



**MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THIRD QUARTER OF 2006**

Nine-month period ending September 30, 2006

November 1, 2006

**Profitability**

Industrial Alliance Insurance and Financial Services Inc. ("Industrial Alliance" or "Company") ended the third quarter with shareholder net income of \$56.1 million. Once the dividends paid to preferred shareholders are deducted, the net income to common shareholders was \$54.7 million. This income translates into diluted earnings per common share of \$0.68 and a return on common shareholders equity of 15.4% for the quarter annualized, which exceeds the Company's 13% to 15% target range.

The Company recorded significant growth in earnings compared to the same period last year, when it ended the quarter with a net loss to common shareholders of \$1.4 million. This loss was primarily explained by the posting of a \$52.1 million (after taxes) provision resulting from the Company's decision to ensure the liquidity of its clients' investments in the two hedge funds managed by fund manager Norshield.

<b>PROFITABILITY</b>				
<b>(Millions of dollars, unless otherwise indicated)</b>	<b>Third quarter</b>		<b>Year-to-date as at September 30</b>	
	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>
Net income (net loss) to shareholders	(1.4)	56.1	85.5	170.0
Dividends on preferred shares	--	(1.4)	--	(3.4)
Net income (net loss) to common shareholders	(1.4)	54.7	85.5	166.6
Earnings per common share <sup>1</sup>				
Basic	(\$0.02)	\$0.68	\$1.07	\$2.06
Diluted	(\$0.02)	\$0.68	\$1.07	\$2.04
Return on common shareholders equity				
Quarter annualized	(0.5%)	15.4%	--	--
Last twelve months	--	--	9.7%	15.7%

The Company believes that it is appropriate to use adjusted data to get a better idea of the growth in sustainable earnings for the quarter compared to last year. As a result, three adjustments were made to last year's shareholder net income (the provision for the Norshield funds, the restructuring charges for the integration of National Life, an Industrial Alliance subsidiary, and the unusual gain resulting from a change of reinsurer for a block of business that belonged to National Life) and one adjustment was made to this year's shareholder net income (restructuring charges for the integration of National Life).

Hence, as the table below shows, on an adjusted basis, the Company ended the third quarter with net income to shareholders of \$56.9 million, a 21% increase over the same period in 2005. This income translates into diluted earnings per share of \$0.69 for common shareholders, up \$0.10 compared to the same period last year, and a 15.6% return on common shareholders equity for the quarter annualized.

<b>ADJUSTED PROFITABILITY</b>				
<b>(Millions of dollars, unless otherwise indicated)</b>	<b>Third quarter</b>		<b>Year-to-date as at September 30</b>	
	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>
Net income (net loss) to shareholders	(1.4)	56.1	85.5	170.0
Restructuring charges (net of taxes)	0.7	0.8	2.6	2.3
Change of reinsurer (net of taxes)	(4.2)	--	(4.2)	--
Provision related to Norshield funds (net of taxes)	52.1	--	52.1	--
Impact of the reduction in federal tax rates on the future tax liability	--	--	--	(11.5)
Net income to shareholders, adjusted	47.2	56.9	136.0	160.8
Earnings per common share <sup>1</sup> , adjusted				
Basic	\$0.59	\$0.69	\$1.70	\$1.95
Diluted	\$0.59	\$0.69	\$1.70	\$1.93
Return on common shareholders equity, adjusted				
Quarter annualized	14.3%	15.6%	--	--
Last twelve months	--	--	14.0%	15.2%

All lines of business contributed to the earnings for the quarter and all lines recorded growth of over 15% in their adjusted net income during the period, except for Group Pensions, whose adjusted net income remained stable. The increased income results primarily from the following three factors:

- strict management of the strain in the Individual Insurance sector, resulting from the pricing revisions announced earlier in the year. The Company estimates that the decreased strain during the quarter improved the net income for the third quarter by about \$1.3 million;
- \$3.4 million in experience gains (\$2.4 million after taxes). The gains come primarily from the Individual Wealth Management sector, owing to a higher than expected asset base, and the Group Insurance sector, thanks to favourable claims experience, particularly for the health insurance benefits;
- the reduction in federal corporate tax rates. This reduction improved the Company's net income for the quarter by about \$2.5 million. The effective tax rate for the quarter was 28.8%, which is in keeping with the Company's expectations of around 29%.

These three factors are explained in more detail in the Sources of Earnings section.

### **Sources of Earnings**

Following is an analysis of the Company's profitability for the third quarter of 2006 according to the sources of earnings.

*Expected profit on in-force* – The expected profit on in-force business was \$82.4 million, a 21% increase compared to the third quarter of 2005. This increase, which comes from almost all sectors, is in line with the Company's expectations of a low double-digit growth rate year over year. It is a result of strong business growth in the last few years, the incorporation of experience gains that the Company considers to be permanent, lower administration unit costs following the integration of National Life, the acquisition of Clarington and the expected increase in assets under management at the beginning of the year.

*Experience gains (losses)* – Experience gains contributed to a \$3.4 million increase in the operating income for the quarter. These gains primarily come from two sectors: Group Insurance and Individual Wealth Management. Favourable claims experience, primarily for the health insurance benefits, was the main driver behind the experience gains in Group Insurance. In Individual Wealth Management, experience gains were primarily attributable to higher management fee income, owing to higher assets under management than what was expected at the beginning of the year.

*Gain (strain) on sales* – Business strain was \$25.4 million for the third quarter, up \$1.2 million (or 5%) over the same period the previous year, but \$4.4 million (or 15%) lower than the second quarter of 2006. The strain comes almost entirely from Individual Insurance, due to the long-term commitments in this sector.

The decreased strain as compared to the second quarter is essentially explained by the pricing revisions announced by the Company earlier this year. The strain, as a percentage of sales, decreased from 73% in the first quarter to 69% in the second quarter and 64% in the third, which is in keeping with the Company's expectations. Industrial Alliance expects the strain will continue to decrease over the next few quarters, to be situated around 50% to 55% in the medium term.

*Income on capital* – Income on capital was \$19.5 million in the third quarter, which is more or less the same as the same period last year. Several factors influenced the income on capital for the quarter. First, the income on capital suffered downward pressure, mainly due to the payment of the purchase price of Clarington (Clarington's operating income is posted in the Individual Wealth Management sector). However, this decrease was offset by an increase in the income on capital resulting from the growth of the Company's capital base (the net income for the last year is added to the Company's capital) and additional income generated by the issuance of \$125 million in preferred shares in the first quarter of 2006.

*Income taxes* – Income taxes totalled \$23.0 million for the third quarter of 2006, which is higher than the same period last year, but in line with the Company's profitability. The effective tax rate for the quarter was 28.8%, compared to 30.4% for the same period last year. The decrease in taxes results from the reduction in corporate tax rates adopted earlier this year by the federal government. This reduction more than offset the increase in corporate tax rates sanctioned by the government of Quebec at the end of 2005. The reduction in the federal tax rates, which took effect in the second quarter, improved the Company's net income for the quarter by about \$2.5 million. On a recurring basis, the Company expects the reduction in corporate tax rates to increase the net income by some \$2.5 million per quarter. The Company believes that the effective tax rate should be around 29% following the federal tax rate reductions.

*Other items* – Third quarter income was affected by just one non-recurring item, i.e., the National Life integration charges, which totalled \$0.8 million after taxes. The Company has now posted \$12.5 million (after taxes) in restructuring charges for the National Life integration, which is the total amount that it had anticipated when it announced this integration in the fourth quarter of 2004. However, the Company is now expecting a cost overrun of some \$0.5 million (after taxes). This cost overrun will be posted in the fourth quarter, which will put an end to the accounting of restructuring charges for the National Life integration. All cost savings related to the National Life integration are included in the operating profit.

SOURCES OF EARNINGS				
(Millions of dollars)	Third quarter		Year-to-date as at September 30	
	2005	2006	2005	2006
Operating income				
Expected profit on in-force	68.3	82.4	198.7	238.2
Experience gains (losses)	4.3	3.4	11.4	14.8
Gain (strain) on sales	(24.2)	(25.4)	(67.9)	(81.9)
Changes in assumptions	--	--	--	--
Total	48.4	60.4	142.2	171.1
Income on capital	19.4	19.5	54.4	55.0
Income taxes	(20.6)	(23.0)	(60.6)	(65.3)
Net income to shareholders, adjusted	47.2	56.9	136.0	160.8
Other items <sup>3</sup>	(48.6)	(0.8)	(50.5)	9.2
Net income (net loss) to shareholders	(1.4)	56.1	85.5	170.0

### Business Growth

Strong business growth continued into the third quarter, after two already exceptional quarters. Most sectors continue to obtain double-digit growth results, both for the quarter and for the year-to-date.

Following are a few business growth highlights, as measured by premiums and deposits, sales by line of business, assets, and value of new business.

*Premiums and deposits* – Strong business growth in almost all lines of business and the addition of Clarington increased premiums and deposits to almost \$1 billion in the third quarter (\$998.8 million), up 14% compared to the same quarter last year. Although strong, this business growth is lower than in the first six months of the year (the growth was 52%), partially due to the stock market dip in the second quarter, which made segregated fund and mutual fund clients cautious. Nevertheless, premiums and deposits have totalled \$3.8 billion since the beginning of the year, up 40% compared to the same period last year. All sectors have recorded strong growth since the beginning of the year, making the year-to-date results among the Company's best.

PREMIUMS AND DEPOSITS						
(Millions of dollars, unless otherwise indicated)	Third quarter			Year-to-date as at September 30		
	2005	2006	Variation	2005	2006	Variation
Individual Insurance	183.8	208.5	13%	565.1	621.6	10%
Individual Wealth Management	316.7	453.0	43%	1,116.2	1,906.2	71%
Group Insurance	183.4	198.3	8%	523.8	559.4	7%
Group Pensions	167.4	111.6	(33%)	435.7	622.1	43%
General Insurance	24.6	27.4	11%	70.4	78.7	12%
Total	875.9	998.8	14%	2,711.2	3,788.0	40%

*Individual Insurance* – With sales totalling \$37.2 million in the third quarter of 2006, up 5% over the same period the previous year, the Individual Insurance sector had a third consecutive good quarter. This result is even more impressive since it was obtained despite pricing revisions to the Company's product line in the last few months. Sales were particularly strong in Ontario and Quebec. In Quebec, the strong sales were the result of an 18% increase in sales in the Career network. Sales have grown 10% since the beginning of the year, to reach \$113.0 million. Industry sales were up 5% for the first six months (the industry results for the third quarter are not yet known).

*Individual Wealth Management* – Sales continued to grow in the Individual Wealth Management sector in the third quarter, primarily due to the contribution of Clarington. Sales totalled \$453.0 million in the third quarter, 43% more than the same period in 2005. Guaranteed interest fund sales were particularly strong, offsetting the first slowdown in segregated fund sales in several quarters. This switch in sales is explained by the dip in the stock markets in the second quarter, which made investors cautious, causing them to take refuge in guaranteed return products rather than variable return products. The decline in the stock market also slowed mutual fund growth. Nevertheless, it's shaping up to be an exceptional year, with sales for the first nine months reaching a peak of \$1.9 billion, 71% more than the same period in 2005.

The Company continues to stand out in terms of net mutual fund and segregated fund sales, which continued to be positive, reaching \$115.6 million in the third quarter and \$693.1 million since the beginning of the year. For net segregated fund sales, the Company is ranked second in Canada (one rank better than 2005), with a market share that reached an unequalled 23.2% in the third quarter.

*Group Insurance: Employee Plans* – The Group Insurance Employee Plans sector had another excellent quarter in terms of sales. After growing 23% in the first half, sales more than doubled in the third quarter compared to the same period in 2005, reaching \$21.3 million. The sales came from Quebec as well as other provinces, which is in line with the Company's goal to expand throughout the country.

*Group Insurance: Creditor Insurance* – The Group Creditor Insurance sector, which specializes mainly in sales through car dealers, continues to generate good results. In spite of a market share of over 40% among car dealers, steady growth over the last several years and a rather soft car market, sales were up 8% in the third quarter, and 13% year-to-date compared to the same periods last year. This growth is mainly attributable to expanding the product line and client dealer base beyond automotive dealers and into recreational and other vehicles.

*Group Insurance: Special Markets Group (SMG)* – Sales recovered in the SMG sector after two flat quarters. Sales totalled \$22.3 million in the third quarter, up 7% over the same period last year. The strong sales erased the shortfall accumulated since the beginning of the year, so that for the first nine months of 2006, sales reached \$63.9 million, up 2% over the same period last year. This increase comes in spite of the cancellation earlier this year of a business block that did not meet the Company's profitability criteria. SMG specializes in certain group insurance niche markets that are not well served by traditional group insurance providers.

*Group Pensions* – The Group Pensions results can be very volatile on a quarterly basis, as a few large contracts can make a big difference. The third quarter is a good example of this situation, since after two excellent quarters, sales were down 33% for the third quarter compared to the same period the previous year. This decrease is explained by the lack of large group acquisitions. In spite of the decrease, year-to-date sales are up a significant 43% over the same period last year. The trend is continuing with respect to the geographic distribution of accumulation product sales, with the majority of new business coming from outside Quebec, as was the case in the first six months.

SALES <sup>4</sup>						
(Millions of dollars, unless otherwise indicated)	Third quarter			Year-to-date as at September 30		
	2005	2006	Variation	2005	2006	Variation
Individual Insurance	35.3	37.2	5%	102.5	113.0	10%
Individual Wealth Management						
General fund	49.5	65.9	33%	178.2	219.1	23%
Segregated funds	179.9	158.4	(12%)	618.2	754.2	22%
Mutual funds	87.3	228.7	162%	319.8	932.9	192%
Total	316.7	453.0	43%	1,116.2	1,906.2	71%
Group Insurance						
Employee Plans	9.7	21.3	120%	37.4	55.3	48%
Creditor Insurance	49.9	53.7	8%	122.0	136.2	12%
Special Markets Group (SMG)	20.8	22.3	7%	62.9	63.9	2%
Group Pensions	167.4	111.6	(33%)	435.7	622.1	43%

*Assets under management and under administration* – Assets under management increased by almost \$700 million in the third quarter, to reach \$27.7 billion as at September 30, 2006, up 3% compared to the end of the previous quarter. This increase is explained by positive fund entries in all sectors and by the uptick in the stock markets. Year-to-date and for the last twelve months, assets under management have increased 7% and 34% respectively. The strong increase for the last twelve months continues to be the result of the Clarington acquisition, strong net segregated fund and mutual fund sales, good premium growth in the various lines of business and the good overall performance of the stock markets.

Assets under administration jumped 31% in the last quarter, reaching \$16.6 billion as at September 30, 2006, owing to the acquisition of FundTrade Financial Corporation, whose assets under administration totalled \$3.8 billion. The growth in assets under administration was also driven by positive net sales since the beginning of the year by the mutual fund and securities brokerage subsidiaries, combined with an upswing in the stock markets.

As at September 30, 2006, the Company had a total of \$44.3 billion in assets under management and under administration.

ASSETS UNDER MANAGEMENT AND UNDER ADMINISTRATION				
(Millions of dollars)	September 30, 2005	December 31, 2005	June 30, 2006	September 30, 2006
Assets under management				
General fund	11,592.7	11,972.9	12,365.9	12,669.1
Segregated funds	7,027.0	7,348.8	8,060.6	8,456.9
Mutual funds	1,220.8	5,672.7	5,846.3	5,971.2
Other	783.1	785.9	720.5	592.9
Total	20,623.6	25,780.3	26,993.3	27,690.1
Assets under administration	11,696.1	12,390.9	12,689.5	16,595.9
Total	32,319.7	38,171.2	39,682.8	44,286.0

*Value of new business* – The value of new business remained stable at \$19.4 million (\$0.24 per common share) in the third quarter compared to the same period the previous year. Higher sales and the improved margins resulting from the pricing revisions added \$4.0 million to the value of new business during the quarter, but the revision of the economic assumptions at the end of 2005 reduced it by an equivalent amount. Nevertheless, on a year-to-date basis, the value of new business increased by 15% compared to 2005, reaching a peak of \$70.5 million.

## Capitalization

The Company's capital totaled \$1.9 billion as at September 30, 2006, a 2% (\$44.2 million) increase during the third quarter. This increase essentially comes from the increase in retained earnings during the period.

The increase in the Company's capital base, combined with stable debt instruments, reduced the debt ratio. The Company's debt ratio, as measured by the subordinated debentures compared to capital, decreased from 16.7% as at June 30, 2006 to 16.3% as at September 30, 2006. If the preferred shares are added to the debt items, the ratio decreases from 23.5% as at June 30, 2006 to 22.9% as at September 30, 2006.

The Company issued 16,500 common shares in the third quarter following the exercise of options under the stock option plan for Company managers, which brings the total number of shares issued under this program so far this year to 166,800.

The Company had 79,841,113 issued and outstanding shares as at September 30, 2006, an increase of 16,500 compared to June 30, 2006, but down 1,543,020 compared to December 31, 2005. The increase during the quarter is entirely attributable to the issuance of common shares following the exercise of options under the stock option plan. On the other hand, the decrease since the beginning of the year is explained by the buy-back of 1,800,000 common shares, partially offset by the issuance of 166,800 common shares following the exercising of options under the stock option plan and the issuance of 90,180 common shares as part of the Clarington acquisition. The common share buy-backs aimed to eliminate the dilutive effect caused by the issuance of 1,800,000 common shares of the Company, at the end of 2005 and the beginning of 2006, as part of the Clarington acquisition.

CAPITALIZATION AND DEBT				
(Millions of dollars, unless otherwise indicated)	September 30, 2005	December 31, 2005	June 30, 2006	September 30, 2006
Capital structure				
Equity				
Common shares	462.1	510.6	505.4	505.8
Preferred shares	--	--	125.0	125.0
Retained earnings	809.8	845.4	885.7	927.6
Contributed surplus and currency translation account	5.7	5.2	6.2	7.0
Total	1,277.6	1,361.2	1,522.3	1,565.4
Subordinated debentures	310.1	373.0	310.1	310.1
Participating policyholders' account	19.0	19.7	20.9	22.0
Total	1,606.7	1,753.9	1,853.3	1,897.5
Debt ratio				
Subordinated debentures/capital	19.3%	21.3%	16.7%	16.3%
Subordinated debentures and preferred shares/capital	19.3%	21.3%	23.5%	22.9%

## Solvency

The solvency ratio was 202% as at September 30, 2006, 3 percentage points higher than the end of the previous quarter. This increase primarily results from the usual contribution of the net income to the available capital, net of the normal increase in required capital related to business growth, and the increase in unrealized gains for the bonds backing the surplus (increase related to the drop in interest rates). This increase was mitigated by the acquisition of FundTrade Financial Corporation, which led to the posting of \$8.7 million in goodwill. Currently, the solvency ratio is slightly above the Company's 175% to 200% target range.

The Company has about \$104 million in excess capital. The excess capital usually increases each quarter by an amount equal to about one third of the Company's net income (the Company estimates that it only uses about two thirds of its net income for organic growth and to pay dividends). On the other hand, the new accounting standards that will take effect in January 2007 with respect to financial instruments will put downward pressure on the solvency ratio, reducing the excess capital by some \$30 to \$55 million on January 1, 2007.

<b>SOLVENCY</b>				
<b>(Millions of dollars, unless otherwise indicated)</b>	<b>September 30, 2005</b>	<b>December 31, 2005</b>	<b>June 30, 2006</b>	<b>September 30, 2006</b>
Available capital				
Net tier 1	1,324.0	1,187.5	1,346.0	1,380.0
Net tier 2	147.2	134.9	117.4	126.1
Total	1,471.2	1,322.4	1,463.4	1,506.1
Required capital	695.1	704.5	735.6	746.0
Solvency ratio (MCCSR) <sup>5</sup>	212%	188%	199%	202%
Excess capital	156	0	82	104

### **Quality of Investments**

The quality of investments remained excellent in the third quarter, with all quality indices remaining practically unchanged compared to the end of the second quarter. Hence:

- gross impaired investments and provisions decreased slightly during the quarter, resulting in little variation in net impaired investments, which reached \$8.1 million as at September 30, 2006. This represents just 0.07% of total investments (0.06% as at June 30, 2006). Over 90% of gross impaired investments (91.4% as at September 30, 2006) are provisioned;
- no bonds defaulted during the quarter and the portfolio does not contain any new bonds rated BB or lower. The proportion of bonds rated BB or lower was 0.33% of the portfolio as at September 30, 2006 (0.34% as at June 30, 2006);
- the quality of the mortgage loan portfolio remains excellent. The delinquency rate increased slightly, from 0.26% of the loan portfolio as at June 30, 2006 to 0.30% as at September 30, 2006. Insured loans account for 93.1% of mortgage loans in arrears; and
- the occupancy rate of the real estate holdings decreased slightly, reaching 95.2% as a September 30, 2006, compared to 97.7% as at June 30, 2006.

<b>QUALITY OF INVESTMENTS</b>				
<b>(Millions of dollars, unless otherwise indicated)</b>	<b>Sept. 30, 2005</b>	<b>December 31, 2005</b>	<b>June 30, 2006</b>	<b>Sept. 30, 2005</b>
<b>Investments – Book value of the portfolio</b>	11,103.1	11,226.9	11,570.6	11,821.1
Gross impaired investments	96.4	96.8	96.4	95.3
Provisions for losses	(89.1)	(89.2)	(89.3)	(87.2)
Net impaired investments	7.3	7.6	7.1	8.1
Net impaired investments as a % of total investments	0.07%	0.07%	0.06%	0.07%
Provisions as a % of gross impaired investments	92.4%	92.1%	92.7%	91.4%
<b>Bonds – Book value of the portfolio</b>	6,659.9	6,619.6	6,872.0	7,097.7
Rated BB or lower	0.21%	0.36%	0.34%	0.33%
Delinquency rate	0.02%	0.02%	0.02%	0.02%
<b>Mortgage loans – Book value of the portfolio</b>	2,457.5	2,420.8	2,447.7	2,432.8
Delinquency rate	0.28%	0.30%	0.26%	0.30%
Proportion of impaired loans that are insured	98.6%	93.0%	100.0%	93.1%
<b>Stocks and market indices – Book value of the portfolio</b>	1,101.9	1,162.4	1,252.9	1,272.6
Market value/book value ratio, as a %	108.4%	108.0%	107.8%	108.3%
<b>Real Estate – Book value of the portfolio</b>	447.1	446.3	447.6	449.9
Market value/book value ratio, as a %	108.8%	114.2%	115.1%	114.5%
Occupancy rate	96.1%	96.8%	97.7%	95.2%

### Declaration of Dividend

The Board of Directors has declared the payment of a quarterly dividend of \$0.16 per common share. The dividend is payable in cash on December 15, 2006, to the common shareholders of record as at November 24, 2006. This dividend corresponds to a payout ratio of 23.2% of the adjusted net income for the quarter. The Company intends to increase the payout ratio to 28% over the next 18 months. The Company's policy provides for the payment of a dividend that corresponds to 20% to 30% of the sustainable net earnings.

The Board of Directors has also declared the payment of a quarterly dividend of \$0.2875 per non-cumulative class A preferred share series B. The dividend is payable in cash on January 2, 2007, to the preferred shareholders of record as at December 1, 2006.

### Non-GAAP Financial Measures

The Company reports its financial results in accordance with generally accepted accounting principles (GAAP). It also occasionally uses certain non-GAAP financial measures, including adjusted shareholder net income, adjusted diluted earnings per common share and adjusted return on common shareholders equity. These non-GAAP financial measures are always clearly indicated, and are always accompanied by and reconciled with GAAP financial measures. The Company believes that these non-GAAP financial measures provide investors and analysts with useful information so that they can better understand the financial results and perform a better analysis of the Company's growth and profitability potential. These non-GAAP financial measures provide a different way of assessing various aspects of the Company's operations and may facilitate the comparison of results from one period to another. Since non-GAAP financial measures do not have a standardized definition, they may differ from the non-GAAP financial measures used by other institutions. The Company strongly encourages investors to review its financial statements and other publicly-filed reports in their entirety and not to rely on any single financial measure. The data related to the embedded value and the value of new business, as well as adjusted data, as indicated above, are not subject to GAAP.

**Forward-looking Statements**

This news release may contain forward-looking statements about the operations, objectives and strategies of Industrial Alliance Insurance and Financial Services Inc., as well as its financial situation and performance. The forward-looking nature of these statements can generally, though not always, be identified by the use of words such as “may,” “expect,” “anticipate,” “intend,” “believe,” “estimate,” “feel,” “continue,” or other similar expressions, in the affirmative, negative or conditional. These statements entail risks and uncertainties that may cause the actual results, performance or achievements of Industrial Alliance to differ materially from the future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause the Company’s actual results to differ from expected results include changes in government regulations or tax laws, competition, technological changes, global capital market activity, interest rates, changes in demographic data, changes in consumer behaviour and demand for the Company’s products and services, catastrophic events, and general economic conditions in Canada or elsewhere in the world. This list is not exhaustive of the factors that may affect any of Industrial Alliance’s forward-looking statements. These and other factors must be examined carefully and readers should not place undue reliance on Industrial Alliance’s forward-looking statements. Industrial Alliance is not obligated to revise or update these forward-looking statements to reflect events, circumstances or situations that occur after the date of this news release, or following unforeseen events, except as required by applicable securities legislation.

**Conference Call**

Industrial Alliance will hold a conference call to present its results on Wednesday, November 1, 2006, at 1:30 p.m. (ET). Everyone is invited to listen in on the conference call, by dialling 1 800 440-1782 (toll free) 10 minutes before the start of the conference. A replay of the conference call will also be available for a one-week period, starting at 4:00 p.m. on Wednesday, November 1, 2006. To listen to the conference call replay, dial 1 800 558-5253 (toll free) and enter access code 21302060. All documents related to the third quarter 2006 financial results are available on the Company’s website at [www.inalco.com](http://www.inalco.com), in the *Investor Relations* section, under *Financial Reports/ 3rd Quarter 2006 Financial Results*.

All financial documents prescribed by the regulatory authorities are also available on the SEDAR website at [www.sedar.com](http://www.sedar.com)

**About Industrial Alliance**

Founded in 1892, Industrial Alliance Insurance and Financial Services Inc. is a life and health insurance company that 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 Group – which has operations across Canada as well as in the Northwestern United States. Industrial Alliance insures over 2 million Canadians, employs more than 2,800 people and manages and administers over \$44 billion in assets. Industrial Alliance stock is listed on the Toronto Stock Exchange under the ticker symbol IAG. Industrial Alliance is among the 100 largest public companies in Canada.

Notes

- (1) For comparison purposes, the earnings per common share data for the quarters prior to the second quarter of 2005 have been recalculated to reflect the two-for-one stock split that took place on May 18, 2005.
- (2) The Company occasionally uses non-GAAP financial measures so that investors and analysts can better compare the Company's financial results from one period to another and perform a better analysis of the Company's growth and profitability potential. The adjustments made to the 2005 and 2006 data are found in the "Profitability" section of the Management's Discussion and Analysis. The reader is also invited to read the "Non-GAAP Financial Measures" section of the Management's Discussion and Analysis to better understand how the Company uses non-GAAP financial measures.
- (3) The "other items," which correspond to the adjustments made by the Company to the data according to GAAP, are listed and quantified in the "Profitability" section of the Management's Discussion and Analysis.
- (4) Sales (new business) are defined as follows for each sector: Individual Insurance: first-year annualized premiums; Individual Wealth Management: premiums for the general fund and segregated funds and deposits for mutual funds; Group Insurance: first-year annualized premiums for Employee Plans, including premium equivalents (Administrative Services Only (ASO) contracts), gross premiums (before reinsurance) for Creditor Insurance and premiums for Special Markets Group (SMG); Group Pensions: premiums.
- (5) MCCR: minimum continuing capital and surplus requirements. This is a measure of a life and health insurance company's solvency based on risks and prescribed by the regulatory authorities to determine if the capital of an insurance company is sufficient as compared to the minimum set by the regulatory authorities.

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