

Industrial Alliance Insurance and Financial Services Inc.

Embedded Value
as at December 31, 2006



A PARTNER YOU CAN TRUST.

May 2, 2007



Embedded Value - 2006

	EmV (\$Million)	EmV per share (\$)	EmV/BV ratio
December 31, 2005 ¹	2,133	26.78	1.63x
Embedded Value added in 2006	315	3.86	---
December 31, 2006	2,448	30.64	1.65x

¹ Assuming that the buy-back of common shares issued for the acquisition of Clarington was done on December 31, 2005.

Embedded Value Growth - 2002 to 2006

(\$Million)	2002	2003	2004	2005	2006
Beginning of the year	1,542	1,643	1,899	2,138	2,133
EmV added during the year	101	256	239	(5)	315
End of the year	1,643	1,899	2,138	2,133	2,448
Growth	6.5%	15.6%	12.6%	(0.2%)	14.8%

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Embedded Value by Component - 2002 to 2006

	2002	2003	2004	2005	2006
Capital variance	--	3.4%	2.4%	--	0.3%
Recurring items	12.3%	11.1%	10.9%	10.9%	11.4%
Non-recurring items	(4.2%)	2.7%	1.0%	(9.2%)	5.3%
Sub-total	8.1%	17.2%	14.3%	1.7%	17.0%
Shareholders' dividend	(1.6%)	(1.6%)	(1.7%)	(1.9%)	(2.2%)
Total	6.5%	15.6%	12.6%	(0.2%)	14.8%

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Embedded Value Added - 2006

	EmV	Growth	EmV per share
	(\$Million)	(%)	(\$)
Embedded value as at December 31, 2005	2,133		26.78
Capital variance	6	0.3	(0.02)
Recurring items			
Expected increase in EmV	147	6.9	1.86
New sales	96	4.5	1.19
Total	243	11.4	3.05
Non-recurring items			
Experience gains or losses			
Market related	51	2.4	0.64
Not market related ¹	103	4.8	1.30
Changes in assumptions	(14)	(0.7)	(0.18)
Acquisition of FundTrade	(8)	(0.4)	(0.10)
New accounting standards	(18)	(0.8)	(0.23)
Total	114	5.3	1.43
Shareholders' dividend	(48)	(2.2)	(0.60)
Embedded value as at December 31, 2006	2,448	14.8	30.64

¹ See slide 8 for more details

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Expected Increase in Embedded Value - 2006

	\$Million
Interest on free capital (2.9% of \$177 million)	5
Expected return (7.3% of \$1,956 million)	142
Expected increase in EmV ¹	147

¹ Excluding new sales and shareholders' dividend paid.

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New Sales - 2006

	\$Million	Per share
2005 value of new sales	80	\$1.01
Economic assumptions update	(16)	---
Sales growth	26	---
Pricing changes and business mix	6	---
2006 value of new sales	96	\$1.19

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Other Experience Gains or Losses & Changes in Assumptions - 2006

	\$Million
Experience gains or losses not market related (tax rate reduction ¹ , creditor insurance, miscellaneous)	103
Changes in assumptions (reclassification of certain products in solvency ratio calculations ² , other)	(14)

¹ Corporate tax rate reduction increased Embedded Value by \$103 million.
Other factors cancel each other out.

² Most significant item.

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Assumptions

- > Actuarial assumptions
 - > Consistent with "best estimate" assumptions in statutory reserves
- > Economic assumptions

	2005	2006
Discount rate (hurdle rate)	7.25%	7.25%
Risk premium	3.00%	3.00%
Inflation rate	1.50%	1.50%

Sensitivity Analysis

Impact on Total Embedded Value

	2005	2006
Risk premium: +1%	(9%)	(9%)
Risk premium: -1%	+11%	+11%
Solvency ratio: from 150% to 175%	(4%)	(3%)
Tax rate: -1%	+1%	+1%
Mortality improvement: none	(7%)	(8%)
Economic assumptions: +1%	+6%	+7%

Sensitivity Analysis (continued)

Impact on Embedded Value of New Sales

	2005	2006
Risk premium: +1%	(17%)	(22%)
Risk premium: -1%	+19%	+29%
Solvency ratio: from 150% to 175%	(5%)	(7%)

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