

NEWS RELEASE

Industrial Alliance Annual Meeting

The 2008 financial year characterized by conservatism

Quebec City, May 6, 2009 – "Given the great volatility of financial markets, we decided to exercise caution in 2008 and manage the assets that are entrusted to us in such a way as to protect ourselves from further stock markets downturns and interest rate reductions," said Yvon Charest, President and Chief Executive Officer of Industrial Alliance Insurance and Financial Services Inc. while commenting on the Company's 2008 results before shareholders and participating policyholders who attended the Industrial Alliance annual general meeting.

Measures Taken to Manage Risk

Before outlining the Company's results, which were presented under the theme "Staying the Course in Stormy Weather," Mr. Charest pointed out that the Company was able to stay on course in 2008, in spite of headwinds, thanks to a corporate culture that emphasizes conservative risk management.

Mr. Charest indicated that Industrial Alliance was ready to face a financial crisis due to a certain number of measures taken before the crisis. He pointed out three in particular:

- *Provisions for future policy benefits* – The Company made sure that it has a large enough cushion in its provisions for future policy benefits to absorb significant decreases in stock markets and interest rates.
- *Quality of investments* – The Company entered the crisis with one of the best quality investment portfolios in the industry.
- *Segregated funds guarantee* – Several years ago, the Company designed a prudent segregated funds guarantee which does not require that it maintain provisions for this guarantee, despite the sharp market downturn.

Mr. Charest stated that, once the crisis erupted, the Company did not stand by and watch events unfold. He listed six measures taken to protect policyholders and shareholders from the crisis:

- *Provisions for future policy benefits* – Although its provisions for future policy benefits were already conservative, the Company decided to strengthen the reserves more than necessary to face new stock market downturns and interest rate reductions. Compared to \$12 billion in provisions, the Company strengthened its provisions for future policy benefits by \$138 million (after taxes), of which approximately one half was not required to fulfil the Company's commitments.
- *Quality of investments* – In an effort to maintain a high-quality investment portfolio, the Company increased its ABCP writedown to 29%, made provisions for all securities weakened by the crisis and sold its investment in AIG.
- *Investment risk management* – To introduce a better check and balance system, the Company has created an Investment Risk Monitoring department whose mandate is to develop a global understanding of the control and monitoring of investment risks.
- *Capital management* – To maintain a solid capital base, the Company carried out two capital issues in 2008: a \$100 million subordinated debenture issue, in August 2008, and a \$100 million preferred share issue in November 2008. In March 2009, the Company carried out an additional \$100 million subordinated debenture issue.

- *Return on the investment portfolios* – The Company took advantage of the widening interest rate spread to optimize the asset mix and the return of its portfolio.
- *General expenses* – Inspired by the theme "essential expenses, no layoffs," the Company implemented strict measures to manage general expenses, but without reducing manpower.

Main Achievements in 2008

Pleased with the progress that the Company made in 2008, Mr. Charest went over last year's main results.

- *Positive net income* – Net income of \$66.1 million. This income was affected by the stock market downturn, by the credit crisis and by the strengthening of the provisions for future policy benefits to protect the Company against additional decreases in the stock markets and interest rates.
- *Increased financial strength* – Solvency ratio at 199% as at December 31, 2008, higher than the 193% ratio recorded as at December 31, 2007 and at the top of the Company's 175% to 200% target range.
- *Good quality of investments* – Net impaired investments of \$8.8 million, down by half compared to 2007. The proportion of net impaired investments represents just 0.06% of total investments as at December 31, 2008.
- *Good business growth* – All sectors experienced business growth, except for Individual Wealth Management, which was impacted by the stock market downturn. Two group sectors even had record sales in 2008.
- *Continued development outside Quebec* – For a third consecutive year, more than half of the sales from all business lines were made outside Quebec, which is in line with the Company's geographic diversification objective.
- *Five new acquisitions* – Conclusion of five new acquisitions in 2008, which enhanced the Company's product line, expanded its operations geographically and grew its distribution networks:
 - The Excellence Life Insurance Company, which specializes in health and disability insurance.
 - United Family Life Insurance Company, a U.S. life insurance company.
 - Sarbit Asset Management, a mutual fund management company.
 - AEGON Dealer Services Canada, a mutual fund brokerage firm and its affiliated Money Concepts network, a financial services firm.
 - Quebec-based financial advisors network of DundeeWealth, which specializes in mutual funds and insurance.
- *Increase in the dividend* – 24% increase in the dividend in 2008, to \$0.94 per common share.

Before closing, Mr. Charest stated that the Company still has enough leeway to absorb additional decreases in stock markets and interest rates, if need be. According to the Company's business plan, the quarterly dividend to common shareholders is expected to remain at the current level for 2009, namely \$0.2450 per common share.

In Mr. Charest's opinion, Industrial Alliance has proven itself in terms of risk management: "We've been proactive in managing risks, we've remained focused on our long-term strategy, and we've prepared the Company to be able to capitalize on an eventual recovery," he concluded. "We've weathered a good part of the storm without weakening the Company, and we are confident that we will be able to resist any further downturns, if they occur, for the greater good of our policyholders and shareholders."

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 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 wellbeing of over three million Canadians, employs more than 3,400 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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