

IN THE MATTER OF THE SECURITIES LEGISLATION OF  
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA,  
Qu<sub>顛</sub>c, ONTARIO, NEW BRUNSWICK, PRINCE EDWARD ISLAND,  
NOVA SCOTIA AND NEWFOUNDLAND

AND

IN THE MATTER OF THE MUTUAL RELIANCE REVIEW  
SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF INDUSTRIAL-ALLIANCE  
LIFE INSURANCE COMPANY

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of Qu<sub>顛</sub>c, British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland (collectively, the "Jurisdictions") have received an application from Industrial-Alliance Life Insurance Company ("Industrial-Alliance") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") exempting Industrial-Alliance from the prospectus requirements of the Legislation and permitting the use by Industrial-Alliance of the PREP Procedures (as such term is defined in National Policy No. 44 ("NP 44") and similar procedures under the Legislation of Qu<sub>顛</sub>c (the "Qu<sub>顛</sub>c Procedure")) as if Industrial-Alliance were eligible under NP 44 and sections 37.5, 37.6 and 37.7 of the *Regulation respecting securities* under the *Securities Act* (Qu<sub>顛</sub>c) (the "Qu<sub>顛</sub>c Regulation") in connection with Industrial-Alliance proposed initial public offering ("IPO") of common shares (the "Common Shares"), as more fully described below.

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System") the Commission des valeurs mobili<sub>顛</sub>s du Qu<sub>顛</sub>c is the principal regulator for this application;

AND WHEREAS Industrial-Alliance has represented to the Decision Makers that:

1. Industrial-Alliance is a mutual life insurance company under *An Act respecting Insurance* (Qu<sub>顛</sub>c), as amended, (the "Act") and is supervised by the General Inspector of Financial Institutions ("IGFI"). Industrial-Alliance results from several amalgamations, including the 1987 amalgamation of Industrial Life Insurance Company, founded in 1905, and Alliance Mutual Life Insurance Company, founded in 1892, and the 1996 amalgamation with The Solidarity Life Insurance Company. The head office of Industrial-Alliance is located in Qu<sub>顛</sub>c City, Qu<sub>顛</sub>c.
2. Industrial-Alliance is a diversified life insurance company offering in Canada a wide range of protection and wealth management products to individuals and groups. As at December 31,

1998, Industrial-Alliance ranked fourth in Canada among life insurance companies in terms of amounts of life insurance in force and seventh in terms of general fund assets. Industrial-Alliance had, as at September 30, 1999, total assets under administration of \$12.7 billion, total general fund assets of \$9.6 billion and individual insurance in force of \$78.3 billion.

3. As a "mutual company" within the meaning of the Act, Industrial-Alliance is owned by its policyholders and has no shareholders.

4. Industrial-Alliance has been a reporting issuer since 1996 within the meaning of the Legislation. To its knowledge, Industrial-Alliance is not in default of any requirement of the Legislation.

5. Upon its demutualization, the authorized share capital of Industrial-Alliance will consist of 100 million common shares (the "Common Shares") without par value issuable for an aggregate consideration not exceeding \$1 billion, and of 10 million preferred shares with a par value of \$25 each, issuable in series. The 3 million preferred securities outstanding of Industrial-Alliance will be converted into series 1 preferred shares, so that on the effective date of the demutualization (the "Effective Date"), Industrial-Alliance's only outstanding shares will consist of Common Shares, it issued pursuant to its demutualization and the IPO, and 3 million series 1 preferred shares.

6. At a special meeting of policyholders held November 8, 1999, Industrial-Alliance's demutualization proposal was approved by its policyholders. On November 24, 1999, the Qu<sup>án</sup>c National Assembly adopted *an Act respecting Industrial-Alliance Life Insurance Company* (the "Act") which permits, among other things, Industrial-Alliance's demutualization (i.e. the transformation from a mutual life insurance company to a share capital insurance company). Industrial-Alliance's demutualization will take effect on the date of the letters patent of demutualization issued in accordance with the Act.

7. On the Effective Date, the following events will take place: (i) Industrial-Alliance will be demutualized; (ii) eligible policyholders will receive demutualization benefits in exchange for their interests; (iii) Industrial-Alliance's participating account will be restructured in accordance with the demutualization proposal; (iv) outstanding preferred securities will be converted into preferred shares; and (v) Industrial-Alliance will complete the IPO.

8. Prior to the Effective Date, Industrial-Alliance will file a preliminary long form prospectus and a long form prospectus (the "Prospectus") in each of the Jurisdictions to qualify the distribution of the Common Shares pursuant to the IPO. The IPO is scheduled to be completed following the date on which the demutualization becomes effective. In connection with the demutualization and the IPO, the Toronto Stock Exchange (the "TSE") has conditionally approved the listing of the Common Shares.

9. In the IPO, the Common Shares will be offered to the public in Canada pursuant to the Prospectus, to qualified institutional buyers in the United States pursuant to Rule 144A under the United States *Securities Act of 1933* and internationally in transaction exempt from applicable prospectus requirements. The IPO will establish a market price for the Common Shares,

including a price for the Common Shares to be repurchased by Industrial-Alliance or sold to the underwriters as described below, and will assist in establishing a proper trading market for the Common Shares and allow for sales of Common Shares in an orderly fashion.

10. Industrial-Alliance intends to use its net proceeds from the IPO to fund the payments to those eligible policyholders who are required to receive cash under the Conversion Proposal. The balance of the net proceeds, if any, will be retained by Industrial-Alliance for its own working capital to help defray the costs of demutualization or provide additional working capital.

11. In connection with its demutualization, Industrial-Alliance will issue approximately 35 million Common Shares. Industrial-Alliance anticipates that, immediately following completion of the IPO, the aggregate market value of the Common Shares will be significantly in excess of the \$300,000,000 minimum provided for in section 4.2 of National Policy 47 ("NP 47").

12. Section 4.1 of NP 44 makes the PREP Procedures available to an issuer that is: (i) eligible to use the POP System (as defined in NP 47), either as a result of meeting the POP System's eligibility criteria or as a result of obtaining discretionary relief permitting the issuer to use the POP System, to distribute the relevant class of securities; or (ii) has outstanding equity securities that are listed and posted for trading on a Recognized Stock Exchange (as defined in NP 44).

13. Without the order sought by this application, Industrial-Alliance would not be eligible to use the PREP Procedures for the IPO because: (i) Industrial-Alliance does not satisfy the POP System's eligibility criteria for the distribution of the Common Shares; and (ii) the Common Shares are not currently listed and posted for trading on a Recognized Stock Exchange. However, as noted above, immediately following completion of the IPO, Industrial-Alliance expects to satisfy the "substantial issuer" eligibility criteria prescribed by section 4.2 of NP 47 and its Common Shares will be listed and posted for trading on the TSE which is a Recognized Stock Exchange.

14. Industrial-Alliance has an obligation to its eligible policyholders to maximize the value of their demutualization benefits, which will be in the form of Common Shares or cash. The value of the demutualization benefits will be established initially through the sale price for the Common Shares in the IPO.

15. Industrial-Alliance believes that the PREP Procedures will permit Industrial-Alliance and its underwriters to better coordinate the pricing, prospectus delivery, and purchase confirmations relating to the IPO, thereby assisting Industrial-Alliance in meeting its obligation to eligible policyholders through a successful IPO.

AND WHEREAS, pursuant to the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

IT IS HEREBY DECIDED by the Decision Makers, pursuant to the Legislation, that Industrial-Alliance is hereby exempted from the prospectus requirements of the Legislation with respect to the IPO of Common Shares effected in compliance with the PREP Procedures and the Qu<sup>ant</sup>ic Procedures:

1. insofar as such requirements concern the form and content of a preliminary prospectus or a prospectus, including the form of prospectus certificates, filed under the Legislation;
2. insofar as the requirements of the Legislation concern the filing of an amendment or supplement to a preliminary prospectus or prospectus filed under the Legislation;

provided that:

3. a preliminary prospectus complying with NP 44 and the Qu<sup>ant</sup>ic Regulation is filed under the Legislation pursuant to and in accordance with the requirements and procedures set forth in NP 44 and the Qu<sup>ant</sup>ic Regulation, as if Industrial-Alliance was eligible to use the PREP Procedures and the Qu<sup>ant</sup>ic Procedures and such preliminary prospectus is supplemented and amended pursuant to and in accordance with the requirements and procedures set forth in NP 44 and the Qu<sup>ant</sup>ic Regulation, including the filing of amendments complying with the requirements of the Legislation;
4. a prospectus complying with NP 44 and the Qu<sup>ant</sup>ic Regulation is filed under the Legislation pursuant to and in accordance with the requirements and procedures set forth in NP 44 and the Quebec Regulation, as if Industrial-Alliance was eligible to use the PREP Procedures and the Qu<sup>ant</sup>ic Procedures; and
5. such prospectus is supplemented and amended pursuant to and in accordance with the requirements and procedures set forth in NP 44 and the Qu<sup>ant</sup>ic Regulation, including the filing of amendments complying with the requirements of the Legislation.

Dated at Montreal on January 11, 2000.

Viateur Gagnon   Guy Lemoine