by debentures issued by Industrial Alliance, including the Debentures, will be subordinated in right of payment to the prior payment in full of all policy liabilities of Industrial Alliance and all other liabilities of Industrial Alliance except liabilities which by their terms rank in right of payment equally with or subordinate to indebtedness evidenced by such Debentures. Except to the extent regulatory capital requirements affect Industrial Alliance’s decisions to issue subordinated or more senior debt, there is no limit on Industrial Alliance’s ability to incur additional subordinated or more senior debt.

The Debentures will not be listed on any securities exchange. There may be no market through which the Debentures may be sold and purchasers may therefore be unable to resell such Debentures. This may affect the pricing of the Debentures in any secondary market, the transparency and availability of trading prices, the liquidity of the Debentures and the extent of issuer regulation. In addition, holders of Debentures should be aware of the prevailing and widely reported global credit market conditions, whereby there is at times a general lack of liquidity in the secondary market. As a result, the Company may face additional risks in some of its global operations. Please refer to “Risk Management — Liquidity Risk” in the Company’s Management’s Discussion and Analysis for the year ended December 31, 2008 for a discussion of the Company’s liquidity risk.

There can be no assurance that an active trading market will develop for the Debentures after the offering, or if developed, that such a market will be sustained at the offering price of the Debentures.

The redemption of the Debentures is subject to the consent of the AMF and other restrictions contained in the Insurance Act.

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada at its office in Montreal, Québec, will be the transfer agent and registrar for the Debentures.

LEGAL MATTERS

Legal matters in connection with the issue and sale of the Debentures 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 Agents. The partners, associates and counsel of Lavery, de Billy, L.L.P., as a group, and Fasken Martineau DuMoulin LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding securities of Industrial Alliance.

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 AGENTS

Dated: March 24, 2009

To the best of our knowledge, information and belief, the short form base shelf prospectus dated March 30, 2007, 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.

RBC DOMINION SECURITIES INC.

SCOTIA CAPITAL INC.

By: (signed) Rajiv Bahl

By: (signed) David J. Skurka

NATIONAL BANK FINANCIAL INC.

By: (signed) Maude Leblond

TD SECURITIES INC.

By: (signed) Patrick Scace

BMO NESBITT BURNS
INC.

CIBC WORLD MARKETS
INC.

DESJARDINS SECURITIES
INC.

CASGRAIN & COMPANY
LIMITED

By: (signed) Pierre-
Olivier Perras

By: (signed) Darrell J.
Burt

By: (signed) Michel
Duchesne

By: (signed) Roger
Casgrain

HSBC SECURITIES (CANADA)
INC.

INDUSTRIAL ALLIANCE
SECURITIES INC.

LAURENTIAN BANK SECURITIES
INC.

By: (signed) Catherine J. 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 March 24, 2009, to the short form base shelf prospectus dated March 30, 2007, relating to the offering of \$100,000,000 principal amount of 8.25% Debentures due 2019 (subordinated indebtedness) 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 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

March 24, 2009

¹⁾ Chartered Accountant Auditor license n° 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. For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained without charge from the Vice President, Legal Services and Corporate Secretary of Industrial Alliance Insurance and Financial Services Inc. at the above-mentioned address and telephone number and is also available electronically at www.sedar.com.

Short Form Base Shelf Prospectus

March 30, 2007



\$1,000,000,000

Debt Securities Class A Preferred Shares Common Shares

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”); and (iii) common shares (“Common Shares”). The Debt Securities, the Class A Preferred Shares and the Common Shares (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 short form base shelf prospectus (the “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; and (iii) in the case of the Common Shares, the number of shares and the offering price. 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 of 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.

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 and Non-Cumulative Class A Preferred Shares Series B of Industrial Alliance are currently listed on the Toronto Stock Exchange. Unless otherwise specified in the applicable Prospectus Supplement, the Debt Securities 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 may be sold and purchasers may not be able to resell the Debt Securities purchased under this Prospectus. This may affect the pricing of the Debt Securities in the secondary market, the transparency and availability of trading prices, the liquidity of the Debt Securities and the extent of issuer regulation.**

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.

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").

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained or 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 "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar 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.

Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. The future results and stockholder value of Industrial Alliance may differ materially from those expressed in these forward-looking statements due to, among other factors, the factors detailed in Industrial Alliance's filings with securities regulators, including its annual and interim management's discussion and analysis, and annual and interim financial statements and the notes thereto.

Factors that could cause actual results to differ materially from expectations include, but are not limited to: external factors, including changes in equity market performance, interest rates and government regulations and legislations; the amount and composition of assets under management; the management of product pricing; mortality and morbidity rates; expense management; the maintenance of spreads between credited rates and investment returns; surrender and lapse rates; the management of market and credit risks; the management of risks inherent in products with guaranteed benefit options; competition; changes in demographic data; and general economic condition in Canada or elsewhere in the world. These and other factors should be considered carefully and undue reliance should not be placed on Industrial Alliance's forward-looking statements. 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 26, 2007 for the year ended December 31, 2006;
- (b) Industrial Alliance's audited comparative consolidated financial statements and the notes thereto for the years ended December 31, 2006 and 2005, together with the auditors' report thereon;
- (c) report of the appointed actuary for the years ended December 31, 2006 and 2005, as set out on page 3 of the audited comparative consolidated financial statements referred to in paragraph (b);
- (d) Industrial Alliance's revised management's discussion and analysis of results of operations and financial position for the audited comparative consolidated financial statements referred to in paragraph (b);
- (e) Industrial Alliance's management proxy circular dated March 26, 2007 in connection with the annual meeting of shareholders and participating policyholders to be held on May 2, 2007 (excluding those portions which, pursuant to National Instrument 44-101 of the Canadian Securities Administrators, are not required to be incorporated by reference herein).

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 fifth largest life and health insurance company in Canada, Industrial Alliance is at the head of a large financial group, the Industrial Alliance, which is present in all regions of the country. Industrial Alliance insures over three million Canadians, employs more than 2,800 people, and manages and administers over \$46 billion in assets. Industrial Alliance's Common Shares and Non-Cumulative Class A Preferred Shares Series B are listed on the Toronto Stock Exchange under the ticker symbols IAG and IAG.PR.A, respectively. Industrial Alliance is among the 100 largest public companies in Canada.

RECENT DEVELOPMENTS

On September 1, 2006, Industrial Alliance obtained all regulatory authority approvals for the acquisition of FundTrade Financial Corp. ("FundTrade"), a mutual fund brokerage firm, and to amalgamate it with FundEX investments Inc. ("FundEX"), another mutual fund brokerage firm in which Industrial Alliance holds a 91.75% share. The combined companies, which operate under the name FundEX, have taken over all duties and responsibilities of the previous entities. This acquisition strengthens Industrial Alliance's position as a leader in the distribution of mutual funds in Canada through a network of seasoned independent financial advisors. The new FundEX has over 450 representatives and administers some \$10 billion in assets.

On December 12, 2006, Industrial Alliance announced that it had entered into an agreement to sell its Caribbean block of business to Sagicor Capital Life Insurance Company Limited, a subsidiary of the Barbados Company Sagicor Life Inc. whose parent company is Sagicor Financial Corporation ("Sagicor"), subject to Caribbean regulatory approvals. This block is primarily made-up of individual life insurance, containing some 9,500 policies and generating annual premium income of close to CDN\$9 million. This block of business, which is located in the periphery of the Core North American market of Industrial Alliance, represents less than 0.3% of Industrial Alliance's premium income.

Following the approval of the Toronto Stock Exchange, the Board of Directors has authorized Industrial Alliance to purchase in the normal course of its activities, from February 13, 2007 to February 12, 2008, up to 3,900,000 of its Common Shares, representing approximately 4.9% of the 79,927,363 Common Shares issued and outstanding on February 5, 2007. Industrial Alliance believes that the purchase of its Common Shares would represent an effective use of its funds and would be in the best interests of Industrial Alliance and its shareholders.

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 February 20, 2007, 80,069,113 Common Shares, 4,000 Non-Cumulative Class A Preferred Shares Series A and 5,000,000 Non-Cumulative Class A Preferred Shares Series B are issued and outstanding. In addition, as of February 20, 2007, (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, and (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.

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. Reference is made to the Prospectus Supplement which accompanies this Prospectus for the 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 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. So long as CDS or its nominee is the registered holder of a global certificate representing the Debt Securities, CDS or its nominee, as the case may be, will be the sole holder of Debt Securities of the class represented thereby for all purposes under the Trust Indenture. 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 Debentures. 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 standards "Issue Specific Letter of Representation" 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 an 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 Securities.

Payments and Notices

As long as CDS or its nominee is 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 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.

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 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 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 commission 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.

RISK FACTORS

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 consider carefully the risks set out herein and incorporated by reference in this Prospectus (including subsequently filed documents 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 incorporated by reference in 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, competition, technological changes, global capital market activity, interest rates, changes in demographic data and general economic conditions in Canada and elsewhere in the world.

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. (the "Company") dated March 30, 2007 relating to the offering of up to \$1,000,000,000 of senior or subordinated unsecured debt securities, class A preferred shares and common shares of the Company. 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 the Company on the consolidated balance sheets and the separate consolidated statements of net assets of its segregated funds as at December 31, 2006 and 2005 and the consolidated income statements, the consolidated participating policyholders' account statements, the consolidated contributed surplus statements, the consolidated shareholders' retained earnings statements, the consolidated cash flows statements and the separate consolidated statements of changes in net assets of its segregated funds for the years then ended. Our report is dated February 5, 2007.

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

Chartered Accountants
Québec, Québec

March 30, 2007

CERTIFICATE OF INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.

Dated: March 30, 2007

This short form 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. For the purpose of the Province of Québec, this simplified prospectus, together with documents incorporated herein by reference and as supplemented by the permanent information record, will contain no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

(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) MICHEL GERVAIS
Director

(Signed) JOHN LEBOUTILLIER
Director