

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This prospectus supplement, together with the short form base shelf prospectus dated April 29, 2011 to which it relates, as amended or supplemented, and each document incorporated by reference in the short form base shelf prospectus, as amended or supplemented, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the **U.S. Securities Act**) or the securities laws of any state of the United States of America and may not be offered, sold or delivered, directly or indirectly, within the United States, its territories, its possessions and other areas subject to its jurisdiction or to, or for the account or benefit of U.S. persons (as defined in Regulation S under the U.S. Securities Act), except in certain transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. This prospectus supplement does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States.

**Information has been incorporated by reference in this prospectus supplement and the short form base shelf prospectus dated April 29, 2011 from documents filed with securities commissions or similar authorities in Canada.** See "Documents Incorporated by Reference". Copies of the documents incorporated herein or therein 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](http://www.sedar.com)

**Prospectus Supplement**  
(To the Short Form Base Shelf Prospectus dated April 29, 2011)

New Issue

June 20, 2012



**\$100,000,000**  
**(4,000,000 Shares)**

**4.30% Non-Cumulative 5-Year Rate Reset Class A Preferred Shares Series G**

The Non-Cumulative 5-Year Rate Reset Class A Preferred Shares Series G (the **Series G Preferred Shares**) of Industrial Alliance Insurance and Financial Services Inc. (**Industrial Alliance** or the **Company**) offered by this prospectus supplement constitute an additional issuance of Series G Preferred Shares that the Company initially issued on June 1, 2012 (the **Initial Closing Date**). See "Details of the Offering — Certain Provisions of the Series G Preferred Shares as a Series - General". The Company anticipates that the closing date of this offering will be June 28, 2012.

The holders of Series G Preferred Shares will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the board of directors of Industrial Alliance (the **Board of Directors**) for the initial period from and including the Initial Closing Date, to but excluding June 30, 2017 (the **Initial Fixed Rate Period**), payable quarterly on March 31, June 30, September 30 and December 31 in each year, at an annual rate equal to \$1.0750 per Series G Preferred Share. The initial dividend, if declared, will be payable on September 30, 2012 and will amount to \$0.3564 per Series G Preferred Share, representing the dividend, if declared, that will be computed by reference to the Initial Closing Date. See "Details of the Offering".

For each five-year period after the Initial Fixed Rate Period (each a **Subsequent Fixed Rate Period**), the holders of Series G Preferred Shares will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on March 31, June 30, September 30 and December 31 in each year, in the amount per Series G Preferred Share per annum determined by multiplying the Annual Fixed Dividend Rate (as defined herein) applicable to such Subsequent Fixed Rate Period by \$25.00. The Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period will be determined by the Company on the 30<sup>th</sup> day prior to the first day of such Subsequent Fixed Rate Period and will be equal to the sum of the Government of Canada Yield (as defined herein) on the date on which the Annual Fixed Dividend Rate is determined plus 2.85%. See "Details of the Offering".

### Option to Convert Into Series H Preferred Shares

Subject to the Company's right to redeem all the Series G Preferred Shares and to the prior consent of the *Autorité des marchés financiers* (the **AMF**), the holders of Series G Preferred Shares will have the right, at their option, to convert any or all of their Series G Preferred Shares into an equal number of Non-Cumulative Floating Rate Class A Preferred Shares Series H of Industrial Alliance (the **Series H Preferred Shares**), subject to certain conditions, on June 30, 2017 and on June 30 every five years thereafter. The holders of Series H Preferred Shares will be entitled to receive floating rate non-cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on March 31, June 30, September 30 and December 31 in each year (the initial quarterly dividend period and each subsequent quarterly dividend period is referred to as a **Quarterly Floating Rate Period**), in the amount per Series H Preferred Share determined by multiplying the applicable Floating Quarterly Dividend Rate (as defined herein) by \$25.00. The Floating Quarterly Dividend Rate will be equal to the sum of the T-Bill Rate (as defined herein) plus 2.85% (calculated on the basis of the actual number of days elapsed in the applicable Quarterly Floating Rate Period divided by 365) determined on the 30<sup>th</sup> day prior to the first day of the applicable Quarterly Floating Rate Period. See "Details of the Offering".

The Series G Preferred Shares shall not be redeemable prior to June 30, 2017. Subject to the provisions of *An Act respecting Insurance* (Québec), including the regulations, rules, policy statements, instruments and guidelines thereunder (the **Insurance Act**) and the prior consent of the AMF and to the provisions described below under "Details of the Offering - Certain Provisions of the Series G Preferred Shares as a Series - Restrictions on Dividends and Retirement of Shares", on June 30, 2017, and on June 30 every five years thereafter, on not more than 60 nor less than 30 days' notice, Industrial Alliance may redeem all or any part of the then outstanding Series G Preferred Shares, at Industrial Alliance's option without the consent of the holder, by the payment of an amount in cash (the **Redemption Price**) for each Series G Preferred Share so redeemed of \$25.00 together with an amount equal to the sum of all declared and unpaid dividends to the date fixed for redemption (less any tax required to be deducted and withheld by the Company). See "Details of the Offering".

The Series G Preferred Shares and the Series H Preferred Shares do not have a fixed maturity date and are not redeemable at the option of the holders thereof. See "Risk Factors".

The Series G Preferred Shares are provisionally rated Pfd-2 (high) under review with a Negative trend by DBRS Limited (**DBRS**), and P-1(Low) by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. (**S&P**) using the S&P Canadian scale for preferred shares and "A-" using S&P's global scale for preferred shares. See "Ratings".

The outstanding Class A Preferred Shares Series B, Class A Preferred Shares Series C, Class A Preferred Shares Series E, Class A Preferred Shares Series F and Series G Preferred Shares of the Company, as well as the Series H Preferred Shares issuable on conversion of the Series G Preferred Shares, are listed for trading (or, in the case of the Series H Preferred Shares, conditionally approved for listing) on the Toronto Stock Exchange (the **TSX**), under the symbols "IAG.PR.A", "IAG.PR.C", "IAG.PR.E", "IAG.PR.F", "IAG.PR.G" and "IAG.PR.H" respectively. On June 18, 2012, the last trading day before the date of the public announcement of this offering, the closing sale prices of the Class A Preferred Shares Series B, Class A Preferred Shares Series C, Class A Preferred Shares Series E, Class A Preferred Shares Series F and Series G Preferred Shares on the TSX were \$23.38, \$26.07, \$25.76, \$26.10 and \$25.50, respectively.

The Company has applied to list on the TSX the additional Series G Preferred Shares and the additional Series H Preferred Shares issuable on conversion of the Series G Preferred Shares described in this prospectus supplement under the existing symbols "IAG.PR.G" and "IAG.PR.H". Listing will be subject to the Company fulfilling all of the requirements of the TSX.

**An investment in the securities offered hereunder involves risk. It is important for a prospective subscriber to consider the particular risk factors that may affect the industry in which it is investing and therefore the stability of the dividends that it receives. The risk factors identified under the heading "Risk Factors" and elsewhere in this prospectus supplement and the**

Prospectus (as defined below), and in the information incorporated by reference in the Prospectus and this prospectus supplement should be carefully reviewed and evaluated by prospective subscribers before purchasing the securities being offered hereunder. See “Risk Factors”.

A potential investor should be aware that the purchase of Series G Preferred Shares may have tax consequences. This prospectus supplement may not describe these tax consequences fully. A potential investor should read the tax discussion in this prospectus supplement and consult with a tax advisor. See “Certain Canadian Federal Income Tax Considerations”.

Industrial Alliance’s head office is located at 1080 Grande Allée West, Québec City, Québec, G1K 7M3.

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**Price: \$25.00 per Series G Preferred Share to yield initially 4.30% per annum**

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BMO Nesbitt Burns Inc., Scotia Capital Inc., RBC Dominion Securities Inc., CIBC World Markets Inc., National Bank Financial Inc., TD Securities Inc., Desjardins Securities Inc., Laurentian Bank Securities Inc., Canaccord Genuity Corp., Casgrain & Company Limited and Industrial Alliance Securities Inc. (collectively, the **Underwriters**), as principals, conditionally offer the Series G Preferred Shares, subject to prior sale if, as and when issued by Industrial Alliance and accepted by the Underwriters in accordance with the terms and conditions of the underwriting agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of Industrial Alliance by Norton Rose Canada LLP and on behalf of the Underwriters by McCarthy Tétrault LLP. **Industrial Alliance Securities Inc., one of the Underwriters, is a wholly-owned subsidiary of Industrial Alliance. Industrial Alliance is a “related” issuer of Industrial Alliance Securities Inc. under applicable securities legislation by virtue of Industrial Alliance’s interest in Industrial Alliance Securities Inc. See “Plan of Distribution”.**

	<u>Price to the Public</u>	<u>Underwriters’ Fee <sup>(1)</sup></u>	<u>Net Proceeds to Industrial Alliance <sup>(2)</sup></u>
Per Series G Preferred Share .....	\$25.00	\$0.75	\$24.25
Total .....	\$100,000,000	\$3,000,000	\$97,000,000

(1) The Underwriters’ fee is \$0.25 for each Series G Preferred Share sold to certain institutions and \$0.75 for all other Series G Preferred Shares which are sold. The totals set forth in the table represent the Underwriters’ fee and net proceeds assuming no Series G Preferred Shares are sold to such institutions.

(2) Before deduction of expenses of this offering payable by Industrial Alliance estimated at \$300,000 which, together with the Underwriters’ fee, will be paid from the general funds of Industrial Alliance. See “Use of Proceeds”.

In connection with this offering, the Underwriters may, subject to applicable laws, over-allot or effect transactions which stabilize or maintain the market price of the Series G Preferred Shares at a level other than that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. **The Underwriters may offer Series G Preferred Shares at a price lower than the offering price of \$25.00. See “Plan of Distribution”.**

Subscriptions for the Series G Preferred Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of this offering will take place on June 28, 2012 or on such other date as Industrial Alliance and the Underwriters may agree but no later than June 30, 2012. On the closing of this offering, the Company will cause a “book-entry only” global certificate representing the Series G Preferred Shares to be delivered to, and registered in the name of, CDS Clearing and Depository Services Inc. or its nominee (**CDS**). Subject to certain exceptions, purchasers of Series G Preferred Shares will not have the right to receive physical certificates evidencing their ownership of Series G Preferred Shares. Purchasers of Series G Preferred Shares will receive a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Series G Preferred Shares are purchased. See “Book-Entry Only Securities”.

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In this prospectus supplement, unless otherwise indicated, capitalized terms which are defined in the accompanying short form base shelf prospectus of the Company dated April 29, 2011 (the **Prospectus**) are used herein with the meaning defined therein. If information in this prospectus supplement is inconsistent with the accompanying Prospectus, investors should rely on the information in this prospectus supplement. All references to “dollars” in this prospectus supplement are to Canadian dollars unless otherwise indicated.

Industrial Alliance adopted International Financial Reporting Standards, as defined by the International Accounting Standard Board and which have been prescribed as being Canadian generally accounting principles for publicly accountable enterprises by the Accounting Standards Board of the Canadian Institute of Chartered Accountants for financial years beginning on or after January 1, 2011 (**IFRS**), effective for interim and annual periods commencing January 1, 2011 with comparative IFRS information for interim periods for the previous fiscal year. Prior to the adoption of IFRS, including for the year ended December 31, 2010, Industrial Alliance prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles as in effect prior to January 1, 2011 (**Canada GAAP**).

### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the Prospectus or documents incorporated by reference therein may contain statements relating to strategies used by Industrial Alliance or statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “may”, “will”, “could”, “should”, “would”, “suspect”, “outlook”, “expect”, “anticipate”, “intend”, “plan”, “believe”, “estimate”, “objective”, “feel”, “seek” and “continue” (or the negative thereof), as well as words such as “objective” or “goal” or other similar words or expressions. Such statements constitute forward-looking statements within the meaning of securities laws. Forward-looking statements include, but are not limited to, the information concerning possible or assumed future operating results of Industrial Alliance,

including market guidance for 2012 and sensitivity analysis. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future action by Industrial Alliance, including statements made by Industrial Alliance with respect to the expected benefits of acquisitions or divestitures, are also forward-looking statements. These statements are not historical facts; they represent only Industrial Alliance's expectations, estimates and projections regarding future events.

Although Industrial Alliance believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements and they should not be interpreted as confirming market or analysts' expectations in any way. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Factors that could cause actual results to differ materially from expectations include, but are not limited to:

- general business and economic conditions (including but not limited to performance and volatility of equity markets, interest rate fluctuations and movements in credit spreads, currency rates, investment losses and defaults, market liquidity and creditworthiness of guarantors, reinsurers and counterparties);
- level of competition and consolidation;
- changes in laws and regulations including tax laws;
- changes in accounting standards;
- ability to execute strategic plans and changes to strategic plans;
- liquidity of Industrial Alliance, including the availability of financing to meet existing financial commitments on their expected maturity dates when required;
- downgrades in Industrial Alliance's financial strength or credit ratings;
- dependence on third party relationships including outsourcing arrangements;
- ability to maintain Industrial Alliance's reputation;
- impairments of goodwill or intangible assets or the establishment of valuation allowances against future tax assets;
- insurance risks including product design and pricing, mortality, morbidity, longevity and policyholder behaviour including the occurrence of natural or man-made disasters, pandemic diseases and acts of terrorism;
- ability to market and distribute products through current and future distribution channels;
- accuracy of estimates used in applying accounting policies and actuarial methods used by Industrial Alliance;
- accuracy of accounting policies and actuarial methods used by Industrial Alliance;
- ability to implement effective hedging strategies and unforeseen consequences arising from such strategies;
- ability to source appropriate non-fixed income assets to back Industrial Alliance's long dated liabilities;
- failure of information systems and Internet-enabled technology;
- breaches of computer security and privacy;
- the realization of losses arising from the sale of investments classified as available for sale;
- obligations to pledge additional collateral;
- the availability of letters of credit to provide capital management flexibility;

- accuracy of information received from counterparties and the ability of counterparties to meet their obligations;
- the availability, affordability and adequacy of reinsurance;
- legal and regulatory proceedings, including tax audits, tax litigation or similar proceedings and including private legal proceedings and class actions relating to practices in the mutual fund, insurance, annuity and financial product distribution industries;
- ability to adapt products and services to the changing market;
- ability to attract and retain key executives, employees and agents;
- the appropriate use and interpretation of complex models or deficiencies in models used;
- acquisitions and Industrial Alliance's ability to complete acquisitions including the availability of equity and debt financing for this purpose;
- unforeseen liabilities or asset impairments arising from acquisitions and dispositions of businesses;
- the disruption of or changes to key elements of Industrial Alliance's or public infrastructure systems;
- environmental concerns; and
- Industrial Alliance's ability to protect its intellectual property and exposure to claims of infringement.

Additional information about material factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in the Prospectus under "Risk Factors" as well as under "Risk Management" in Industrial Alliance's management's discussion and analysis for the most recent audited comparative consolidated financial statements, in the "Management of Risks Associated with Financial Instruments" note to the most recent Industrial Alliance's consolidated financial statements, and elsewhere in Industrial Alliance's filings with Canadian securities regulators, which are available for review at [www.sedar.com](http://www.sedar.com).

The forward-looking statements in this prospectus supplement reflect Industrial Alliance's expectations as of the date of this document. 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 supplement or to reflect the occurrence of unanticipated events, except as required by law.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

This prospectus supplement is deemed to be incorporated by reference, as of the date hereof, into the Prospectus solely for the purpose of this offering of Series G Preferred Shares. Other documents are also incorporated or deemed to be incorporated by reference into the Prospectus including the following documents filed with securities commissions or similar authorities in Canada and reference should be made to the Prospectus for full particulars thereof:

- (a) Industrial Alliance's audited comparative consolidated financial statements and the notes thereto for the years ended December 31, 2011 and 2010, together with the auditor's report thereon and the report of the appointed actuary for the years ended December 31, 2011 and 2010, as set out on page 3 of the audited comparative consolidated financial statements;
- (b) Industrial Alliance's management's discussion and analysis to the audited comparative consolidated financial statements referred to in paragraph (a) (the **Annual MD&A**);
- (c) Industrial Alliance's unaudited interim consolidated financial statements and the notes thereto for the three-month period ended March 31, 2012;

- (d) Industrial Alliance's management's discussion and analysis to the unaudited interim consolidated financial statements referred to in paragraph (c) (the **Interim MD&A**);
- (e) Industrial Alliance's Annual Information Form dated March 30, 2012 for the year ended December 31, 2011; and
- (f) Industrial Alliance's management proxy circular dated March 1, 2012 in connection with the annual and special meeting of shareholders and participating policyholders held on May 10, 2012.

Any documents of the types referred to above, any business acquisition reports and any material change reports (excluding confidential material change reports, if any) filed by Industrial Alliance with the securities regulatory authorities in Canada after the date of this prospectus supplement and prior to the termination of this offering shall be deemed to be incorporated by reference into the Prospectus.

Any statement contained in the Prospectus, in this prospectus supplement or in a document incorporated or deemed to be incorporated by reference herein or in the Prospectus for the purposes of this offering shall be deemed to be modified or superseded, for purposes of this prospectus supplement or of the Prospectus, to the extent that a statement contained herein or in the Prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein or in the Prospectus modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or included any other information set forth in the document that it modifies or supersedes. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement. The making of a modifying or superseding 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.

#### **ELIGIBILITY FOR INVESTMENT**

In the opinion of Norton Rose Canada LLP, counsel to Industrial Alliance, and McCarthy Tétrault LLP, counsel to the Underwriters, based on the provisions of the *Income Tax Act* (Canada), as amended, (the **Tax Act**) and the regulations thereunder, the Series G Preferred Shares and Series H Preferred Shares, if issued on the date hereof, would be qualified investments on such date for a trust governed by a registered retirement savings plan (**RRSP**), a registered retirement income fund (**RRIF**), a registered education savings plan, a deferred profit sharing plan, a registered disability savings plan and a tax-free savings account (**TFSA**).

Notwithstanding that the Series G Preferred Shares and Series H Preferred Shares may be qualified investments for a trust governed by an RRSP, RRIF or TFSA, the annuitant of an RRSP or RRIF or the holder of a TFSA will be subject to a penalty tax on the Series G Preferred Shares and Series H Preferred Shares held in the RRSP, RRIF or TFSA and other tax consequences may result if such Series G Preferred Shares or Series H Preferred Shares are a "prohibited investment" for the purposes of section 207.01 of the Tax Act. The Series G Preferred Shares and Series H Preferred Shares will not be a "prohibited investment" for a trust governed by an RRSP, RRIF or TFSA on such date provided the annuitant of the RRSP or RRIF or the holder of the TFSA, as the case may be, deals at arm's length with the Company for purposes of the Tax Act and does not have a significant interest (within the meaning of the Tax Act) in the Company or in any person or partnership with which the Company does not deal at arm's length for purposes of the Tax Act.

## RECENT DEVELOPMENTS

On September 15, 2011, Industrial Alliance announced the merger of its subsidiary, Industrial Alliance Pacific Insurance and Financial Services Inc. (**Industrial Alliance Pacific**), with its own operations. The merger is anticipated to be completed on or about June 30, 2012, subject to approval of the AMF and receipt of other required regulatory approvals, including without limitation the approval of the Minister of Finance of Quebec pursuant to the Insurance Act.

On the Initial Closing Date, the Company completed an initial issuance of 6,000,000 Series G Preferred Shares. See "Prior Sales."

## CAPITAL STRUCTURE

The authorized capital of Industrial Alliance consist of a) an unlimited number of common shares without nominal or par value (the **Common Shares**), b) an unlimited number of class A preferred shares without nominal or par value, issuable in series (the **Class A Preferred Shares**), and c) 10,000,000 preferred shares with a nominal or par value of \$25 per share issuable in series (the **Preferred Shares**)

As of March 31, 2012, 90,584,021 Common Shares, 4,000 Non-Cumulative Class A Preferred Shares Series A, 5,000,000 Class A Preferred Shares Series B, 4,000,000 Class A Preferred Shares Series C, 4,000,000 Class A Preferred Shares Series E and 4,000,000 Class A Preferred Shares Series F were issued an outstanding.

See "Description of Share Capital – Class A Preferred Shares" in the Prospectus for a summary of certain rights, privileges, restrictions and conditions attaching to the Class A Preferred Shares as a class and the Common Shares.

## PRIOR SALES

On the Initial Closing Date, the Company issued 6,000,000 Series G Preferred Shares at an issue price of \$25.00 per share for aggregate gross proceeds of \$150 million.

## DETAILS OF THE OFFERING

The following is a summary of certain provisions of the Series G Preferred Shares as a series and the Series H Preferred Shares as a series, each of which represents a series of Class A Preferred Shares of the Company offered hereby. See "Description of Share Capital - Class A Preferred Shares" in the Prospectus for a description of the general terms and provisions of the Class A Preferred Shares of the Company as a class.

This summary is qualified in its entirety by reference to (i) the Articles pursuant to which the Class A Preferred Shares were created, copies of which were filed by the Company with the Canadian securities regulatory authorities and are available at [www.sedar.com](http://www.sedar.com), and (ii) the articles of amendment of the Company pursuant to which the Series G Preferred Shares and the Series H Preferred Shares were created, copies of which were filed by the Company with the Canadian securities regulatory authorities and are available at [www.sedar.com](http://www.sedar.com).



## Certain Provisions of the Series G Preferred Shares as a Series

### **General**

On June 1, 2012, the Company issued 6,000,000 Series G Preferred Shares. The Series G Preferred Shares are currently listed for trading on the TSX and the Series H Preferred Shares issuable on conversion of the Series G Preferred Shares are conditionally approved for listing on the TSX under the symbols "IAG.PR.G" and "IAG.PR.H", respectively. The Company has applied to list on the TSX the additional Series G Preferred Shares and the additional Series H Preferred Shares issuable on conversion of the Series G Preferred Shares offered under this prospectus supplement under the existing symbols "IAG.PR.G" and "IAG.PR.H". Listing will be subject to the Company fulfilling all of the requirements of the TSX. As of the date of this prospectus supplement, there are 6,000,000 Series G Preferred Shares and no Series H Preferred Shares issued and outstanding.

### **Definition of Terms**

The following definitions are relevant to the Series G Preferred Shares.

**"Annual Fixed Dividend Rate"** means, for any Subsequent Fixed Rate Period, the rate (expressed as a percentage rate rounded down to the nearest one hundred thousandth of one percent (with 0.000005% being rounded up) equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date plus 2.85%.

**"Bloomberg Screen GCAN5YR Page"** means the display designated as page "GCAN5YR<INDEX>" on the Bloomberg Financial L.P. service (or such other page as may replace the GCAN5YR page on that service) for purposes of displaying Government of Canada Bond yields.

**"Fixed Rate Calculation Date"** means, for any Subsequent Fixed Rate Period, the 30<sup>th</sup> day prior to the first day of such Subsequent Fixed Rate Period.

**"Government of Canada Yield"** on any date means the yield to maturity on such date (assuming semi-annual compounding) of a Canadian dollar denominated non-callable Government of Canada bond with a term to maturity of five years as quoted as of 10:00 a.m. (Toronto time) on such date and which appears on the Bloomberg Screen GCAN5YR Page on such date; provided that, if such rate does not appear on the Bloomberg Screen GCAN5YR Page on such date, the Government of Canada Yield will mean the average of the yields determined by two registered Canadian investment dealers, other than Industrial Alliance Securities Inc., selected by the Company, as being the yield to maturity on such date (assuming semi-annual compounding) which a Canadian dollar denominated non-callable Government of Canada bond would carry if issued in Canadian dollars at 100% of its principal amount on such date with a term to maturity of five years.

**"Initial Fixed Rate Period"** means the period from and including the Initial Closing Date to but excluding June 30, 2017.

**"Subsequent Fixed Rate Period"** means for the initial Subsequent Fixed Rate Period, the period from and including June 30, 2017 to but excluding June 30, 2022 and for each succeeding Subsequent Fixed Rate Period, the period commencing on the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period to but excluding June 30 in the fifth year thereafter.

## ***Dividends***

During the Initial Fixed Rate Period, the holders of the Series G Preferred Shares will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the Board of Directors, and subject to the provisions of the Insurance Act, payable quarterly on March 31, June 30, September 30 and December 31 in each year, at an annual rate equal to \$1.0750 per Series G Preferred Share. The initial dividend, if declared, will be payable on September 30, 2012 and will amount to \$0.3564 per Series G Preferred Share, based on the Initial Closing Date of June 1, 2012.

During each Subsequent Fixed Rate Period after the Initial Fixed Rate Period, the holders of Series G Preferred Shares will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the Board of Directors, and subject to the provisions of the Insurance Act, payable quarterly on March 31, June 30, September 30 and December 31 in each year, in the amount per Series G Preferred Share per annum determined by multiplying the Annual Fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by \$25.00.

The Annual Fixed Dividend Rate applicable to a Subsequent Fixed Rate Period will be determined by the Company on the Fixed Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon the Company and upon all holders of Series G Preferred Shares. The Company will, on the Fixed Rate Calculation Date, give written notice of the Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period to the registered holders of the then outstanding Series G Preferred Shares.

If the Board of Directors does not declare a dividend, or any part thereof, on the Series G Preferred Shares on or before the dividend payment date for a particular quarter, then the entitlement of the holders of the Series G Preferred Shares to receive such dividend, or to any part thereof, for such quarter will be forever extinguished.

Payments of dividends and other amounts in respect of the Series G Preferred Shares will be made by the Company to CDS, or its nominee, as the case may be, as registered holder of the Series G Preferred Shares. As long as CDS, or its nominee, is the registered holder of the Series G Preferred Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series G Preferred Shares for the purposes of receiving payment on the Series G Preferred Shares.

## ***Redemption***

The Series G Preferred Shares will not be redeemable by Industrial Alliance prior to June 30, 2017. Subject to the provisions of the Insurance Act and to the prior consent of the AMF and to the provisions described below under the heading "Restrictions on Dividends and Retirement of Shares", on June 30, 2017 and on June 30 every five years thereafter, the Company may redeem all or any part of the then outstanding Series G Preferred Shares, at the Company's option without the consent of the holder, by the payment of an amount in cash for each Series G Preferred Share so redeemed of \$25.00 together with an amount equal to the sum of all declared and unpaid dividends to the date fixed for redemption (less any tax required to be deducted and withheld by the Company). Should any such June 30 not be a business day, the redemption date in that year will be the next succeeding business day.

Notice of any redemption will be given by the Company at least 30 days and not more than 60 days prior to the date fixed for redemption. If less than all the outstanding Series G Preferred Shares are at any time to be redeemed, the shares to be redeemed will be redeemed pro rata, disregarding fractions.

### ***Conversion of Series G Preferred Shares into Series H Preferred Shares***

Subject to the right of the Company to redeem the Series G Preferred Shares described above under the heading "Redemption" and to the prior consent of the AMF, holders of Series G Preferred Shares will have the right, at their option, on June 30, 2017 and on June 30 every five years thereafter (a **Series G Conversion Date**), to convert, subject to the restrictions on conversion described below and the payment or delivery to the Company of evidence of payment of the tax (if any) payable, all or any of their Series G Preferred Shares registered in their name into Series H Preferred Shares on the basis of one Series H Preferred Share for each Series G Preferred Share. Should any such June 30 not be a business day, the Series G Conversion Date will be the next succeeding business day. The conversion of Series G Preferred Shares may be effected upon written notice given to Industrial Alliance not earlier than the 30<sup>th</sup> day prior to, but not later than 5:00 p.m. (Toronto time) on the 15<sup>th</sup> day preceding the applicable Series G Conversion Date. Once received by Industrial Alliance, the conversion notice is irrevocable. If the Company does not receive the conversion notice in writing from the holder exercising the above-mentioned conversion right during the time fixed therefor, then the Series G Preferred Shares shall be deemed not to have been converted (except in the case of an automatic conversion as described below).

The Company will, at least 30 days and not more than 60 days prior to the applicable Series G Conversion Date, give notice in writing to the then registered holders of the Series G Preferred Shares of the applicable Series G Conversion Date and will provide the holders with a form of conversion notice to exercise their conversion right. On the 30<sup>th</sup> day prior to each Series G Conversion Date, the Company will give notice in writing to the then registered holders of the Series G Preferred Shares of the Annual Fixed Dividend Rate for the next succeeding Subsequent Fixed Rate Period.

Holders of Series G Preferred Shares will not be entitled to convert their shares into Series H Preferred Shares if the Company determines that there would remain outstanding on a Series G Conversion Date less than 1,000,000 Series H Preferred Shares, after having taken into account all Series G Preferred Shares tendered for conversion into Series H Preferred Shares and all Series H Preferred Shares tendered for conversion into Series G Preferred Shares. The Company will give notice in writing thereof to all registered holders of Series G Preferred Shares at least seven days prior to the applicable Series G Conversion Date. Furthermore, if the Company determines that there would remain outstanding on a Series G Conversion Date less than 1,000,000 Series G Preferred Shares, after having taken into account all Series G Preferred Shares tendered for conversion into Series H Preferred Shares and all Series H Preferred Shares tendered for conversion into Series G Preferred Shares, then, subject to the prior consent of the AMF, all, but not part, of the remaining outstanding Series G Preferred Shares will automatically be converted into Series H Preferred Shares on the basis of one Series H Preferred Share for each Series G Preferred Share on the applicable Series G Conversion Date and the Company will give notice in writing thereof to the then registered holders of such remaining Series G Preferred Shares at least seven days prior to the Series G Conversion Date.

Upon the exercise by the holder of this right to convert Series G Preferred Shares into Series H Preferred Shares (and upon an automatic conversion), the Company reserves the right not to issue Series H Preferred Shares to any person whose address is in, or whom the Company or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Company to comply with the securities, insurance or analogous laws of such jurisdiction, including registration, prospectus, filing or other similar requirements under the applicable laws of such jurisdiction.

If the Company gives notice to the registered holders of the Series G Preferred Shares of the redemption of all the Series G Preferred Shares, the Company will not be required to give notice as provided hereunder to the registered holders of the Series G Preferred Shares of an Annual Fixed Dividend Rate or of the conversion right of holders of Series G Preferred Shares and the right of any holder of Series G Preferred Shares to convert such Series G Preferred Shares will cease and terminate in that event.

### ***Purchase for Cancellation***

Subject to the provisions of the Insurance Act, the prior consent of the AMF and the provisions described below under “Restrictions on Dividends and Retirement of Shares”, Industrial Alliance may at any time purchase for cancellation all or from time to time any Series G Preferred Share outstanding in the open market or by private contract or tender, at any price.

### ***Rights on Liquidation***

In the event of the liquidation, dissolution or winding-up of Industrial Alliance, whether voluntary or involuntary, or any other distribution of assets of Industrial Alliance for the purpose of winding-up its affairs, subject to the prior satisfaction of the claims of all creditors of the Company and of holders of shares of the Company ranking prior to the Series G Preferred Shares, the holders of the Series G Preferred Shares will be entitled to receive \$25.00 per Series G Preferred Share, together with all declared and unpaid dividends to the date of payment (less any tax required to be deducted and withheld by the Company), before any amounts are paid or any assets of Industrial Alliance are distributed to the holders of any shares ranking junior to the Series G Preferred Shares. After payment of those amounts, the holders of Series G Preferred Shares will not be entitled to share in any further distribution of the property or assets of Industrial Alliance.

### ***Restrictions on Dividends and Retirement of Shares***

As long as any Series G Preferred Shares are outstanding, Industrial Alliance will not, without the approval of the holders of outstanding Series G Preferred Shares given as described under “Shareholder Approval” below:

- (a) declare or pay any dividend on its Common Shares or any other shares of the Company ranking junior to the Series G Preferred Shares (other than stock dividends in any shares ranking junior to the Series G Preferred Shares);
- (b) redeem, purchase or otherwise retire any Common Shares or any other shares ranking junior to the Series G Preferred Shares (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Series G Preferred Shares);
- (c) redeem, purchase or otherwise retire or make any return of capital in respect of less than all the Series G Preferred Shares; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provision attaching to any series of Class A Preferred Shares or other preferred shares of Industrial Alliance issuable in series, redeem, purchase, or otherwise retire any other shares ranking on a parity with the Series G Preferred Shares;

unless, in each case, all dividends on the Series G Preferred Shares up to and including those payable on the dividend payment date for the last completed period for which dividends are payable and in respect of which the rights of holders to such dividends have not been extinguished, and all dividends then accrued on all other shares ranking senior to or on a parity with the Series G Preferred Shares up to the immediately preceding respective date or dates for payment and in respect of which the rights of holders of those shares have not been extinguished, have been declared and paid or set apart for payment.

In addition, the Company is prohibited from paying dividends on its preferred shares in certain other circumstances. See “Restrictions” and “Risk Factors”.

### ***Issue of Additional Series of Class A Preferred Shares***

Industrial Alliance may issue other series of Class A Preferred Shares ranking on a parity with the Series G Preferred Shares or may issue shares of any other class or series ranking on a parity or junior to Class A Preferred Shares without the approval of the holders of the Series G Preferred Shares.

### ***Amendments to the Series G Preferred Shares***

Except for amendments of a “housekeeping” or clerical nature, Industrial Alliance will not, without the approval of the holders of the Series G Preferred Shares given as specified under “Shareholder Approval” below and any other necessary approval (including without limitation the TSX), delete, add to or vary any rights, privileges, restrictions or conditions attaching to the Series G Preferred Shares. In addition to the aforementioned approval, Industrial Alliance will not without, but may from time to time with, any necessary consent of the AMF, make any such deletion, addition or variation which might affect the classification afforded the Series G Preferred Shares from time to time for capital adequacy requirements pursuant to the Insurance Act and the regulations and guidelines thereunder.

### ***Shareholder Approval***

The approval of holders of the Series G Preferred Shares to change or remove any right, privilege, restriction or condition attaching to the Series G Preferred Shares as a series or in respect of any other matter requiring the consent of the holders of the Series G 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 ( $\frac{2}{3}$ ) of the votes cast at a meeting of the holders of the Series G Preferred Shares duly called for that purpose at which the holders of at least one-fourth ( $\frac{1}{4}$ ) of the outstanding Series G Preferred Shares are present in person or represented by proxy. If at any such meeting, the holders of at least one-fourth ( $\frac{1}{4}$ ) of the outstanding Series G 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 Series G 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 ( $\frac{2}{3}$ ) of the votes cast constitutes the approval of the holders of the Series G Preferred Shares referred to above. On every poll taken at every meeting of the holders of the Class A Preferred Shares Series G as a series, 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 Series G entitled to vote thereat has one vote in respect of each Class A Preferred Share Series G held.

### ***Voting Rights***

Subject to applicable law, the holders of Series G Preferred Shares will not be entitled to receive notice of, or to attend or to vote at, any meeting of the shareholders or participating policyholders of Industrial Alliance unless and until the first time at which the Board of Directors has not declared the whole dividend on the Series G Preferred Shares in respect of any quarter. In that event, the holders of the Series G Preferred Shares will be entitled to receive notice of, and to attend, only meetings of shareholders at which directors are to be elected and will be entitled to one vote for each Series G Preferred Share held in the election of directors only but not in respect of any other business. The voting rights of the holders of the Series G Preferred Shares will forthwith cease upon payment by Industrial Alliance of the first quarterly dividend on the Series G Preferred Shares to which the holders are entitled subsequent to the time such voting rights first arose until such time as the Company may again fail to declare the whole dividend on the Series G Preferred Shares in respect of any quarter, in which event such voting rights will become effective again and so on from time to time.

### ***Priority***

The Series G Preferred Shares will rank on parity with all other series of Class A Preferred Shares of the Company as to the payment of dividends and the return of capital. The Series G Preferred Shares will rank on parity with the Preferred Shares and prior to the Common Shares and all other classes of shares of the Company ranking junior to the Series G Preferred Shares with respect to the payment of dividends and the distribution of the assets of the Company in the event of the dissolution, liquidation or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its participating policyholders and shareholders for the specific purpose of winding-up its affairs.

### ***Tax Election***

As required by the terms and conditions of the Series G Preferred Shares as a series, the Company will elect, in the manner and within the time provided under Part VI.1 of the Tax Act, to pay tax at a rate such that holders of Series G Preferred Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series G Preferred Shares. See "Certain Canadian Federal Income Tax Considerations".

### ***Business Days***

If any action or payment is required to be taken or paid by the Company or any matter, consequence or other thing is provided to occur, in respect of the Series G Preferred Shares on a day that is not a business day, then such action or payment will be taken or made and such matter, consequence or other thing will occur on the immediately following day which is a business day.

### **Certain Provisions of the Series H Preferred Shares as a Series**

#### ***Definition of Terms***

The following definitions are relevant to the Series H Preferred Shares.

**"Floating Quarterly Dividend Rate"** means, for any Quarterly Floating Rate Period, the rate (expressed as a percentage rate rounded down to the nearest one hundred thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date plus 2.85% (calculated on the basis of the actual number of days elapsed in such Quarterly Floating Rate Period divided by 365).

**"Floating Rate Calculation Date"** means, for any Quarterly Floating Rate Period, the 30<sup>th</sup> day prior to the first day of such Quarterly Floating Rate Period.

**"Quarterly Commencement Date"** means March 31, June 30, September 30 and December 31 in each year.

**"Quarterly Floating Rate Period"** means, for the initial Quarterly Floating Rate Period, the period from and including June 30, 2017 to but excluding September 30, 2017, and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to but excluding the next succeeding Quarterly Commencement Date.

**"T-Bill Rate"** means, for any Quarterly Floating Rate Period, the average yield expressed as a percentage per annum on three month Government of Canada Treasury Bills, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date and which appears on the Reuters page BOCBILL (or such other page as may

replace the BOCBILL page on that service for purposes of displaying Government of Canada Treasury Bill yields) for such date.

### **Dividends**

The holders of the Series H Preferred Shares will be entitled to receive floating rate non-cumulative preferential cash dividends, as and when declared by the Board of Directors, and subject to the provisions of the Insurance Act, payable quarterly on March 31, June 30, September 30 and December 31 in each year, in the amount per Series H Preferred Share determined by multiplying the applicable Floating Quarterly Dividend Rate by \$25.00.

The Floating Quarterly Dividend Rate for each Quarterly Floating Rate Period will be determined by the Company on the Floating Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon the Company and upon all holders of Series H Preferred Shares. The Company will, on the Floating Rate Calculation Date, give written notice of the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period to all registered holders of the then outstanding Series H Preferred Shares.

If the Board of Directors does not declare a dividend, or any part thereof, on the Series H Preferred Shares on or before the dividend payment date for a particular Quarterly Floating Rate Period, then the entitlement of the holders of the Series H Preferred Shares to receive such dividend, or to any part thereof, for such Quarterly Floating Rate Period will be forever extinguished.

Payments of dividends and other amounts in respect of the Series H Preferred Shares will be made by the Company to CDS, or its nominee, as the case may be, as registered holder of the Series H Preferred Shares. As long as CDS, or its nominee, is the registered holder of the Series H Preferred Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series H Preferred Shares for the purposes of receiving payment on the Series H Preferred Shares.

### **Redemption**

The Series H Preferred Shares will not be redeemable by Industrial Alliance prior to June 30, 2022. Subject to the provisions of the Insurance Act and to the prior consent of the AMF and to the provisions described below under the heading "Restrictions on Dividends and Retirement of Shares", the Company may redeem all or any part of the then outstanding Series H Preferred Shares, at the Company's option without the consent of the holder, by the payment of an amount in cash (less any tax required to be deducted and withheld by the Company) for each Series H Preferred Share so redeemed of (i) \$25.00 together with an amount equal to the sum of all declared and unpaid dividends to, but excluding, the date fixed for redemption in the case of redemptions on June 30, 2022 and on June 30 every five years thereafter, or (ii) \$25.50 together with an amount equal to the sum of all declared and unpaid dividends to, but excluding, the date fixed for redemption in the case of redemptions on any other date after June 30, 2017 other than a date which is a Series H Conversion Date (as defined below).

Notice of any redemption will be given by the Company at least 30 days and not more than 60 days prior to the date fixed for redemption. If less than all the outstanding Series H Preferred Shares are at any time to be redeemed, the shares to be redeemed will be redeemed *pro rata*, disregarding fractions.

### **Conversion of Series H Preferred Shares into Series G Preferred Shares**

Subject to the right of the Company to redeem the Series H Preferred Shares described above under the heading "Redemption" and subject to the prior consent of the AMF, holders of Series H Preferred Shares will have the right, at their option, on June 30, 2022 and on June 30 every five years thereafter (a **Series H Conversion Date**), to convert, subject to the restrictions on conversion described below and the payment or delivery to the Company of evidence of payment of the tax (if any) payable, all or any of their

Series H Preferred Shares registered in their name into Series G Preferred Shares on the basis of one Series G Preferred Share for each Series H Preferred Share. Should any such June 30 not be a business day, the Series H Conversion Date will be the next succeeding business day. The conversion of Series H Preferred Shares may be effected upon written notice given to Industrial Alliance not earlier than the 30<sup>th</sup> day prior to, but not later than 5:00 p.m. (Toronto time) on the 15<sup>th</sup> day preceding, the applicable Series H Conversion Date. Once received by Industrial Alliance, the conversion notice is irrevocable. If the Company does not receive the conversion notice in writing from the holder exercising the above-mentioned conversion right during the time fixed therefor, then the Series H Preferred Shares shall be deemed not to have been converted (except in the case of an automatic conversion as described below).

The Company will, at least 30 days and not more than 60 days prior to the applicable Series H Conversion Date, give notice in writing to the then registered holders of the Series H Preferred Shares of the applicable Series H Conversion Date and will provide the holders with a form of conversion notice to exercise their conversion right. On the 30th day prior to each Series H Conversion Date, the Company will give notice in writing to the then registered holders of Series H Preferred Shares of the Annual Fixed Dividend Rate for the next succeeding Subsequent Fixed Rate Period.

Holders of Series H Preferred Shares will not be entitled to convert their shares into Series G Preferred Shares if the Company determines that there would remain outstanding on a Series H Conversion Date less than 1,000,000 Series G Preferred Shares, after having taken into account all Series H Preferred Shares tendered for conversion into Series G Preferred Shares and all Series G Preferred Shares tendered for conversion into Series H Preferred Shares. The Company will give notice in writing thereof to all registered holders of the Series H Preferred Shares at least seven days prior to the applicable Series H Conversion Date. Furthermore, if the Company determines that there would remain outstanding on a Series H Conversion Date less than 1,000,000 Series H Preferred Shares, after having taken into account all Series H Preferred Shares tendered for conversion into Series G Preferred Shares and all Series G Preferred Shares tendered for conversion into Series H Preferred Shares, then, subject to the prior consent of the AMF, all, but not part, of the remaining outstanding Series H Preferred Shares will automatically be converted into Series G Preferred Shares on the basis of one Series G Preferred Share for each Series H Preferred Share on the applicable Series H Conversion Date and the Company will give notice in writing thereof to the then registered holders of such remaining Series H Preferred Shares at least seven days prior to the Series H Conversion Date.

Upon the exercise by the holder of this right to convert Series H Preferred Shares into Series G Preferred Shares (and upon an automatic conversion), the Company reserves the right not to issue Series G Preferred Shares to any person whose address is in, or whom the Company or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Company to comply with the securities, insurance or analogous laws of such jurisdiction, including registration, prospectus, filing or other similar requirements under the applicable laws of such jurisdiction.

If the Company gives notice to the registered holders of the Series H Preferred Shares of the redemption on a Series H Conversion Date of all the Series H Preferred Shares, the Company will not be required to give notice as provided hereunder to the registered holders of the Series H Preferred Shares of an Annual Fixed Dividend Rate or of the conversion right of holders of Series H Preferred Shares and the right of any holder of Series H Preferred Shares to convert such Series H Preferred Shares will cease and terminate in that event.

### ***Purchase for Cancellation***

Subject to the provisions of the Insurance Act, the prior consent of the AMF and the provisions described below under “Restrictions on Dividends and Retirement of Shares”, Industrial Alliance may at any time purchase for cancellation all or from time to time any Series H Preferred Share outstanding in the open market or by private contract or tender, at any price.



### ***Rights on Liquidation***

In the event of the liquidation, dissolution or winding-up of Industrial Alliance, whether voluntary or involuntary, or any other distribution of assets of Industrial Alliance for the purpose of winding-up its affairs, subject to the prior satisfaction of the claims of all creditors of the Company and of holders of shares of the Company ranking prior to the Series H Preferred Shares, the holders of the Series H Preferred Shares will be entitled to receive \$25.00 per Series H Preferred Share, together with all declared and unpaid dividends to the date of payment (less any tax required to be deducted and withheld by the Company), before any amounts are paid or any assets of Industrial Alliance are distributed to the holders of any shares ranking junior to the Series H Preferred Shares. After payment of those amounts, the holders of Series H Preferred Shares will not be entitled to share in any further distribution of the property or assets of Industrial Alliance.

### ***Restrictions on Dividends and Retirement of Shares***

As long as any Series H Preferred Shares are outstanding, Industrial Alliance will not, without the approval of the holders of outstanding Series H Preferred Shares given as described under “Shareholder Approval” below:

- (a) declare or pay any dividend on its Common Shares or any other shares of the Company ranking junior to the Series H Preferred Shares (other than stock dividends in any shares ranking junior to the Series H Preferred Shares);
- (b) redeem, purchase or otherwise retire any Common Shares or any other shares ranking junior to the Series H Preferred Shares (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Series H Preferred Shares);
- (c) redeem, purchase or otherwise retire or make any return of capital in respect of less than all the Series H Preferred Shares; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provision attaching to any series of Class A Preferred Shares or other preferred shares of Industrial Alliance issuable in series, redeem, purchase, or otherwise retire any other shares ranking on a parity with the Series H Preferred Shares;

unless, in each case, all dividends on the Series H Preferred Shares up to and including those payable on the dividend payment date for the last completed period for which dividends are payable and in respect of which the rights of holders to such dividends have not been extinguished, and all dividends then accrued on all other shares ranking senior to or on a parity with the Series H Preferred Shares up to the immediately preceding respective date or dates for payment and in respect of which the rights of holders of those shares have not been extinguished, have been declared and paid or set apart for payment.

In addition, the Company is prohibited from paying dividends on its preferred shares in certain other circumstances. See “Restrictions” and “Risk Factors”.

### ***Issue of Additional Series of Class A Preferred Shares***

Industrial Alliance may issue other series of Class A Preferred Shares ranking on a parity with the Series H Preferred Shares or may issue shares of any other class or series ranking on a parity or junior to Class A Preferred Shares without the approval of the holders of the Series H Preferred Shares.

### ***Amendments to the Series H Preferred Shares***

Except for amendments of a “housekeeping” or clerical nature, Industrial Alliance will not, without the approval of the holders of the Series H Preferred Shares given as specified under “Shareholder Approval” below and any other necessary approval (including without limitation the TSX), delete, add to or vary any

rights, privileges, restrictions or conditions attaching to the Series H Preferred Shares. In addition to the aforementioned approval, Industrial Alliance will not without, but may from time to time with, any necessary consent of the AMF, make any such deletion, addition or variation which might affect the classification afforded the Series H Preferred Shares from time to time for capital adequacy requirements pursuant to the Insurance Act and the regulations and guidelines thereunder.

### ***Shareholder Approval***

The approval of holders of the Series H Preferred Shares to change or remove any right, privilege, restriction or condition attaching to the Series H Preferred Shares as a series or in respect of any other matter requiring the consent of the holders of the Series H 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 ( $\frac{2}{3}$ ) of the votes cast at a meeting of the holders of the Series H Preferred Shares duly called for that purpose at which the holders of at least one-fourth ( $\frac{1}{4}$ ) of the outstanding Series H Preferred Shares are present in person or represented by proxy. If at any such meeting, the holders of at least one-fourth ( $\frac{1}{4}$ ) of the outstanding Series H 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 Series H 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 ( $\frac{2}{3}$ ) of the votes cast constitutes the approval of the holders of the Series H Preferred Shares referred to above. On every poll taken at every meeting of the holders of the Class A Preferred Shares Series H as a series, 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 Series H entitled to vote thereat has one vote in respect of each Class A Preferred Share Series H held.

### ***Priority***

The Series H Preferred Shares will rank on parity with all other series of Class A Preferred Shares of the Company as to the payment of dividends and the return of capital. The Series H Preferred Shares will rank on parity with the Preferred Shares and prior to the Common Shares and all other classes of shares of the Company ranking junior to the Series H Preferred Shares with respect to the payment of dividends and the distribution of the assets of the Company in the event of the dissolution, liquidation or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its participating policyholders and shareholders for the specific purpose of winding-up its affairs.

### ***Voting Rights***

Subject to applicable law, the holders of Series H Preferred Shares as such will not be entitled to receive notice of, or to attend or to vote at, any meeting of the shareholders or participating policyholders of Industrial Alliance unless and until the first time at which the Board of Directors has not declared the whole dividend on the Series H Preferred Shares in respect of any quarter. In that event, the holders of the Series H Preferred Shares will be entitled to receive notice of, and to attend, only meetings of shareholders at which directors are to be elected and will be entitled to one vote for each Series H Preferred Share held in the election of directors only but not in respect of any other business. The voting rights of the holders of the Series H Preferred Shares will forthwith cease upon payment by Industrial Alliance of the first quarterly dividend on the Series H Preferred Shares to which the holders are entitled subsequent to the time such voting rights first arose until such time as the Company may again fail to declare the whole dividend on the Series H Preferred Shares in respect of any quarter, in which event such voting rights will become effective again and so on from time to time.

### ***Tax Election***

As required by the terms and conditions of the Series H Preferred Shares as a series, the Company will elect, in the manner and within the time provided under Part VI.1 of the Tax Act, to pay tax at a rate such that holders of Series H Preferred Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series H Preferred Shares. See “Certain Canadian Federal Income Tax Considerations”.

### ***Business Days***

If any action or payment is required to be taken or paid by the Company or any matter, consequence or other thing is provided to occur, in respect of the Series H Preferred Shares on a day that is not a business day, then such action or payment will be taken or made and such matter, consequence or other thing will occur on the immediately following day which is a business day.

## **BOOK-ENTRY ONLY SECURITIES**

Except as otherwise provided below, the Series G Preferred Shares offered hereby and any Series H Preferred Shares which may be issued upon the conversion of Series G Preferred Shares will be issued in “book-entry only” form and must be purchased, transferred or redeemed through participants (**Participants**) in the depository service of CDS or its nominee. Each of the Underwriters is a Participant. On the closing of this offering, the Company will cause a global certificate representing the Series G Preferred Shares offered hereby to be delivered to, and registered in the name of, CDS or its nominee. Except as described below, no purchaser of Series G Preferred Shares or Series H Preferred Shares, as applicable, will be entitled to a certificate or other instrument from the Company or CDS evidencing that purchaser’s ownership thereof, and no purchaser will be shown on the records maintained by CDS except through a book-entry account of a Participant acting on behalf of such purchaser. Each purchaser of Series G Preferred Shares or Series H Preferred Shares, as applicable, will receive a customer confirmation of purchase from the registered dealer from or through whom the Series G Preferred Shares or Series H Preferred Shares, as applicable, are purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the Series G Preferred Shares or Series H Preferred Shares, as applicable. Reference in this prospectus supplement to a holder of Series G Preferred Shares or Series H Preferred Shares, as applicable, means, unless the context otherwise requires, the owner of the beneficial interest in the Series G Preferred Shares or Series H Preferred Shares, as applicable.

If the Company determines, or CDS notifies the Company in writing, that CDS is no longer willing or able to discharge properly its responsibilities as depository with respect to the Series G Preferred Shares or Series H Preferred Shares, as applicable, and the Company is unable to locate a qualified successor, or if the Company at its option elects, or is required by law, to withdraw the Series G Preferred Shares or Series H Preferred Shares, as applicable, from the book-entry system, then Series G Preferred Shares or Series H Preferred Shares, as applicable, will be issued in fully registered form to holders or their nominees.

### **Transfers**

Transfers of ownership in the Series G Preferred Shares or Series H Preferred Shares, as applicable, will be effected only through records maintained by CDS or its nominee for such Series G Preferred Shares or Series H Preferred Shares, as applicable, with respect to interests of Participants and on the records of Participants with respect to interests of holders other than Participants. Holders of Series G Preferred Shares or Series H Preferred Shares, as applicable, other than Participants, wishing to purchase, sell or otherwise transfer ownership of or other interests in the Series G Preferred Shares or

Series H Preferred Shares, as applicable, may do so only through Participants. The ability of a holder to pledge Series G Preferred Shares or Series H Preferred Shares, as applicable, or otherwise take action with respect to such holder's interest in Series G Preferred Shares or Series H Preferred Shares, as applicable, (other than through a Participant) may be limited due to the lack of a physical certificate.

## **Payments and Deliveries**

Payments of dividends, if any, or other amounts in respect of Series G Preferred Shares or Series H Shares, as applicable, will be made by or on behalf of the Company to CDS or its nominee, as the case may be, as the registered holder of the Series G Preferred Shares or Series H Preferred Shares, as applicable, and the Company understands that such payments will be credited by CDS or its nominee in the appropriate amounts to the relevant Participants in accordance with CDS Procedures. As long as CDS or its nominee is the sole registered holder of the Series G Preferred Shares or Series H Preferred Shares, as applicable, CDS or its nominee, as the case may be, will be considered the sole owner of the Series G Preferred Shares or Series H Preferred Shares, as applicable, for purposes of receiving notices or payments thereon and for all other purposes. In such circumstances, Industrial Alliance's responsibility and liability in respect of notices or payments on the Series G Preferred Shares or the Series H Preferred Shares, as applicable, is limited to giving notice or making payment of any capital, premium, if any, redemption price, if any, and dividends due on the Series G Preferred Shares or the Series H Preferred Shares, as applicable, 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 the Series G Preferred Shares or Series H Preferred Shares. 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 the Series G Preferred Shares or Series H Preferred Shares, 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 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.

None of Industrial Alliance or the Underwriters identified in this prospectus supplement, as applicable, will have any liability or responsibility for (i) records maintained by CDS relating to beneficial ownership interests in book-entry notes that are Series G Preferred Shares or Series H Preferred Shares held by CDS or the book-entry accounts maintained by CDS, (ii) maintaining, supervising or reviewing any records relating to any such beneficial ownership interests, or (iii) any advice or representation made by or with respect to CDS and contained herein with respect to the rules and regulations of CDS or at the direction of the Participants.

## **RESTRICTIONS**

The Prospectus sets out a summary of the restrictions contained in the Insurance Act concerning the declaration and payment of dividends. The Company does not anticipate that such restrictions will prevent the declaration or payment of dividends on the Series G Preferred Shares or Series H Preferred Shares, as applicable, in the normal course and the AMF has not made any direction to the Company pursuant to the Insurance Act regarding its capital or its liquidity. See "Insurance Act Restrictions and Approvals" in the Prospectus.

The Prospectus also sets out a summary on the restrictions for acquisition, issue, transfer and voting of voting shares of Industrial Alliance representing 10% or more of the voting rights attached to such shares. See "Constraints on Voting Shares under Québec Insurance Legislation" in the Prospectus. The Prospectus sets out a summary of the restrictions on declaration of dividends in the event that the non-cumulative fixed cash distribution on Industrial Alliance Trust Securities – Series A are not paid. See "Additional Restrictions on Declaration of Dividends" in the Prospectus.

## USE OF PROCEEDS

The estimated net proceeds to Industrial Alliance from the sale of the Series G Preferred Shares offered by this prospectus supplement, after deducting the Underwriters' fee (assuming that no Series G Preferred Shares are sold to certain institutions) and estimated expenses of the issue, will amount to \$96.7 million.

All such proceeds will be added to the Company's general funds and will be used for general corporate and capital planning purposes. All expenses relating to the offering of the Series G Preferred Shares, including the fee paid to the Underwriters, will be paid out of Industrial Alliance's general funds.

Subject to confirmation by applicable regulatory authorities, this offering will increase the Company's Tier 1 capital determined in accordance with the capital adequacy guidelines established by the AMF. In particular, on a pro forma basis, after giving effect to both the June 1, 2012 issuance of Series G Preferred Shares and this additional offering of Series G Preferred Shares, the Company estimates that, as at March 31, 2012, its solvency ratio would increase by 15 percentage points, from 186% to 201%. See "Non-IFRS Financial Measures" in Industrial Alliance's Annual MD&A and "Non-IFRS Financial Information" in Industrial Alliance's Interim MD&A.

Until utilized for these purposes, the net proceeds will be invested in accordance with the Company's investment policies and in a similar manner as the other capital and surplus of the Company.

## RATINGS

The Series G Preferred Shares are provisionally rated Pfd-2 (high) under review with a Negative trend by DBRS. "Pfd-2" is the second highest of five categories granted by DBRS for preferred shares. A reference to "high" or "low" reflects the relative strength within the rating category. A rating outlook, expressed as positive, stable or negative, provides an opinion regarding the likely direction of any medium-term rating actions.

The Series G Preferred Shares are provisionally rated P-1(Low) by S&P using the S&P Canadian scale for preferred shares and "A-" using S&P's global scale for preferred shares. The "P-1" rating is the highest of the five categories used by S&P on its Canadian preferred share scale. A reference to "high" or "low" reflects the relative strength within the rating category. The "A-" rating is the fifth highest of twenty ratings used by S&P on its global scale.

On June 15, 2012, DBRS announced that it had placed the subordinated debt and preferred shares ratings of the Company under review with a negative trend. On June 19, 2012, S&P announced that it was revising its outlook on the Company to negative and affirming all ratings.

Credit ratings are intended to provide investors with an independent measure of credit quality of any issue of securities. The credit ratings accorded to securities by the rating agencies are not recommendations to purchase, hold or sell the securities inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if in its judgment circumstances so warrant, and if any such rating is so revised or withdrawn, Industrial Alliance is under no obligation to update this prospectus supplement. Prospective purchasers of Series G Preferred Shares should consult the relevant rating organization with respect to the interpretation and implications of the foregoing provisional ratings.

## PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement dated June 20, 2012 (the **Underwriting Agreement**) between Industrial Alliance and the Underwriters, Industrial Alliance has agreed to sell and the Underwriters have agreed to purchase jointly (but not solidarily), as principals, on June 28, 2012, or such other date as may be agreed upon, but not later than June 30, 2012, subject to the terms and conditions stated therein, all but not less than all of the 4,000,000 Series G Preferred Shares at a price of \$25.00 per share, payable in cash to Industrial Alliance against delivery of such Series G Preferred Shares. The Underwriting Agreement provides that the Underwriters will be paid a fee per share equal to \$0.25 with respect to the Series G Preferred Shares sold to certain institutions and \$0.75 with respect to all other Series G Preferred Shares sold. Assuming no Series G Preferred Shares are sold to such institutions, the Underwriters' fee would be \$3,000,000.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Series G Preferred Shares if any of such shares are purchased under the Underwriting Agreement.

The Underwriters propose to offer the Series G Preferred Shares initially at the offering price of \$25.00. After the Underwriters have made a reasonable effort to sell all of the Series G Preferred Shares at that price, the offering price may be decreased and may be further changed from time to time to an amount not greater than \$25.00, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers for the Series G Preferred Shares is less than the gross proceeds paid by the Underwriters to Industrial Alliance. Any such reduction will not affect the proceeds received by the Company.

In connection with this offering, the Underwriters may, subject to applicable laws, over-allot or effect transactions which stabilize or maintain the market price of the Series G Preferred Shares at a level other than that which might otherwise prevail in the open market.

In addition, pursuant to the policy statement of certain securities regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase Series G Preferred Shares. The foregoing restriction is subject to certain exceptions including: (i) a bid or purchase permitted under the Universal Market Integrity Rules for the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities; and (ii) a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of the distribution, provided that the bid or purchase was not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of such securities.

As a result of these activities, the price of the Series G Preferred Shares may be higher than the price that otherwise might exist in the open market. Such transactions, if commenced, may be discontinued at any time. The Underwriters may carry out these transactions on any stock exchange on which the Series G Preferred Shares are listed, in the over-the-counter market, or otherwise.

The Company has applied to list on the TSX the additional Series G Preferred Shares and the additional Series H Preferred Shares issuable on conversion of the Series G Preferred Shares described in this prospectus supplement under the symbols "IAG.PR.G" and "IAG.PR.H". Listing will be subject to the Company fulfilling all of the requirements of the TSX.

Neither the Series G Preferred Shares nor the Series H Preferred Shares have been or will be registered under the U.S. Securities Act or any state securities laws and may not be offered or sold, directly or indirectly, within the United States, its territories or possessions, or to, or for the account or benefit of, US persons (as defined in Regulation S under the U.S. Securities Act) except in transactions exempt from the registration requirements of the U.S. Securities Act.

This prospectus supplement does not constitute an offer to sell or a solicitation of an offer to buy any of the Series G Preferred Shares or the Series H Preferred Shares in the United States. In addition, until 40 days after the commencement of this offering, an offer or sale of Series G Preferred Shares or Series H Preferred Shares within the United States by any underwriter (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements of the U.S. Securities Act.

Industrial Alliance Securities Inc., one of the Underwriters, is a wholly-owned subsidiary of Industrial Alliance. Industrial Alliance is a “related” issuer of Industrial Alliance Securities Inc. under applicable securities legislation by virtue of Industrial Alliance’s interest in Industrial Alliance Securities Inc. The terms of the offering were negotiated at arm’s length among Industrial Alliance and the Underwriters. Industrial Alliance Securities Inc. will not receive any benefit in connection with the offering other than as described herein. BMO Nesbitt Burns Inc., an Underwriter in respect of which Industrial Alliance is not a related or connected issuer, has participated in the structuring and pricing of the offering and in the due diligence activities performed by the Underwriters for the offering.

Certain of the Underwriters or their affiliates have in the past engaged, and may in the future engage, in transactions with and perform services, including commercial banking, financial advisory and investment banking services, for the Company in the ordinary course of business for which they have received or may receive customary compensation.

The decision to distribute the Series G Preferred Shares offered hereby and the determination of the terms of this offering, including the price for the Series G Preferred Shares offered hereunder, were made through negotiations between Industrial Alliance and the Underwriters.

The Underwriting Agreement provides that the Company will not, directly or indirectly, sell, authorize, issue, announce its intention to or grant any option for the sale of, or otherwise dispose of any preferred shares or securities convertible or exchangeable for or exercisable into preferred shares, other than pursuant to this offering, or agree to do so or publicly announce any intention to do so, at any time prior to 30 days after the closing of this offering, without the prior consent of BMO Nesbitt Burns Inc. (on behalf of the Underwriters), such consent not to be unreasonably withheld.

## **EARNINGS COVERAGE**

Industrial Alliance’s dividend requirements on its outstanding Class A Preferred Shares, after giving effect to the issue of the Series G Preferred Shares to be distributed under this prospectus supplement, and adjusted to a before-tax equivalent using an effective income tax rate of 4.6% and -3.5%, respectively, amounted to \$33.5 million for the 12 months ended December 31, 2011 and \$33.5 million for the 12 months ended March 31, 2012.

Industrial Alliance’s borrowing cost requirements on the existing senior and subordinated long-term indebtedness of Industrial Alliance for the 12 months ended December 31, 2011 amounted to \$31.0 million and for the 12 months ended March 31, 2012, amounted to \$34.2 million. Industrial Alliance’s profit or loss attributable to owners of the parent before borrowing costs and income tax for the 12 months ended December 31, 2011 was \$165.3 million, which is 2.6 times Industrial Alliance’s aggregate dividend and interest requirements for this period, and for the 12 months ended March 31, 2012 were \$155.8 million, which is 2.3 times Industrial Alliance’s aggregate dividend and borrowing cost requirements for this period.

## **CONSOLIDATED CAPITAL AND INDEBTEDNESS**

The following table sets forth the consolidated capitalization of Industrial Alliance as of March 31, 2012, before and after giving effect to the sale by Industrial Alliance of the Series G Preferred Shares offered by this prospectus supplement. This table should be read in conjunction with the detailed

information and financial statements appearing in the documents incorporated by reference in the Prospectus and this prospectus supplement.

	March 31, 2012 (\$ millions)	March 31, 2012 as adjusted for the Series G Preferred Shares offered hereby (\$ millions)
Direct Unsecured 8.25% Subordinated Debentures due March 27, 2019 <sup>(1)</sup> .....	99.3	99.3
Direct Unsecured 5.13% Subordinated Debentures due June 30, 2019 <sup>(2)</sup> .....	150.0	150.0
Subordinated Debentures – Series A .....	150.0	150.0
Subordinated Debenture <sup>(3)</sup> .....	99.9	99.9
Direct Unsecured 4.75% Fixed/Floating Subordinated Debentures <sup>(4)</sup> .....	248.4	248.4
Participating Policyholders' Account .....	42.4	42.4
Class A Preferred Shares Series B .....	125.0	125.0
Class A Preferred Shares Series C .....	100.0	100.0
Class A Preferred Shares Series E .....	100.0	100.0
Class A Preferred Shares Series F .....	100.0	100.0
Class A Preferred Shares Series G (June 1, 2012 offering) .....	Nil	150.0
Class A Preferred Shares Series G (this offering) .....	Nil	100.0
Common Shareholders' Equity .....	2,341.8	2,341.8
<b>Total Capital and Indebtedness .....</b>	<b>3,556.8</b>	<b>3,806.8</b>

(1) The debentures were issued on March 27, 2009 under a prospectus supplement dated March 24, 2009.

(2) The debentures were issued on March 11, 2004 under a prospectus supplement dated March 5, 2004.

(3) The debenture was issued on August 1, 2008.

(4) The debentures were issued on December 14, 2011 under a prospectus supplement dated December 13, 2011.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Norton Rose Canada LLP, counsel to Industrial Alliance, and McCarthy Tétrault LLP, counsel to the Underwriters, the following is a summary, as of the date hereof, of the principal Canadian federal income tax considerations generally applicable to a purchaser of Series G Preferred Shares pursuant to this prospectus supplement (a **Holder**) who, for purposes of the Tax Act and at all relevant times is or is deemed to be a resident of Canada, deals at arm's length and is not affiliated with the Company, holds the Series G Preferred Shares or Series H Preferred Shares, as the case may be, as capital property and is not exempt from tax under Part I of the Tax Act (a **Resident Holder**).

Generally, the Series G Preferred Shares and the Series H Preferred Shares will be capital property to a Resident Holder provided the Holder does not acquire or hold such shares in the course of carrying on a business of trading or dealing in securities or as part of an adventure or concern in the nature of trade. Certain Resident Holders who might not otherwise be considered to hold Series G Preferred Shares or Series H Preferred Shares as capital property may, in certain circumstances, be entitled to have them and all other "Canadian securities", as defined in the Tax Act, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to a Holder that is a "financial institution" for the purposes of the "mark-to-market rules" in the Tax Act, to a Holder an interest in which would be a "tax shelter investment" or to a Holder which has made a "functional currency" election under the Tax Act to determine its Canadian tax results in a currency other than Canadian currency. Such Holders should consult their own tax advisors. Furthermore, this summary is not applicable to a Holder that is a "specified financial institution", as defined in the Tax Act, that receives or is deemed to receive, alone or together with persons with whom it does not deal at arm's length, in the aggregate, dividends in respect of more than 10% of the Series G Preferred Shares or the Series H Preferred Shares, as the case may be, outstanding at the time the dividends are received. This summary also assumes that all issued and outstanding Series G Preferred Shares or Series H Preferred Shares are listed on a designated stock exchange in Canada (as defined in the Tax Act) at such times as dividends (including deemed dividends) are paid or received on such shares.



**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. Accordingly, prospective purchasers are urged to consult their own tax advisors with respect to their particular circumstances.**

This summary is based upon the current provisions of the Tax Act, the regulations thereunder, all specific proposals to amend the Tax Act and the regulations publicly announced by the Minister of Finance prior to the date hereof (the **Proposals**) and counsel's understanding of the current administrative practices and assessing policies published in writing by the Canada Revenue Agency (the **CRA**). This summary does not otherwise take into account any changes in law or in administrative practices or assessing policies, whether by legislative, administrative or judicial decision or action, nor does it take into account or consider any other federal or provincial, territorial or foreign income tax considerations, which may be different from those discussed herein. No assurance can be given that the Proposals will be enacted as proposed or at all.

### ***Dividends***

Dividends (including deemed dividends) received on the Series G Preferred Shares or the Series H Preferred Shares by a Resident Holder who is an individual (other than certain trusts) will be included in income and will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received by individuals from taxable Canadian corporations, including the enhanced dividend tax credit rules with respect to any dividends (including deemed dividends) designated by the Company as "eligible dividends" in accordance with the Tax Act. Dividends received (or deemed to be received) by an individual (including certain trusts) may give rise to a liability for alternative minimum tax.

Dividends (including deemed dividends) received on the Series G Preferred Shares and the Series H Preferred Shares by a Resident Holder that is a corporation will be included in computing its income and will generally be deductible in computing its taxable income. In certain circumstances, all or part of a dividend may be treated as proceeds of disposition and not as a dividend.

The Series G Preferred Shares and the Series H Preferred Shares are "taxable preferred shares" as defined in the Tax Act. The terms of the Series G Preferred Shares and the Series H Preferred Shares require the Company to make the necessary election under Part VI.1 of the Tax Act so that a corporation holding such shares will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series G Preferred Shares and the Series H Preferred Shares.

A Resident Holder that is a "private corporation", as defined in the Tax Act, or any other corporation controlled, whether by reason of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) by such Resident Holder on the Series G Preferred Shares and the Series H Preferred Shares to the extent such dividends are deductible in computing its taxable income.

### ***Dispositions***

A Resident Holder who disposes of or is deemed to dispose of a Series G Preferred Share or a Series H Preferred Share (either on redemption of the share or otherwise but not including on a conversion) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the Holder thereof. The amount of any deemed dividend arising on the redemption or acquisition by the Company of a Series G Preferred Share or a Series H Preferred Share will generally not be included in computing the proceeds of disposition to the Holder for purposes of computing the capital gain or capital loss arising on the disposition of such share. See "Redemption" below. If the Holder is a corporation, any capital loss arising on a disposition of such share may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received, or are

deemed to have been received, on such share, or on any share which was converted into or exchanged for such share, to the extent and under circumstances described in the Tax Act. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

Generally, one-half of any such capital gain will be included in computing the Resident Holder's income as a taxable capital gain. A Resident Holder is required to deduct one half of any capital loss (an allowable capital loss) realized in the year from taxable capital gains realized in that year and allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or in any subsequent year, from net taxable capital gains realized in such year (but not against other income) to the extent and under the circumstances described in the Tax Act. Any such capital gain realized by an individual (including certain trusts) may give rise to a liability for alternative minimum tax. Taxable capital gains of a Canadian-controlled private corporation (as defined in the Tax Act) may be subject to an additional refundable tax at a rate of 6 $\frac{2}{3}$ %.

### ***Redemption***

If the Company redeems for cash or otherwise acquires the Series G Preferred Shares or the Series H Preferred Shares, other than by a purchase in the open market in the manner in which shares are normally purchased by a member of the public in the open market, the Resident Holder will be deemed to have received a dividend equal to the amount, if any, paid by the Company, including any redemption premium, in excess of the paid-up capital of such shares at such time as computed for purposes of the Tax Act. See "Dividends" above. Generally, the proceeds of disposition for purposes of computing the capital gain or capital loss arising on the disposition of such share will be equal to the amount paid by the Company on redemption or acquisition of such share, including any redemption premium, less the amount of the deemed dividend, if any. See "Dispositions" above. In the case of a Resident Holder that is a corporation or a partnership or trust of which a corporation is, directly or indirectly through one or more partnerships or trusts, a member or beneficiary, it is possible that in certain circumstances all or part of the amount so deemed to be a dividend may be treated as proceeds of disposition and not as a dividend.

### ***Conversion***

The conversion of a Series G Preferred Share into a Series H Preferred Share and a Series H Preferred Shares into a Series G Preferred Shares will be deemed not to be a disposition of property under the Tax Act and accordingly will not give rise to any capital gain or capital loss. The cost to a Resident Holder of a Series H Preferred Share or a Series G Preferred Share, as the case may be, received on the conversion will be deemed to be equal to the Resident Holder's adjusted cost base of the Series G Preferred Share or Series H Preferred Share, as the case may be, immediately before the conversion.

The cost of a Series H Preferred Share or Series G Preferred Share, as the case may be, so obtained will be averaged with the adjusted cost base of all other Series H Preferred Shares or Series G Preferred Shares, as the case may be, held by such Resident Holder as capital property at such time for the purpose of determining thereafter the adjusted cost base of each such share.

## TRADING PRICE AND VOLUME OF INDUSTRIAL ALLIANCE'S SECURITIES

The following chart sets out the trading price and volume of the Company's securities on the TSX during the 12 months preceding the date of this prospectus supplement:

	June 2011	July 2011	August 2011	September 2011	October 2011	November 2011	December 2011
<b>Common Shares</b>							
High Price (\$)	41.73	40.93	39.11	35.90	33.52	32.33	27.49
Low Price (\$)	39.75	37.15	33.51	29.44	28.20	25.22	24.75
Volume	3,363,567	2,121,645	4,037,583	4,582,138	3,191,619	8,556,061	5,040,313
<b>Class A Preferred Shares Series B</b>							
High Price (\$)	22.85	22.84	23.05	23.65	23.50	23.63	24.89
Low Price (\$)	22.41	22.33	21.50	22.50	21.51	22.36	22.00
Volume	65,479	110,226	101,905	79,979	92,646	79,509	81,135
<b>Class A Preferred Shares Series C</b>							
High Price (\$)	27.05	27.16	27.70	27.25	27.00	26.90	26.49
Low Price (\$)	26.58	26.55	26.10	26.00	25.38	26.00	25.95
Volume	52,682	41,468	53,196	55,926	137,252	234,691	107,457
<b>Class A Preferred Shares Series E</b>							
High Price (\$)	26.09	26.39	26.39	26.16	26.56	26.45	26.34
Low Price (\$)	25.40	25.53	25.40	25.62	25.16	25.90	25.51
Volume	58,643	60,909	59,568	47,251	62,799	99,207	65,966
<b>Class A Preferred Shares Series F</b>							
High Price (\$)	25.90	26.42	26.58	26.48	26.59	26.40	26.00
Low Price (\$)	25.28	25.60	25.26	25.63	25.56	25.50	25.36
Volume	74,905	163,671	56,295	50,222	51,425	41,513	75,888
<b>Series G Preferred Shares</b>							
High Price (\$)	-	-	-	-	-	-	-
Low Price (\$)	-	-	-	-	-	-	-
Volume	-	-	-	-	-	-	-

	January 2012	February 2012	March 2012	April 2012	May 2012	June 2012 <sup>(1)</sup>
<b>Common Shares</b>						
High Price (\$)	27.96	27.25	32.91	31.96	31.79	25.26
Low Price (\$)	25.04	25.00	26.51	29.93	25.06	21.23
Volume	4,298,403	4,349,973	6,694,728	3,045,069	4,307,605	3,172,949
<b>Class A Preferred Shares Series B</b>						
High Price (\$)	24.65	25.02	24.20	24.21	24.40	23.87
Low Price (\$)	23.24	23.51	23.70	23.60	23.00	21.71
Volume	102,629	97,641	34,670	22,054	42,258	20,280
<b>Class A Preferred Shares Series C</b>						
High Price (\$)	27.03	26.99	26.57	26.65	26.75	26.28
Low Price (\$)	26.35	26.25	25.80	26.05	26.04	25.90
Volume	192,797	41,720	57,121	23,391	128,379	22,514
<b>Class A Preferred Shares Series E</b>						
High Price (\$)	26.85	27.17	26.50	26.31	26.47	26.23
Low Price (\$)	26.04	26.49	25.52	25.52	25.43	25.70
Volume	33,003	48,900	34,881	20,914	26,895	15,746
<b>Class A Preferred Shares Series F</b>						
High Price (\$)	26.73	26.82	26.75	26.49	26.44	26.39
Low Price (\$)	25.85	25.51	25.50	25.65	25.90	25.70
Volume	61,417	49,147	57,851	68,919	34,530	83,357
<b>Series G Preferred Shares</b>						
High Price (\$)	-	-	-	-	-	25.50
Low Price (\$)	-	-	-	-	-	24.90
Volume	-	-	-	-	-	755,472

(1) The June 2012 data includes trading prices and volume up to and including June 19, 2012.

(2) No Series G Preferred Shares were issued and outstanding prior to June 1, 2012.

## RISK FACTORS

An investment in the Series G Preferred Shares is subject to various risks, including those risks inherent in investing in a diversified financial institution. Before deciding whether to invest in the Series G Preferred Shares, investors should consider carefully the risks relating to Industrial Alliance described below and elsewhere in this prospectus supplement and in the Prospectus, and in the information incorporated by reference in the Prospectus and this prospectus supplement (including subsequently filed documents incorporated or deemed incorporated by reference).

Prospective investors should consider the categories of risks identified and discussed under “Risk Factors” in the Prospectus, under “Risk Management” in Industrial Alliance’s Annual MD&A, in the “Management of Risks Associated with Financial Instruments” and “Insurance Contract Liabilities” notes to Industrial Alliance’s most recent audited consolidated financial statements, and elsewhere in Industrial Alliance’s filings with Canadian securities regulators, which are available for review at [www.sedar.com](http://www.sedar.com). These risks are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also materially and adversely affect its business.

### *Restrictions Under the Company’s IATS – Series A Securities*

The Company has covenanted that, if a distribution is not paid when due on any outstanding Industrial Alliance Trust – Series A (also known as **IATS – Series A**) issued by Industrial Alliance Capital Trust, the Company will not pay dividends on its “Dividend Restricted Shares”, which would include the Series G Preferred Shares and the Series H Preferred Shares until the twelfth month following the failure to pay the required distribution in full, unless the required distribution is paid to the holders of IATS’s – Series A.

### *Creditworthiness of Industrial Alliance*

The value of the Series G Preferred Shares and the Series H Preferred Shares will be affected by the general creditworthiness of Industrial Alliance. The Company's Annual MD&A is incorporated by reference in this prospectus supplement. This analysis discusses, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on the Company's business, financial condition or results of operations. See also "Earnings Coverage", which is relevant to an assessment of the risk that the Company will be unable to pay dividends on the Series G Preferred Shares and the Series H Preferred Shares.

### *Credit Ratings*

The credit ratings applied to the Series G Preferred Shares are an assessment, by each rating agency, of the Company's ability to pay its obligations. The credit ratings are based on certain assumptions about the future performance and capital structure of the Company that may or may not reflect the actual performance or capital structure of the Company. Real or anticipated changes in credit ratings on the Series G Preferred Shares or in any credit rating assigned to the Series H Preferred Shares in the future may affect the market price or value and the liquidity of the Series G Preferred Shares or the Series H Preferred Shares, as applicable. No assurance can be given that any credit rating assigned to the Series G Preferred Shares or the Series H Preferred Shares will not be lowered or withdrawn entirely by the relevant rating agency.

In addition, real or anticipated changes in credit ratings on the Series G Preferred Shares or in any credit rating assigned to the Series H Preferred Shares in the future 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 can transact or obtain funding, thereby affecting Industrial Alliance's liquidity, business, financial condition or results of operations.

### *Right to Dividends*

The Series G Preferred Shares and the Series H Preferred Shares are non-cumulative and holders of Series G Preferred Shares or Series H Preferred Shares do not have a right to dividends on such shares unless declared by the Board of Directors. The declaration of dividends is at the discretion of the Board of Directors even if the Company has sufficient funds, net of its liabilities, to pay such dividends. In addition, the Company may not declare or pay a dividend if there are reasonable grounds for believing that the Company is, or would after the payment be, unable to pay its liabilities as they become due. See also "Earnings Coverage", which is relevant to an assessment of the risk that the Company will be unable to pay dividends on the Series G Preferred Shares and the Series H Preferred Shares. See also "*Restrictions Under the Company's IATS – Series A Securities*" above.

### *Rankings*

Creditors of the Company rank ahead of holders of Series G Preferred Shares and Series H Preferred Shares in the event of an insolvency or winding up of the Company. The Series G Preferred Shares and the Series H Preferred Shares will, if issued, rank equally with other preferred shares of the Company in the event of an insolvency or winding-up of the Company. If the Company becomes insolvent or is wound-up, the Company's assets must be used to pay debt, including subordinated debt, before payments may be made on Series G Preferred Shares, Series H Preferred Shares and other preferred shares.

### *Changes in Interest Rates*

The market value of the Series G Preferred Shares and the Series H Preferred Shares, as with other preferred shares, is primarily affected by changes (actual or anticipated) in prevailing interest rates and in the credit rating assigned to such shares. The market price or value of the Series G Preferred Shares will

decline as prevailing interest rates for comparable instruments rise, and increase as prevailing interest rates for comparable instruments decline.

#### *Market Value and Price Fluctuations*

The market price of the Series G Preferred Shares and the Series H Preferred Shares may fluctuate due to a variety of factors relative to the Company's business, including announcements of new developments, fluctuations in the Company's operating results, sales of the Series G Preferred Shares or the Series H Preferred Shares in the marketplace, failure to meet analysts' expectations, the impact of any public announcements made in regard to this offering, general market conditions or the worldwide economy. Stock market volatility may affect the market price of the Series G Preferred Shares or the Series H Preferred Shares for reasons unrelated to the Company's performance.

From time to time, the financial markets experience significant price and volume volatility that may affect the market price of the Series G Preferred Shares or the Series H Preferred Shares for reasons unrelated to Industrial Alliance's performance. The continuing volatility in financial markets may adversely affect Industrial Alliance and the market price of the Series G Preferred Shares or the Series H Preferred Shares. Also, the financial markets are generally characterized by extensive interconnections among financial institutions. As such, defaults by other financial institutions in Canada, the United States or other countries could adversely affect Industrial Alliance and the market price of the Series G Preferred Shares or the Series H Preferred Shares. Additionally, the value of the Series G Preferred Shares or the Series H Preferred Shares is subject to market value fluctuations based upon factors which influence Industrial Alliance's operations, such as legislative or regulatory developments, competition, technological change and global capital market activity.

#### *Changes in Prevailing Yields*

Prevailing yields on similar securities will affect the market value of the Series G Preferred Shares and the Series H Preferred Shares. Assuming all other factors remain unchanged, the market value of the Series G Preferred Shares and the Series H Preferred Shares will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline. Spreads over the Government of Canada Yield, T-Bill Rate and comparable benchmark rates of interest for similar securities will also affect the market value of the Series G Preferred Shares and the Series H Preferred Shares in an analogous manner.

#### *Redemption without Holder's Consent*

Subject to the provisions of the Insurance Act and the prior consent of the AMF and to the provisions described above under "Details of the Offering - Certain Provisions of the Series G Preferred Shares as a Series - Restrictions on Dividends and Retirement of Shares" or "Details of the Offering - Certain Provisions of the Series H Preferred Shares as a Series - Restrictions on Dividends and Retirement of Shares", as applicable, the Series G Preferred Shares and Series H Preferred Shares may be redeemed by the Company in certain circumstances without the holders' consent, including when prevailing interest rates are lower than the yields borne by the Series G Preferred Shares and the Series H Preferred Shares. If prevailing rates are lower at the time of redemption, a purchaser would not be able to reinvest the redemption proceeds in a comparable security at an effective yield as high as the yields on the Series G Preferred Shares or the Series H Preferred Shares being redeemed. The Company's redemption right also may adversely impact a purchaser's ability to sell Series G Preferred Shares and Series H Preferred Shares as the optional redemption date or period approaches.

The redemption or purchase by the Company of the Series G Preferred Shares and the Series H Preferred Shares is subject to the consent of the AMF and other restrictions contained in the Insurance Act. See "Insurance Act Restrictions and Approvals" in the Prospectus.

### *No Fixed Maturity*

Neither Series G Preferred Shares nor the Series H Preferred Shares have a fixed maturity date and are not redeemable at the option of the holders thereof. The ability of a holder to dispose of or liquidate its holdings of Series G Preferred Shares or Series H Preferred Shares, as applicable, may be limited.

### *Dividend Reset*

The dividend rate in respect of the Series G Preferred Shares will reset on June 30, 2017 and on June 30 every five years thereafter. The dividend rate in respect of the Series H Preferred Shares will reset quarterly. In each case, the new dividend rate is unlikely to be the same as, and may be lower than, the dividend rate for the applicable preceding dividend period.

### *Floating Dividend*

Investments in the Series H Preferred Shares, given their floating interest component, entail risks not associated with investments in the Series G Preferred Shares. The resetting of the applicable rate on a Series H Preferred Share may result in a lower yield compared to fixed rate Series G Preferred Shares. The applicable rate on a Series H Preferred Share will fluctuate in accordance with fluctuations in the T-Bill Rate on which the applicable rate is based, which in turn may fluctuate and be affected by a number of interrelated factors, including economic, financial and political events over which the Company has no control. See also "Earnings Coverage Ratios" which are relevant to an assessment of the risk that the Company will be unable to pay dividends on the Series G Preferred Shares and the Series H Preferred Shares.

### *Conversion without Holder's Consent*

An investment in the Series G Preferred Shares may become an investment in Series H Preferred Shares without the consent of the holder in the event of an automatic conversion in the circumstances described under "Conversion of Series G Preferred Shares into Series H Preferred Shares" above. Upon the automatic conversion of the Series G Preferred Shares into Series H Preferred Shares, the dividend rate on the Series H Preferred Shares will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate which may vary from time to time. In addition, holders may be prevented from converting their Series G Preferred Shares into Series H Preferred Shares and vice-versa in certain circumstances. See "Details of the Offering – Certain Provisions of the Series G Preferred Shares as a Series – Conversion of Series G Preferred Shares into Series H Preferred Shares".

*Listing on the TSX does not guarantee an active trading market for the Series G Preferred Shares and there is currently no trading market for the Series H Preferred Shares.*

Although the Series G Preferred Shares are listed for trading on the TSX and the Company has applied to list on the TSX the Series G Preferred Shares offered under this prospectus supplement, there can be no assurance that an active trading market will continue. In addition, the market price of the Series G Preferred Shares will be affected by many factors. See "Risk Factors – Market Value and Price Fluctuations".

There is currently no market through which the Series H Preferred Shares may be sold. No assurance can be given as to whether an active trading market will develop or be maintained for the Series H Preferred Shares. To the extent that an active trading market for the Series H Preferred Shares does not develop, the liquidity and trading prices for the Series H Preferred Shares may be adversely affected. If the Series H Preferred Shares are traded after their initial issuance, they may trade at a discount from their issue price depending on prevailing yields for similar securities, the market for similar securities, the performance of Industrial Alliance and other factors.

The price for the Series G Preferred Shares offered under this prospectus supplement was determined by negotiation between the Company and the Underwriters based on several factors and may

bear no relationship to the prices at which the Series G Preferred Shares and Series H Preferred Shares will trade in the public market subsequent to this offering. See “Plan of Distribution”.

#### *Changes in Regulatory Framework and Prudential Regulatory Supervision*

The operations of the Company and its regulated subsidiaries are subject to a variety of insurance and other laws and regulations as well as supervision by regulators. As a result of the global financial crisis, financial authorities and regulators, including the AMF, are reviewing (and in some cases, enhancing) their requirements and considering potential changes. Insurance company prudential regulators in Canada are currently focused on insurance companies’ compliance with their requirements relating to risk management systems and procedures and appropriate corporate governance procedures, among others. Failure to comply with laws or to conduct the Company’s business consistent with changing regulatory expectations and requirements could adversely affect the Company and may also lead to regulatory steps, proceedings, penalties and litigation.

From time to time, regulators raise issues during examinations or audits of Industrial Alliance and its regulated subsidiaries that could have a material adverse impact on the Company. The Company cannot predict whether or when regulatory actions may be taken that could adversely affect Industrial Alliance’s operations. In addition, the application of regulations by regulators may change and laws may be enacted with retroactive effect, and new and revised guidelines and other regulatory requirements may be adopted, particularly in areas such as corporate risk management, capital requirements, corporate governance, accounting or statutory reserve requirements. For further discussion of legal and regulatory compliance risk, please refer to “Legal and Regulatory Compliance Risk” in Industrial Alliance’s Annual MD&A.

#### **AUDITOR, TRANSFER AGENT AND REGISTRAR**

The independent auditor of the Company is Samson Bélair/Deloitte & Touche, s.e.n.c.r.l. at its Quebec City (Quebec) office.

Computershare Investor Services Inc. at its office in Montreal, Québec, is the transfer agent and registrar for the Company’s Series G Preferred Shares and the Series H Preferred Shares.

#### **EXPERTS**

Certain legal matters in connection with the issue and sale of the Series G Preferred Shares will be passed upon by Norton Rose Canada LLP on behalf of Industrial Alliance and by McCarthy Tétrault LLP on behalf of the Underwriters. As of the date of this prospectus, the partners, associates and counsel of Norton Rose Canada LLP, as a group, and McCarthy Tétrault LLP, as a group, respectively, beneficially own, directly or indirectly, less than 1% of the outstanding securities of Industrial Alliance.

Samson Bélair Deloitte & Touche, s.e.n.c.r.l. is independent within the meaning of the Code of Ethics of the Ordre des comptables professionnels agréés du Québec.

#### **PURCHASERS’ 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 and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of



the 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.

## CERTIFICATE OF THE UNDERWRITERS

Dated: June 20, 2012

To the best of our knowledge, information and belief, the short form base shelf prospectus dated April 29, 2011, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the securities legislation of each of the provinces of Canada.

BMO NESBITT BURNS INC.

By: *(signed) Pierre-Olivier Perras*

SCOTIA CAPITAL INC.

By: *(signed) David J. Skurka*

RBC DOMINION SECURITIES INC.

By: *(signed) Rajiv Bahl*

CIBC WORLD MARKETS INC.

By: *(signed) Paul St-Michel*

NATIONAL BANK FINANCIAL INC.

By: *(signed) Darin E. Deschamps*

TD SECURITIES INC.

By: *(signed) Sean C. Martin*

DESJARDINS SECURITIES INC.

By : *(signed) A. Thomas Little*

LAURENTIAN BANK SECURITIES INC.

By : *(signed) Michel Richard*

CANACCORD GENUITY CORP.

By: *(signed) Alan Polak*

CASGRAIN & COMPANY LIMITED

By: *(signed) Pierre Casgrain*

INDUSTRIAL ALLIANCE SECURITIES INC.

By: *(signed) Richard Legault*

## APPENDIX A

### INDEPENDENT AUDITOR'S CONSENT

We have read the prospectus supplement of Industrial Alliance Insurance and Financial Services Inc. ("Industrial Alliance") dated June 20, 2012, relating to the issue and sale of Non-Cumulative 5-Year Rate Reset Class A Preferred Shares Series G to the short form base shelf prospectus dated April 29, 2011, relating to the offering of up to \$1,000,000,000 in aggregate of senior or subordinated unsecured debt securities, class A preferred shares, common shares, subscription receipts, warrants, share purchase contracts and units of Industrial Alliance (collectively, the "Prospectus"). 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 policyholders and shareholders of Industrial Alliance on the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the consolidated statements of income, changes in equity, comprehensive income and cash flows for the years ended December 31, 2011 and December 31, 2010. Our report is dated February 17, 2012.

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(Signed) SAMSON BÉLAIR DELOITTE & TOUCHE s.e.n.c.r.l.<sup>(1)</sup>

Québec City, Quebec

June 20, 2012

<sup>(1)</sup> CPA auditor, CA public accountancy permit n° A116129