

# NEWS RELEASE



## **Industrial Alliance Publishes its 2008 Management's Discussion and Analysis and Financial Statements, and Discloses its Embedded Value**

### **The Company declares a dividend of \$0.2450 per common share**

**Quebec City, February 13, 2009** – Industrial Alliance Insurance and Financial Services Inc. ("Industrial Alliance" or "the Company") published its Management's Discussion and Analysis and financial statements today for the year ended December 31, 2008. The primary aspects of the Company's financial results were disclosed in a news release on January 26, 2009, and the financial results published today are consistent with those results. The Management's Discussion and Analysis and financial statements are available on the Company's website ([www.inalco.com](http://www.inalco.com)) and have also been filed on the SEDAR site ([www.sedar.com](http://www.sedar.com)).

#### **Declaration of Dividend**

The board of directors has declared the payment of a quarterly dividend of \$0.2450 per common share. The dividend is payable in cash on March 16, 2009 to the common shareholders of record as at February 24, 2009.

The board of directors has 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 March 31, 2009 to the preferred shareholders of record as at February 27, 2009.

The board of directors has declared the payment of a quarterly dividend of \$0.5391 per non-cumulative class A preferred share series C. The dividend is payable in cash on March 31, 2009 to the preferred shareholders of record as at February 27, 2009.

For the purposes of the enhanced dividend tax credit rules contained in the Income Tax Act (Canada) and any corresponding provincial and territorial tax legislation, all dividends paid by Industrial Alliance on its common and preferred shares since January 1, 2006 are considered to be eligible dividends. Unless otherwise indicated, all dividends paid by the Company are now eligible dividends for the purposes of such rules.

#### **Embedded Value**

The Company disclosed its embedded value for 2008. As at December 31, 2008, Industrial Alliance's embedded value was \$2,510 million, or \$31.26 per common share. This is down 7.2% from the value calculated as at December 31, 2007, before the payment of dividends to common shareholders, and down 9.9% after the payment of these dividends. The decrease in embedded value can primarily be explained by the stock market downturn in 2008 (the S&P/TSX index of the Toronto Stock Exchange lost 35% of its value) and by the reduction in interest rates.

Recurring items, which are those over which the Company has a certain amount of control, increased the embedded value by 11.2% in 2008. Since the Company began calculating its embedded value, recurring items have always grown embedded value by low double digits.

Embedded value was affected by several non-recurring items in 2008. These items led to a \$6.66 decrease in embedded value per common share (or 19.1%). The most significant non-recurring item was the stock market downturn, which reduced embedded value per common share by \$5.35 (or 15.3%).

The year-end changes in assumptions regarding the provisions for future policy benefits, combined with a reduction in the discount rate (from 7.25% to 6.50%) and the return on shareholders' equity used to calculate embedded value (from 4.25% to 3.50%), led to a decrease in embedded value per common share of \$0.70 (or 2.0%).

The Company continues to stand out through its capacity to generate profitable new business. The value of new sales reached \$1.53 per common share in 2008, which helped to increase embedded value by 4.4%. The embedded value of new business is particularly significant, as it allows for a judgment to be made on the profitability of the products and services offered by the Company.

The embedded value/book value ratio decreased slightly, from 1.66x as at December 31, 2007 to 1.54x as at December 31, 2008.

Embedded Value	Embedded value	Contribution to embedded value	Embedded Value per common share
	(\$Million)	(%)	(\$)
Embedded value as at December 31, 2007	2,787	--	34.92
Recurring items			
Expected growth of embedded value	188	6.8	2.36
New sales	123	4.4	1.53
Subtotal	311	11.2	3.89
Non-recurring items			
Experience gains (losses) – related to the equity markets	(427)	(15.3)	(5.35)
Experience gains (losses) – other	(37)	(1.4)	(0.47)
Changes in assumptions (including the discount rate and the return on shareholders' equity)	(56)	(2.0)	(0.70)
Changes to the solvency requirements	66	2.4	0.83
Acquisitions	(67)	(2.4)	(0.84)
Decrease in value of non-bank ABCP	(11)	(0.4)	(0.13)
Subtotal	(532)	(19.1)	(6.66)
Changes in the capital structure	19	0.7	0.05
Total variation in embedded value in 2008	(202)	(7.2)	(2.72)
Embedded value as at December 31, 2008, before dividends	2,585	--	32.20
Dividends paid to common shareholders	(75)	(2.7)	(0.94)
Embedded value as at December 31, 2008	2,510	(9.9)	31.26

To calculate embedded value, the Company uses a number of assumptions that reflect the current financial environment and that are consistent with the best estimates used by the appointed actuary in evaluating the provisions for future policy benefits. One of these assumptions is the risk premium. Like in past years, to calculate the embedded value as at December 31, 2008, the Company used a risk premium of 3%. Given the current financial environment and the importance that risk premium has gained in the economy, the Company used an additional test this year to measure the impact of a 3% increase in the risk premium. This test shows that a 3% increase in the risk premium would lead to a 29% or \$735 million decrease in embedded value (\$9.15 per common share). Embedded value would then amount to \$1,775 million, or \$22.11 per common share.

#### Normal Course Issuer Bid

With the approval of the Toronto Stock Exchange, the Board of Directors of Industrial Alliance Insurance and Financial Services Inc. has authorized the Company to purchase in the normal course of its activities, from February 18, 2009 to February 17, 2010, up to 3,900,000 common shares, representing approximately 4.86% of its 80,330,771 common shares issued and outstanding on February 11, 2009.

Under this authorization, the purchases will be made at market prices through the facility of the Toronto Stock Exchange in accordance with its rules and policies. The common shares thereby purchased will be cancelled.

The average daily trading volume of the Company's common shares was 283,604 on the TSX over the last six completed calendar months (the ADTV). Accordingly, since the Company is entitled to purchase up to 25% of the ADTV on any trading day, it can purchase 70,901 common shares per day.

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 the Company and its shareholders.

The Company may, subject to obtaining the prior written approval of the Exchange, enter into derivative transactions in the normal course of business, including forward contracts, pursuant to which it may acquire its common shares.

Under normal circumstances, the Company uses its normal course issuer bid to eliminate any dilutive effect caused by the issuance of common shares as part of the stock option plan or when business is acquired. However, the Company does not plan to buy back its shares to eliminate the dilutive effect caused by the issuance of common shares as part of the stock option plan until the financial situation in Canada becomes more stable.

Shareholders may obtain a free copy of the documents filed with the Exchange concerning this Bid by writing to the Corporate Secretary of Industrial Alliance.

### **Buy-Back of Shares**

Under the current normal course issuer bid, which began on February 15, 2008 and will end on February 14, 2009, so far the Company has purchased 134,350 common shares at an average price of \$35.96 per share, for a total amount of approximately \$4.8 million. The common shares thus purchased were cancelled.

These purchases were made to eliminate the dilutive effect of the common shares issued in 2008 as part of the Company's stock option plan and the acquisition of Excellence Life Insurance Company (the acquisition of Excellence was completed on January 31, 2008).

The Company does not expect to make any further purchases in the days remaining before expiry of the current normal course issuer bid.

### **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 – adjusted data – mainly concerning the profit, earnings per share and return on 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 solvency ratio, 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, 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. Unless otherwise indicated, any forward-looking information that presents prospective results of operations, financial position or cash flows was approved by management on the date of this news release.

Forward-looking 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. A description of significant factors that could affect forward-looking statements is contained in the Management's Discussion and Analysis section of the Company's most recent annual report.

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. Where the forward-looking statements are presented as guidance regarding the future financial results of Industrial Alliance, they are provided to help investors understand the impact on earnings of the Company's current plans and objectives. The Company may also provide objectives from time to time. An objective should be interpreted as a statement of management's goals in managing the Company, and not necessarily as a forecast that the objective will be met.

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, whether or not foreseeable, except as required by applicable securities legislation.

### **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 Company's products and services are offered on both an individual and group basis. The fourth largest life and health insurance company in Canada, Industrial Alliance is at the head of a large financial group, which has operations across Canada as well as in the Western United States. Industrial Alliance contributes to the financial well-being of over 3 million Canadians, employs more than 3,300 people and manages and administers over \$49 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.

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### **Information**

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