

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