

AETNA AT A GLANCE

Aetna reported a second quarter 2001 operating loss, excluding other items, of (\$95.9) million or (\$0.67) per share, compared to operating earnings from continuing operations of \$36.4 million or \$0.25 per share for the second quarter of 2000 and an operating loss, excluding other items, of (\$36.6) million or (\$0.26) per share for the first quarter of 2001.¹ Cash operating loss per share, excluding the other items, was (\$0.07), for the second quarter of 2001 compared to cash operating earnings of \$0.87 per share for the prior year quarter and \$0.34 for the first quarter of 2001.

During the quarter Aetna issued \$700 million of 8.5% bonds, due 2041. Aetna has the option to call the bonds at par after five years. Net proceeds from the offering, about \$678 million, were used to reduce outstanding commercial paper borrowings.

Health Care

Operating results (before goodwill amortization and other item(s)) of (\$35.4) million decreased \$134.6 million quarter over quarter and decreased \$49.1 million sequentially. Revenue of \$5.6 billion decreased 7.6% quarter over quarter and decreased 0.6% sequentially. Operating expenses as a percent of revenue of 19.3% increased 60 basis points quarter over quarter and increased 40 basis points sequentially. Pretax Operating margin (deficit)² of (0.9%) decreased 350 basis points quarter over quarter and decreased 130 basis points sequentially. Health Care Costs Payable of \$3.2 billion increased \$68.8 million quarter over quarter and increased \$79.5 million sequentially.

Premiums

Commercial Risk³ premium of \$4.5 billion increased 2.0% quarter over quarter and decreased 0.7% sequentially. Commercial HMO³ premium of \$3.6 billion increased 1.6% quarter over quarter and decreased 0.4% sequentially. Medicare HMO premium (continuing markets) of \$505.4 million decreased 0.9% quarter over quarter and decreased 0.2% sequentially.

Medical Cost Ratios

Commercial Risk MCR of 90.0% increased 430 basis points quarter over quarter and increased 80 basis points sequentially. Commercial HMO MCR of 91.3% increased 450 basis points quarter over quarter and increased 130 basis points sequentially. Medicare HMO MCR (continuing markets) of 95.2% increased 310 basis points quarter over quarter and increased 150 basis points sequentially.

Health Risk

Health Risk operating results (before goodwill amortization and other item(s)) of (\$78.3) million decreased \$128.7 million quarter over quarter and decreased \$60.2 million sequentially. Health Risk operating expenses as a percent of revenue of 13.2% increased 40 basis points quarter over quarter and increased 80 basis points sequentially. Commercial Risk operating expenses as a percent of revenue of 14.2% decreased 30 basis points quarter over quarter and increased 80 basis points sequentially. Pretax Health Risk operating margin (deficit) of (2.3%) decreased 380 basis points quarter over quarter and decreased 180 basis points sequentially. Days Claims Payable⁴ of 63.0 days increased 4.0 days quarter over quarter and increased 2.7 days sequentially.

Health ASC

Health ASC earnings (before goodwill amortization) of \$42.9 million decreased 12.1% quarter over quarter and increased 34.9% sequentially. Health ASC operating expenses as a percent of revenue of 86.4% increased 130 basis points quarter over quarter and decreased 350 basis points sequentially. Pretax Health ASC operating margin of 13.6% decreased 130 basis points quarter over quarter and increased 350 basis points sequentially.

Group Insurance

Operating earnings of \$37.6 million decreased 22.0% quarter over quarter and decreased 16.8% sequentially.
Revenue of \$422.4 million increased 3.4% quarter over quarter and decreased 3.9% sequentially.
Premiums of \$343.5 million increased 5.6% quarter over quarter and were level sequentially.
Operating expenses as a percent of revenue of 10.7% increased 140 basis points quarter over quarter and increased 110 basis points sequentially.
Pretax Operating margin of 13.4% decreased 450 basis points quarter over quarter and decreased 200 basis points sequentially.
Group Insurance Cost Ratio (benefits/premiums) of 93.3% increased 190 basis points quarter over quarter and decreased 260 basis points sequentially.

Large Case Pensions

Operating earnings of \$10.1 million decreased 29.9% quarter over quarter and decreased 4.7% sequentially.
Total Assets Under Management⁵ of \$22.1 billion decreased 12.3% quarter over quarter and decreased 4.2% sequentially.

Corporate Interest Expense

Interest expense of \$21.8 million decreased 40.4% quarter over quarter and increased 10.7% sequentially.

Membership - Health Care, Group Insurance, and Dental

Health Care membership of 18.1 million decreased 7.1% quarter over quarter and decreased 1.3% sequentially.
Health Risk membership of 9.1 million decreased 10.3% quarter over quarter and decreased 1.7% sequentially.
Health ASC membership of 9.0 million decreased 3.7% quarter over quarter and decreased 0.9% sequentially.
Group Insurance membership of 11.7 million increased 1.6% quarter over quarter and increased 1.5% sequentially.
Group Life membership of 9.3 million increased 2.0% quarter over quarter and increased 1.9% sequentially.
Disability membership of 2.2 million decreased 0.4% quarter over quarter and was level sequentially.
Long-Term Care membership of 127 thousand increased 13.4% quarter over quarter and was level sequentially.
Dental membership of 13.9 million decreased 2.3% quarter over quarter and decreased 1.9% sequentially.
Dental Risk membership of 6.1 million decreased 2.5% quarter over quarter and decreased 2.0% sequentially.
Dental ASC membership of 7.9 million decreased 2.2% quarter over quarter and decreased 1.8% sequentially.

¹ Operating results exclude net realized capital gains and/or losses. Second quarter 2001 operating results also excludes \$5.3 million after tax of favorable reserve development (since March 31, 2001), recorded in the second quarter 2001, related to Medicare markets the Company exited effective January 1, 2001. Included in both the current and prior-year quarter is a benefit from the reduction in discontinued product reserves in the Large Case Pensions segment: \$61.4 million after-tax in 2Q01 compared with \$94.9 million after-tax in 2Q00. Other items in 2Q00 also include a \$14.6 million after-tax charge related to the New Jersey Insolvent HMO Assistance Fund Act of 2000. First quarter 2001 operating results exclude \$34.3 million after-tax of unfavorable prior-period medical costs, recorded in the first quarter 2001, related to Medicare markets the company exited effective January 1, 2001. Calculations of all results and ratios contained in this analysis exclude applicable other item(s).

² Pretax operating margin is calculated by dividing pretax operating earnings excluding other items, interest expense, and goodwill/intangibles amortization by total revenue, excluding net realized capital gains or losses.

³ Commercial Risk includes all medical and dental risk products except Medicare and Medicaid. Commercial HMO includes all medical HMO products except Medicare and Medicaid.

⁴ Days Claims Payable reflects the number of days of medical costs expense contained in Health Care Costs Payable, including the other item, associated with risk plans and is calculated based on actual number of days in each respective period.

⁵ Assets Under Management as of June 30, 2001, June 30, 2000 and March 31, 2001, exclude net unrealized capital gains (losses) of \$110.0 million, (\$223.1) million, and \$210.5 million respectively.

Earnings Summary
Operating Earnings (Losses)
Excluding Other Items (1)
(Millions, except share and per common share data)

	3 Months Ended June 30,			6 Months Ended June 30,		
	2001	2000	% Change	2001	2000	% Change
Continuing operations						
Health Care	\$ (121.8)	\$ 10.4	-	\$ (194.5)	\$ 78.6	-
Group Insurance	37.6	48.2	(22.0)	82.8	94.4	(12.3)
Large Case Pensions	10.1	14.4	(29.9)	20.7	31.0	(33.2)
Corporate Interest	(21.8)	(36.6)	40.4	(41.5)	(81.4)	49.0
Operating earnings (loss) from continuing operations	<u>\$ (95.9)</u>	<u>\$ 36.4</u>	-	<u>\$ (132.5)</u>	<u>\$ 122.6</u>	-
Weighted average common shares and common share equivalents (2)(3)	<u>142,668,243</u>	<u>143,242,791</u>		<u>143,022,897</u>	<u>142,672,630</u>	
Operating earnings (loss) from continuing operations per common share						
Excluding other items	\$ (0.67)	\$.25	-	\$ (0.93)	\$.86	-
Including other items	<u>\$ (0.20)</u>	<u>\$.81</u>	(124.7)	<u>\$ (0.70)</u>	<u>\$ 1.42</u>	(149.3)

Net Income (Loss)
(Millions)

Operating earnings (loss) from continuing operations	\$ (95.9)	\$ 36.4	-	\$ (132.5)	\$ 122.6	-
Other items, net of tax:						
Favorable (unfavorable) reserve runoff - exited Medicare markets	5.3	-	100.0	(29.0)	-	100.0
Assessment - New Jersey HMO Insolvency Fund	-	(14.6)	100.0	-	(14.6)	100.0
Reduction of reserve for loss on discontinued products	61.4	94.9	(35.3)	61.4	94.9	(35.3)
Operating earnings (loss) from continuing operations including other items	<u>(29.2)</u>	<u>116.7</u>	(125.0)	<u>(100.1)</u>	<u>202.9</u>	(149.3)
Net realized capital gains (losses), net of tax	39.8	(7.1)	-	62.0	(17.9)	-
Income (loss) from continuing operations before cumulative effect adjustment	10.6	109.6	(90.3)	(38.1)	185.0	(120.6)
Cumulative effect adjustment, net of tax (4)	-	-	-	0.5	-	-
Income (loss) from continuing operations	10.6	109.6	(90.3)	(37.6)	185.0	(120.3)
Income from discontinued operations, net of tax	-	77.0	(100.0)	-	171.6	(100.0)
Net income (loss)	<u>\$ 10.6</u>	<u>\$ 186.6</u>	(94.3)	<u>\$ (37.6)</u>	<u>\$ 356.6</u>	(110.5)

Note: Prior to December 13, 2000, the Company (formerly Aetna U.S. Healthcare, Inc.) was a subsidiary of a Connecticut corporation named Aetna Inc. ("former Aetna"). On December 13, 2000, former Aetna spun off the Company to shareholders. As part of the same transaction, the remaining entity, which contained former Aetna's financial services and international businesses, was merged into a subsidiary of ING Groep N.V. The financial services and international businesses are reflected as discontinued operations, since the Company is the successor of former Aetna for accounting purposes.

- (1) Operating earnings exclude net realized capital gains (losses), other items and cumulative effect adjustment. Other items include: for the three months ended June 30, 2001, \$5.3 million after tax of favorable reserve developments related to Medicare markets the Company exited January 1, 2001 in the Health Care segment; for the six months ended June 30, 2001, a \$29.0 million after-tax charge for unfavorable reserve developments related to these markets in the Health Care segment; for the three and six months ended June 30, 2001 and 2000, after-tax benefits from reductions in the reserve for anticipated future losses on discontinued products of \$61.4 million and \$94.9 million, respectively, in the Large Case Pensions segment; and for the three and six months ended June 30, 2000, a \$14.6 million after-tax charge for an assessment related to the New Jersey Insolvency Fund in the Health Care segment.
- (2) During the six months ended June 30, 2001, the Company repurchased 2,600,000 common shares. The Company purchased no common shares during the three months ended June 30, 2001.
- (3) For earnings per common share calculations where a loss exists, no potential common share equivalents were considered, as inclusion of such equivalents would be anti-dilutive.
- (4) Cumulative effect adjustment relates to the adoption of a new accounting standard, *Accounting for Derivative Instruments and Hedging Activities* (FAS No. 133).

Consolidating Statements of Net Income (Loss) by Segment

(Millions)

	Health Care	Group Insurance	Large Case Pensions	Corporate Interest	Consolidated
Three Months Ended June 30, 2001					
Continuing operations					
Revenue:					
Premiums	\$ 5,040.8	\$ 343.5	\$ 250.0	\$ -	\$ 5,634.3
Administrative services contract fees	457.7	8.2	-	-	465.9
Net investment income	99.1	69.7	192.2	-	361.0
Other income	8.6	1.0	3.6	-	13.2
Total revenue, excluding net realized capital gains (losses)	<u>5,606.2</u>	<u>422.4</u>	<u>445.8</u>	<u>-</u>	<u>6,474.4</u>
Benefits and expenses:					
Health care costs	4,575.0	-	-	-	4,575.0
Current and future benefits	-	320.5	423.9	-	744.4
Operating expenses	1,084.0	45.3	5.9	-	1,135.2
Interest expense	-	-	-	33.6	33.6
Amortization of goodwill and other acquired intangible assets	107.3	-	-	-	107.3
Total benefits and expenses	<u>5,766.3</u>	<u>365.8</u>	<u>429.8</u>	<u>33.6</u>	<u>6,595.5</u>
Operating earnings (loss), excluding income taxes (benefits) and other items	(160.1)	56.6	16.0	(33.6)	(121.1)
Income taxes (benefits)	(38.3)	19.0	5.9	(11.8)	(25.2)
Operating earnings (loss), excluding other items	<u>(121.8)</u>	<u>37.6</u>	<u>10.1</u>	<u>(21.8)</u>	<u>(95.9)</u>
Favorable reserve runoff - exited Medicare markets, net of tax	5.3	-	-	-	5.3
Reduction of reserve for loss on discontinued products, net of tax	-	-	61.4	-	61.4
Operating earnings (loss)	<u>(116.5)</u>	<u>37.6</u>	<u>71.5</u>	<u>(21.8)</u>	<u>(29.2)</u>
Net realized capital gains (losses), net of tax	45.1	(5.3)	-	-	39.8
Net income (loss)	<u>\$ (71.4)</u>	<u>\$ 32.3</u>	<u>\$ 71.5</u>	<u>\$ (21.8)</u>	<u>\$ 10.6</u>
Pretax Operating Margin (Deficit)	(0.9)%	13.4%	3.6%	N/A	0.3%
After-tax Operating Margin (Deficit)	(0.6)%	8.9%	2.3%	N/A	0.2%
Three Months Ended June 30, 2000					
Continuing operations					
Revenue:					
Premiums	\$ 5,476.4	\$ 325.4	\$ 36.9	\$ -	\$ 5,838.7
Administrative services contract fees	477.8	9.1	-	-	486.9
Net investment income	97.6	72.9	216.2	-	386.7
Other income	12.7	1.1	6.0	-	19.8
Total revenue, excluding net realized capital gains (losses)	<u>6,064.5</u>	<u>408.5</u>	<u>259.1</u>	<u>-</u>	<u>6,732.1</u>
Benefits and expenses:					
Health care costs	4,777.0	-	-	-	4,777.0
Current and future benefits	-	297.5	229.9	-	527.4
Operating expenses	1,131.1	38.0	6.3	-	1,175.4
Interest expense	-	-	-	56.4	56.4
Amortization of goodwill and other acquired intangible assets	109.2	-	-	-	109.2
Total benefits and expenses	<u>6,017.3</u>	<u>335.5</u>	<u>236.2</u>	<u>56.4</u>	<u>6,645.4</u>
Operating earnings (loss) from continuing operations, excluding income taxes (benefits) and other items	47.2	73.0	22.9	(56.4)	86.7
Income taxes (benefits)	36.8	24.8	8.5	(19.8)	50.3
Operating earnings (loss) from continuing operations, excluding other items	<u>10.4</u>	<u>48.2</u>	<u>14.4</u>	<u>(36.6)</u>	<u>36.4</u>
Assessment - New Jersey HMO Insolvency Fund, net of tax	(14.6)	-	-	-	(14.6)
Reduction of reserve for loss on discontinued products, net of tax	-	-	94.9	-	94.9
Operating earnings (loss) from continuing operations	<u>(4.2)</u>	<u>48.2</u>	<u>109.3</u>	<u>(36.6)</u>	<u>116.7</u>
Net realized capital gains (losses), net of tax	(8.4)	(3.1)	4.4	-	(7.1)
Income (loss) from continuing operations	<u>\$ (12.6)</u>	<u>\$ 45.1</u>	<u>\$ 113.7</u>	<u>\$ (36.6)</u>	<u>\$ 109.6</u>
Pretax Operating Margin	2.6%	17.9%	8.8%	N/A	3.7%
After-tax Operating Margin	1.6%	11.8%	5.6%	N/A	2.4%

Consolidating Statements of Net Income (Loss) by Segment
(Millions)

	Health Care	Group Insurance	Large Case Pensions	Corporate Interest	Consolidated
Six Months Ended June 30, 2001					
Continuing operations					
Revenue:					
Premiums	\$ 10,108.5	\$ 686.9	\$ 341.3	\$ -	\$ 11,136.7
Administrative services contract fees	915.8	16.7	-	-	932.5
Net investment income	207.1	156.3	408.6	-	772.0
Other income	14.8	2.0	10.6	-	27.4
Total revenue, excluding net realized capital gains (losses)	<u>11,246.2</u>	<u>861.9</u>	<u>760.5</u>	<u>-</u>	<u>12,868.6</u>
Benefits and expenses:					
Health care costs	9,126.5	-	-	-	9,126.5
Current and future benefits	-	649.8	715.9	-	1,365.7
Operating expenses	2,149.5	87.6	12.3	-	2,249.4
Interest expense	-	-	-	63.9	63.9
Amortization of goodwill and other acquired intangible assets	214.5	-	-	-	214.5
Total benefits and expenses	<u>11,490.5</u>	<u>737.4</u>	<u>728.2</u>	<u>63.9</u>	<u>13,020.0</u>
Operating earnings (loss), excluding income taxes (benefits), other items and cumulative effect adjustment	(244.3)	124.5	32.3	(63.9)	(151.4)
Income taxes (benefits)	(49.8)	41.7	11.6	(22.4)	(18.9)
Operating earnings (loss), excluding other items and cumulative effect adjustment	<u>(194.5)</u>	<u>82.8</u>	<u>20.7</u>	<u>(41.5)</u>	<u>(132.5)</u>
Unfavorable reserve runoff - exited Medicare markets, net of tax	(29.0)	-	-	-	(29.0)
Reduction of reserve for loss on discontinued products, net of tax	-	-	61.4	-	61.4
Operating earnings (loss), excluding cumulative effect adjustment	<u>(223.5)</u>	<u>82.8</u>	<u>82.1</u>	<u>(41.5)</u>	<u>(100.1)</u>
Cumulative effect adjustment, net of tax	0.5	-	-	-	0.5
Net realized capital gains (losses), net of tax	59.9	2.9	(8)	-	62.0
Net income (loss)	<u>\$ (163.1)</u>	<u>\$ 85.7</u>	<u>\$ 81.3</u>	<u>\$ (41.5)</u>	<u>\$ (37.6)</u>
Pretax Operating Margin (Deficit)	(0.3)%	14.4%	4.2%	N/A	1.0%
After-tax Operating Margin (Deficit)	(0.2)%	9.6%	2.7%	N/A	0.6%
Six Months Ended June 30, 2000					
Continuing operations					
Revenue:					
Premiums	\$ 10,935.8	\$ 660.7	\$ 77.6	\$ -	\$ 11,674.1
Administrative services contract fees	967.6	18.3	-	-	985.9
Net investment income	201.4	151.7	460.7	-	813.8
Other income	29.1	2.1	12.6	-	43.8
Total revenue, excluding net realized capital gains (losses)	<u>12,133.9</u>	<u>832.8</u>	<u>550.9</u>	<u>-</u>	<u>13,517.6</u>
Benefits and expenses:					
Health care costs	9,451.8	-	-	-	9,451.8
Current and future benefits	-	614.2	487.6	-	1,101.8
Operating expenses	2,280.9	75.9	12.8	-	2,369.6
Interest expense	-	-	-	125.3	125.3
Amortization of goodwill and other acquired intangible assets	218.4	-	-	-	218.4
Total benefits and expenses	<u>11,951.1</u>	<u>690.1</u>	<u>500.4</u>	<u>125.3</u>	<u>13,266.9</u>
Operating earnings (loss) from continuing operations, excluding income taxes (benefits) and other items	182.8	142.7	50.5	(125.3)	250.7
Income taxes (benefits)	104.2	48.3	19.5	(43.9)	128.1
Operating earnings (loss) from continuing operations, excluding other items	<u>78.6</u>	<u>94.4</u>	<u>31.0</u>	<u>(81.4)</u>	<u>122.6</u>
Assessment - New Jersey HMO Insolvency Fund, net of tax	(14.6)	-	-	-	(14.6)
Reduction of reserve for loss on discontinued products, net of tax	-	-	94.9	-	94.9
Operating earnings (loss) from continuing operations	<u>64.0</u>	<u>94.4</u>	<u>125.9</u>	<u>(81.4)</u>	<u>202.9</u>
Net realized capital gains (losses), net of tax	(15.3)	(7.8)	5.2	-	(17.9)
Income (loss) from continuing operations	<u>\$ 48.7</u>	<u>\$ 86.6</u>	<u>\$ 131.1</u>	<u>\$ (81.4)</u>	<u>\$ 185.0</u>
Pretax Operating Margin	3.3%	17.1%	9.2%	N/A	4.4%
After-tax Operating Margin	2.1%	11.3%	5.6%	N/A	2.8%

Health Care
Statements of Income
(\$ in Millions)

	3 Months Ended June 30, 2001			3 Months Ended June 30, 2000			% Change
	Risk (1) (2)	ASC (3) (4)	Total	Risk (1) (2)	ASC (3) (4)	Total	
Revenue:							
Premiums	\$ 5,040.8	\$ -	\$ 5,040.8	\$ 5,476.4	\$ -	\$ 5,476.4	(8.0)
Administrative services contract fees	-	457.7	457.7	-	477.8	477.8	(4.2)
Net investment income	93.4	5.7	99.1	91.1	6.5	97.6	1.5
Other income	3.4	5.2	8.6	3.4	9.3	12.7	(32.3)
Total revenue, excluding net realized capital gains (losses)	<u>5,137.6</u>	<u>468.6</u>	<u>5,606.2</u>	<u>5,570.9</u>	<u>493.6</u>	<u>6,064.5</u>	(7.6)
Benefits and expenses:							
Health care costs	4,575.0	-	4,575.0	4,777.0	-	4,777.0	(4.2)
Operating expenses	<u>678.9</u>	<u>405.1</u>	<u>1,084.0</u>	<u>711.1</u>	<u>420.0</u>	<u>1,131.1</u>	(4.2)
Total benefits and expenses	<u>5,253.9</u>	<u>405.1</u>	<u>5,659.0</u>	<u>5,488.1</u>	<u>420.0</u>	<u>5,908.1</u>	(4.2)
Operating earnings (loss) excluding income taxes (benefits), amortization of goodwill and other acquired intangible assets and other items	(116.3)	63.5	(52.8)	82.8	73.6	156.4	
Income taxes (benefits)	<u>(38.0)</u>	<u>20.6</u>	<u>(17.4)</u>	<u>32.4</u>	<u>24.8</u>	<u>57.2</u>	
Operating earnings (loss) excluding amortization of goodwill and other acquired intangible assets and other items	<u>\$ (78.3)</u>	<u>\$ 42.9</u>	(35.4)	<u>\$ 50.4</u>	<u>\$ 48.8</u>	99.2	
Amortization of goodwill and other acquired intangible assets, net of tax			<u>(86.4)</u>			<u>(88.8)</u>	
Operating earnings (loss) excluding other items			(121.8)			10.4	
Other items, net of tax:							
Favorable reserve runoff - exited Medicare markets			5.3			-	
Assessment - New Jersey HMO Insolvency Fund			<u>-</u>			<u>(14.6)</u>	
Operating loss			<u>\$ (116.5)</u>			<u>\$ (4.2)</u>	

- (1) Risk includes all medical and dental products for which the Company assumes all or a majority of health care cost, utilization, mortality, morbidity, or other risk (HMO, POS, PPO, Indemnity).
- (2) For the three months ended June 30, 2001, the Company recorded a net \$1.6 million after-tax benefit (\$22.7 million after tax for the three months ended June 30, 2000) related to recoveries under a reinsurance agreement with Prudential Insurance Company of America ("Prudential") and recognition of a portion of the reinsurance premium paid (in 2000 only), as well as the net amortization of amounts established as part of the Prudential Healthcare ("PHC") purchase accounting. The reinsurance agreement ended on December 31, 2000, except that the agreement provides for a period of time during which medical cost reimbursements (as calculated in accordance with the agreement) will be finalized, which is expected to be completed by the end of 2001.
- (3) Administrative Services Contracts ("ASC") include all medical and dental products offered on an employer-funded basis. Under employer-funded plans, the plan sponsor, and not the Company, assumes all or a majority of these risks.
- (4) For the three months ended June 30, 2000, the Company recorded supplemental fees of \$23.5 million after tax for servicing Prudential's ASC business, including amortization of amounts established as part of the PHC purchase accounting. This arrangement ended in February 2001.

Health Care
Statements of Income
(\$ in Millions)

	6 Months Ended June 30, 2001			6 Months Ended June 30, 2000			% Change
	Risk (1) (2)	ASC (3) (4)	Total	Risk (1) (2)	ASC (3) (4)	Total	
Revenue:							
Premiums	\$ 10,108.5	\$ -	\$ 10,108.5	\$ 10,935.8	\$ -	\$ 10,935.8	(7.6)
Administrative services contract fees	-	915.8	915.8	-	967.6	967.6	(5.4)
Net investment income	192.6	14.5	207.1	185.6	15.8	201.4	2.8
Other income	5.4	9.4	14.8	8.2	20.9	29.1	(49.1)
Total revenue, excluding net realized capital gains (losses)	<u>10,306.5</u>	<u>939.7</u>	<u>11,246.2</u>	<u>11,129.6</u>	<u>1,004.3</u>	<u>12,133.9</u>	(7.3)
Benefits and expenses:							
Health care costs	9,126.5	-	9,126.5	9,451.8	-	9,451.8	(3.4)
Operating expenses	1,320.8	828.7	2,149.5	1,426.9	854.0	2,280.9	(5.8)
Total benefits and expenses	<u>10,447.3</u>	<u>828.7</u>	<u>11,276.0</u>	<u>10,878.7</u>	<u>854.0</u>	<u>11,732.7</u>	(3.9)
Operating earnings (loss) excluding income taxes (benefits), amortization of goodwill and other acquired intangible assets and other items	(140.8)	111.0	(29.8)	250.9	150.3	401.2	
Income taxes (benefits)	<u>(44.4)</u>	<u>36.3</u>	<u>(8.1)</u>	<u>94.5</u>	<u>50.9</u>	<u>145.4</u>	
Operating earnings (loss) excluding amortization of goodwill and other acquired intangible assets and other items	<u>\$ (96.4)</u>	<u>\$ 74.7</u>	(21.7)	<u>\$ 156.4</u>	<u>\$ 99.4</u>	255.8	
Amortization of goodwill and other acquired intangible assets, net of tax			<u>(172.8)</u>			<u>(177.2)</u>	
Operating earnings (loss) excluding other items			(194.5)			78.6	
Other items, net of tax:							
Unfavorable reserve runoff - exited Medicare markets			(29.0)			-	
Assessment - New Jersey HMO Insolvency Fund			<u>-</u>			<u>(14.6)</u>	
Operating earnings (loss)			<u>\$ (223.5)</u>			<u>\$ 64.0</u>	

(1) Risk includes all medical and dental products for which the Company assumes all or a majority of health care cost, utilization, mortality, morbidity, or other risk (HMO, POS, PPO, Indemnity).

(2) For the six months ended June 30, 2001, the Company recorded a net \$4.7 million after-tax benefit (\$30.7 million after tax for the six months ended June 30, 2000) relating to recoveries under a reinsurance agreement with Prudential and recognition of a portion of the reinsurance premium paid (in 2000 only), as well as the net amortization of amounts established as part of the PHC purchase accounting. The reinsurance agreement ended on December 31, 2000, except that the agreement provides for a period of time during which medical cost reimbursements (as calculated in accordance with the agreement) will be finalized, which is expected to be completed by the end of 2001.

(3) ASC includes all medical and dental products offered on an employer-funded basis. Under employer-funded plans, the plan sponsor, and not the Company, assumes all or a majority of these risks.

(4) For the six months ended June 30, 2001, the Company recorded supplemental fees of \$.8 million after tax (\$.8 million after tax for the six months ended June 30, 2000) for servicing Prudential's ASC business, including amortization of amounts established as part of the PHC purchase accounting. This arrangement ended in February 2001.

**Health Care
Financial Statistics
Financial Statement Basis
(\$ in Millions)**

	3 Months Ended					6 Months Ended		
	June 2001	June 2000	March 2001	Change June 2001 - June 2000	Change June 2001- March 2001	June 2001	June 2000	Change June 2001 - June 2000
<u>Premiums (1)</u>								
Commercial Risk	\$ 4,474.8	\$ 4,387.8	\$ 4,505.8	2.0 %	(0.7) %	\$ 8,980.6	\$ 8,714.9	3.0 %
Commercial HMO	\$ 3,614.6	\$ 3,558.8	\$ 3,628.7	1.6 %	(0.4) %	\$ 7,243.3	\$ 7,075.1	2.4 %
Medicare HMO - All Markets	\$ 505.4	\$ 1,038.5	\$ 506.2	(51.3) %	(0.2) %	\$ 1,011.6	\$ 2,120.1	(52.3) %
Medicare HMO - Continuing Markets	\$ 505.4	\$ 509.9	\$ 506.2	(0.9) %	(0.2) %	\$ 1,011.6	\$ 1,036.2	(2.4) %
<u>Medical Cost Ratios (1)</u>								
Commercial Risk	90.0 %	85.7 %	89.2 %	4.3 pts.	0.8 pts.	89.6 %	84.6 %	5.0 pts.
Commercial HMO	91.3 %	86.8 %	90.0 %	4.5 pts.	1.3 pts.	90.6 %	85.3 %	5.3 pts.
Medicare HMO - All Markets	93.6 %	97.3 %	104.1 %	(3.7) pts.	(10.5) pts.	98.8 %	95.8 %	3.0 pts.
Medicare HMO - Continuing Markets	95.2 %	92.1 %	93.7 %	3.1 pts.	1.5 pts.	94.5 %	91.0 %	3.5 pts.
<u>Operating Expenses as % of Revenue (2)</u>								
Commercial Risk	14.2 %	14.5 %	13.4 %	(0.3) pts.	0.8 pts.	13.8 %	14.6 %	(0.8) pts.
Total Health Care	19.3 %	18.7 %	18.9 %	0.6 pts.	0.4 pts.	19.1 %	18.8 %	0.3 pts.
<u>Health Care Costs Payable</u>								
	\$ 3,163.5	\$ 3,094.7	\$ 3,084.0			\$ 3,163.5	\$ 3,094.7	
<u>Days Claims Payable (3)</u>								
	63.0	59.0	60.3			62.4	59.3	

(1) Commercial Risk includes all medical and dental risk products except Medicare and Medicaid. Commercial HMO includes all medical HMO products except Medicare and Medicaid.

(2) Operating Expenses as a % of Revenue excludes other items. Total Health Care Operating Expenses as a % of Revenue includes risk and ASC product groups.

(3) Days Claims Payable reflects the number of days of medical cost expense contained in health care costs payable, including the other item, associated with risk plans and is calculated based on actual number of days in each respective period.

Health Care and Group Insurance Enrollment and Growth Statistics
(Thousands)

Products:	June 30, 2001			June 30, 2000 (1)			Risk % Change	Total % Change	December 31, 2000			Risk % Change	Total % Change
	Risk	ASC	Total	Risk	ASC	Total			Risk	ASC	Total		
Commercial													
HMO (2)	7,296	1,058	8,354	7,883	855	8,738	(7.4)	(4.4)	7,778	869	8,647	(6.2)	(3.4)
POS	196	2,915	3,111	352	3,435	3,787	(44.3)	(17.9)	341	3,397	3,738	(42.5)	(16.8)
PPO (3)	936	3,188	4,124	835	3,031	3,866	12.1	6.7	905	3,100	4,005	3.4	3.0
Indemnity (3)	220	1,752	1,972	265	1,963	2,228	(17.0)	(11.5)	243	1,930	2,173	(9.5)	(9.2)
Total Commercial Membership	8,648	8,913	17,561	9,335	9,284	18,619	(7.4)	(5.7)	9,267	9,296	18,563	(6.7)	(5.4)
Medicare HMO	279	-	279	648	-	648	(56.9)	(56.9)	549	-	549	(49.2)	(49.2)
Medicaid HMO	140	104	244	124	77	201	12.9	21.4	131	94	225	6.9	8.4
Total Health Care Membership	9,067	9,017	18,084	10,107	9,361	19,468	(10.3)	(7.1)	9,947	9,390	19,337	(8.8)	(6.5)
Dental	6,060	7,866	13,926	6,213	8,047	14,260	(2.5)	(2.3)	6,137	8,114	14,251	(1.3)	(2.3)
Group Insurance													
Group Life			9,339			9,155		2.0			9,421		(0.9)
Disability			2,231			2,241		(0.4)			2,149		3.8
Long-Term Care			127			112		13.4			114		11.4
Total Group Insurance			11,697			11,508		1.6			11,684		0.1
Regions:													
Northeast	1,336	752	2,088	1,515	807	2,322	(11.8)	(10.1)	1,485	788	2,273	(10.0)	(8.1)
Mid-Atlantic	1,758	1,395	3,153	1,992	1,443	3,435	(11.7)	(8.2)	1,947	1,434	3,381	(9.7)	(6.7)
Capitol	626	928	1,554	779	996	1,775	(19.6)	(12.5)	730	1,008	1,738	(14.2)	(10.6)
Southeast	1,231	1,060	2,291	1,385	1,131	2,516	(11.1)	(8.9)	1,357	1,133	2,490	(9.3)	(8.0)
Mid-West	872	1,851	2,723	1,036	1,904	2,940	(15.8)	(7.4)	1,013	1,892	2,905	(13.9)	(6.3)
West Central	1,736	1,739	3,475	1,790	1,883	3,673	(3.0)	(5.4)	1,773	1,912	3,685	(2.1)	(5.7)
West	1,444	1,292	2,736	1,568	1,197	2,765	(7.9)	(1.0)	1,579	1,223	2,802	(8.5)	(2.4)
Other (3)	64	-	64	42	-	42	52.4	52.4	63	-	63	1.6	1.6
Total Health Membership	9,067	9,017	18,084	10,107	9,361	19,468	(10.3)	(7.1)	9,947	9,390	19,337	(8.8)	(6.5)

(1) Dental membership at June 30, 2000 reflects a restatement of 368 thousand members.

(2) At June 30, 2001, Commercial HMO includes 1,737 thousand POS members who access primary care physicians and referred care through an HMO network. There were 1,892 thousand such members at December 31, 2000 and 1,958 thousand at June 30, 2000.

(3) PPO and Indemnity risk membership for prior periods has been restated to include Aetna Global Benefits.

Consolidated Balance Sheets
(Millions)

	June 30, 2001	December 31, 2000 (1)		June 30, 2001	December 31, 2000 (1)
Assets			Liabilities		
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 1,685.8	\$ 1,652.5	Health care costs payable	\$ 3,163.5	\$ 3,171.1
Investment securities	14,367.4	14,308.8	Future policy benefits	822.3	832.0
Other investments	328.5	374.6	Unpaid claims	551.4	528.2
Premiums receivable, net	796.9	838.6	Unearned premiums	292.1	274.7
Other receivables, net	590.6	735.8	Policyholders' funds	1,035.8	1,089.0
Accrued investment income	257.8	260.3	Collateral payable under securities loan agreements	512.4	596.8
Collateral received under securities loan agreements	512.4	596.8	Short-term debt	490.4	1,592.2
Loaned securities	500.9	584.1	Income taxes payable	163.0	297.8
Deferred income taxes	159.0	112.3	Deferred income taxes	28.7	-
Other assets	169.2	303.7	Accrued expenses and other liabilities	1,349.7	1,621.6
Total current assets	19,368.5	19,767.5	Total current liabilities	8,409.3	10,003.4
Long-term investments	1,449.9	1,344.3	Future policy benefits	8,553.5	8,684.8
Mortgage loans	1,875.0	1,826.6	Unpaid claims	1,237.1	1,211.6
Investment real estate	339.7	319.2	Policyholders' funds	2,439.8	2,649.6
Reinsurance recoverables	1,278.5	1,318.5	Long-term debt	1,595.0	-
Goodwill and other acquired intangible assets, net	7,488.9	7,703.4	Other liabilities	313.3	416.7
Property and equipment, net	366.1	390.0	Separate Accounts liabilities	12,985.4	14,352.5
Deferred income taxes	290.5	295.0	Total liabilities	35,533.4	37,318.6
Other assets	149.0	128.7	Shareholders' Equity		
Separate Accounts assets	12,985.4	14,352.5	Common stock and additional paid-in capital	3,874.5	3,898.7
Total assets	\$ 45,591.5	\$ 47,445.7	Accumulated other comprehensive income (2)	27.9	35.1
			Retained earnings	6,155.7	6,193.3
			Total shareholders' equity	10,058.1	10,127.1
			Total liabilities and shareholders' equity	\$ 45,591.5	\$ 47,445.7

(1) Certain reclassifications have been made to the 2000 financial information to conform to the 2001 presentation.

(2) Includes net unrealized capital gains related to FAS No. 115 of \$23.2 million and \$29.4 million at June 30, 2001 and December 31, 2000, respectively.

Combining Balance Sheet
June 30, 2001
(Millions)

	Health Care and Group Insurance	Large Case Pensions	Total		Health Care and Group Insurance	Large Case Pensions	Total
Assets				Liabilities			
Current assets:				Current liabilities:			
Cash and cash equivalents	\$ 1,529.2	\$ 156.6	\$ 1,685.8	Health care costs payable	\$ 3,163.5	\$ -	\$ 3,163.5
Investment securities	6,915.7	7,451.7	14,367.4	Future policy benefits	88.6	733.7	822.3
Other investments	167.1	161.4	328.5	Unpaid claims	549.7	1.7	551.4
Premiums receivable, net	796.9	-	796.9	Unearned premiums	282.9	9.2	292.1
Other receivables, net	519.1	71.5	590.6	Policyholders' funds	219.2	816.6	1,035.8
Accrued investment income	104.4	153.4	257.8	Collateral payable under securities loan agreements	269.3	243.1	512.4
Collateral received under securities loan agreements	269.3	243.1	512.4	Short-term debt	490.4	-	490.4
Loaned securities	263.4	237.5	500.9	Income taxes payable	165.7	(2.7)	163.0
Deferred income taxes	159.0	-	159.0	Deferred income taxes	-	28.7	28.7
Other assets	156.6	12.6	169.2	Accrued expenses and other liabilities	1,019.2	330.5	1,349.7
Total current assets	<u>10,880.7</u>	<u>8,487.8</u>	<u>19,368.5</u>	Total current liabilities	<u>6,248.5</u>	<u>2,160.8</u>	<u>8,409.3</u>
Long-term investments	832.9	617.0	1,449.9	Future policy benefits	1,682.4	6,871.1	8,553.5
Mortgage loans	536.6	1,338.4	1,875.0	Unpaid claims	1,237.1	-	1,237.1
Investment real estate	154.4	185.3	339.7	Policyholders' funds	710.8	1,729.0	2,439.8
Reinsurance recoverables	1,256.0	22.5	1,278.5	Long-term debt	1,595.0	-	1,595.0
Goodwill and other acquired intangible assets, net	7,488.9	-	7,488.9	Other liabilities	308.5	4.8	313.3
Property and equipment, net	125.1	241.0	366.1	Separate Accounts liabilities	12.6	12,972.8	12,985.4
Deferred income taxes	87.5	203.0	290.5	Total liabilities	<u>11,794.9</u>	<u>23,738.5</u>	<u>35,533.4</u>
Other assets	149.0	-	149.0				
Separate Accounts assets	<u>12.6</u>	<u>12,972.8</u>	<u>12,985.4</u>	Equity			
				Total equity	<u>9,728.8</u>	<u>329.3</u>	<u>10,058.1</u>
Total assets	<u>\$ 21,523.7</u>	<u>\$ 24,067.8</u>	<u>\$ 45,591.5</u>	Total liabilities and equity	<u>\$ 21,523.7</u>	<u>\$ 24,067.8</u>	<u>\$ 45,591.5</u>

