



## AETNA AT A GLANCE

Aetna reported a third quarter 2001 operating loss, excluding other items<sup>1</sup>, of (\$49.3) million or (\$0.34) per share. Included in the operating loss is \$13.1 million, after-tax, of proceeds from the sale of the Company's New Jersey Medicaid membership. Adjusting for the New Jersey Medicaid membership sale yields an adjusted operating loss of (\$62.4) million or (\$0.44) per share for third quarter 2001. Operating results, excluding other items, for third quarter 2000 were \$42.3 million or \$0.30 per share and for second quarter 2001 were (\$95.9) million or (\$0.67) per share.

Cash operating earnings, defined as operating earnings or losses plus goodwill and intangibles amortization, excluding other items were \$33.6 million or \$0.23 per share for third quarter 2001. Excluding the proceeds from the New Jersey Medicaid membership sale, the adjusted cash operating earnings were \$20.5 million or \$0.14 per share for third quarter 2001. Cash operating results, excluding other items, for third quarter 2000 were \$129.0 million or \$0.90 per share and for second quarter 2001 were (\$9.5) million or (\$0.07) per share.

### Health Care

Operating results (before goodwill amortization and other item(s)) of \$10.2 million decreased \$90.1 million quarter over quarter and improved \$45.6 million sequentially.  
Revenue of \$5.5 billion decreased 8.5% quarter over quarter and decreased 1.5% sequentially.  
Operating expenses as a percent of revenue of 19.4% increased 70 basis points quarter over quarter and increased 10 basis points sequentially.  
Pretax operating margin (deficit)<sup>2</sup> of 0.3% decreased 230 basis points quarter over quarter and increased 120 basis points sequentially.  
Health Care Costs Payable of \$3.0 billion decreased \$171.8 million quarter over quarter and decreased \$138.4 million sequentially.

#### *Premiums*

Commercial Risk<sup>3</sup> premium of \$4.4 billion increased 1.4% quarter over quarter and decreased 1.1% sequentially.  
Commercial HMO<sup>3</sup> premium of \$3.6 billion increased 1.3% quarter over quarter and decreased 1.2% sequentially.  
Medicare HMO premium (continuing markets) of \$505.1 million increased 0.4% quarter over quarter and decreased 0.1% sequentially.

#### *Medical Cost Ratios (MCR)*

Commercial Risk MCR of 89.1% increased 350 basis points quarter over quarter and decreased 90 basis points sequentially.  
Commercial HMO MCR of 90.1% increased 270 basis points quarter over quarter and decreased 120 basis points sequentially.  
Medicare HMO MCR (continuing markets) of 92.9% increased 40 basis points quarter over quarter and decreased 230 basis points sequentially.

#### *Health Risk*

Health Risk operating results (before goodwill amortization and other item(s)) of (\$26.3) million decreased \$78.5 million quarter over quarter and improved \$52.0 million sequentially.  
Health Risk operating expenses as a percent of revenue of 13.1% increased 20 basis points quarter over quarter and decreased 10 basis points sequentially.  
Commercial Risk operating expenses as a percent of revenue of 14.2% decreased 50 basis points quarter over quarter and were level sequentially.  
Pretax Health Risk operating margin (deficit) of (0.7%) decreased 220 basis points quarter over quarter and increased 160 basis points sequentially.  
Days Claims Payable<sup>4</sup> of 62.8 days increased 0.8 days quarter over quarter and decreased 0.2 days sequentially.

#### *Health Administrative Services Contracts (ASC)*

Health ASC operating earnings (before goodwill amortization and other item(s)) of \$36.5 million decreased 24.1% quarter over quarter and decreased 14.9% sequentially.  
Health ASC operating expenses as a percent of revenue of 88.7% increased 370 basis points quarter over quarter and increased 230 basis points sequentially.  
Pretax Health ASC operating margin of 11.3% decreased 370 basis points quarter over quarter and decreased 230 basis points sequentially.



### Group Insurance

Operating earnings (before other item) of \$41.0 million decreased 21.0% quarter over quarter and increased 9.0% sequentially.  
Revenue of \$421.9 million increased 3.6% quarter over quarter and decreased 0.1% sequentially.  
Premiums of \$345.4 million increased 7.3% quarter over quarter and increased 0.6% sequentially.  
Operating expenses as a percent of revenue of 9.7% decreased 50 basis points quarter over quarter and decreased 100 basis points sequentially.  
Pretax operating margin of 13.8% decreased 550 basis points quarter over quarter and increased 40 basis points sequentially.  
Group Insurance Cost Ratio (current and future benefits/premiums) of 93.5% increased 430 basis points quarter over quarter and increased 20 basis points sequentially.

### Large Case Pensions

Operating earnings of \$7.1 million decreased 64.0% quarter over quarter and decreased 29.7% sequentially.  
Total Assets Under Management<sup>5</sup> of \$20.9 billion decreased 16.8% quarter over quarter and decreased 5.3% sequentially.

### Corporate Interest Expense

Interest expense of \$24.7 million decreased 42.4% quarter over quarter and increased 13.3% sequentially.

### Membership - Health Care, Group Insurance, and Dental

Health Care membership of 17.5 million decreased 9.0% quarter over quarter and decreased 3.1% sequentially.  
Health Risk membership of 8.6 million decreased 13.1% quarter over quarter and decreased 5.0% sequentially.  
Health ASC membership of 8.9 million decreased 4.5% quarter over quarter and decreased 1.3% sequentially.  
Group Insurance membership of 11.7 million increased 2.5% quarter over quarter and decreased 0.1% sequentially.  
Group Life membership of 9.4 million increased 3.4% quarter over quarter and increased 0.5% sequentially.  
Disability membership of 2.2 million decreased 2.2% quarter over quarter and decreased 3.1% sequentially.  
Long-Term Care membership of 129 thousand increased 13.2% quarter over quarter and increased 1.6% sequentially.  
Dental membership of 13.7 million decreased 3.2% quarter over quarter and decreased 1.8% sequentially.  
Dental Risk membership of 5.9 million decreased 3.8% quarter over quarter and decreased 3.2% sequentially.  
Dental ASC membership of 7.8 million decreased 2.7% quarter over quarter and decreased 0.6% sequentially.

<sup>1</sup> Operating results exclude net realized capital gains and/or losses. Other items for the third quarter 2001 include a \$1.9 million after-tax of favorable reserve developments related to Medicare markets the Company exited on January 1, 2001 in Health Care and a \$9.0 million after-tax charge related to the events of September 11, 2001 in Group Insurance. The Other item for the third quarter 2000 was a \$5.2 million after-tax charge for a shareholder litigation settlement in the Health Care segment. The Other items for the second quarter 2001 include a \$61.4 million after-tax benefit from the reduction in reserves for loss on discontinued products in the Large Case Pensions segment and a \$5.3 million after-tax of favorable reserve development related to Medicare markets the Company exited effective January 1, 2001 in Health Care. Calculations of all results and ratios contained in this analysis exclude these applicable other item(s).

<sup>2</sup> Pretax operating margin (deficit) is calculated by dividing pretax operating results excluding other items, interest expense, and goodwill/intangibles amortization by total revenue, excluding net realized capital gains or losses.

<sup>3</sup> Commercial Risk includes all medical and dental risk products except Medicare and Medicaid. Commercial HMO includes all medical HMO products except Medicare and Medicaid.

<sup>4</sup> 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.

<sup>5</sup> Assets Under Management as of September 30, 2001, September 30, 2000, and June 30, 2001, exclude net unrealized capital gains (losses) of \$231.6 million, (\$108.0) million, and \$110.0 million respectively.

This document is supplemental to the Company's third quarter 2001 earnings release and should be read in conjunction therewith and in conjunction with the Company's 2001 Third Quarter Form 10-Q filed with the Securities and Exchange Commission. Please direct questions with respect to this material to Dennis Oakes, Vice President and Head of Investor Relations, Aetna Inc., 151 Farmington Avenue, RW3H, Hartford, Connecticut 06156. Telephone: 860-273-6184.

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## Earnings Summary

### Operating Earnings (Losses)

#### Excluding Other Items (1)

(\$ in Millions, except share and per common share data)

	3 Months Ended September 30,			9 Months Ended September 30,		
	2001	2000	% Change	2001	2000	% Change
<b>Continuing operations</b>						
Health Care (2)	\$ (72.7)	\$ 13.6	-	\$ (267.2)	\$ 92.2	-
Group Insurance	41.0	51.9	(21.0)	123.8	146.3	(15.4)
Large Case Pensions	7.1	19.7	(64.0)	27.8	50.7	(45.2)
Corporate Interest	(24.7)	(42.9)	42.4	(66.2)	(124.3)	46.7
<b>Operating earnings (loss) from continuing operations</b>	<u>\$ (49.3)</u>	<u>\$ 42.3</u>		<u>\$ (181.8)</u>	<u>\$ 164.9</u>	
Weighted average common shares - basic	<u>143,007,506</u>	<u>141,194,810</u>		<u>143,018,283</u>	<u>141,150,636</u>	
Weighted average common shares and common share equivalents (3)(4)	<u>144,682,761</u>	<u>143,095,101</u>		<u>145,584,735</u>	<u>142,764,219</u>	
<b>Operating earnings (loss) from continuing operations per common share</b>						
Excluding other items	<u>\$ (0.34)</u>	<u>\$ .30</u>		<u>\$ (1.27)</u>	<u>\$ 1.16</u>	
Including other items	<u>\$ (0.39)</u>	<u>\$ .26</u>		<u>\$ (1.09)</u>	<u>\$ 1.68</u>	

### Net Income (Loss)

(\$ in Millions)

<b>Operating earnings (loss) from continuing operations</b>	\$ (49.3)	\$ 42.3	\$ (181.8)	\$ 164.9
Other items, net of tax:				
Favorable (unfavorable) reserve runoff - exited Medicare markets	1.9	-	(27.1)	-
Events of September 11, 2001	(9.0)	-	(9.0)	-
Shareholder litigation settlement agreement	-	(5.2)	-	(5.2)
Assessment - New Jersey HMO Insolvency Fund	-	-	-	(14.6)
Reduction of reserve for loss on discontinued products	-	-	61.4	94.9
<b>Operating earnings (loss) from continuing operations including other items</b>	<u>(56.4)</u>	<u>37.1</u>	<u>(156.5)</u>	<u>240.0</u>
Net realized capital gains (losses), net of tax	<u>2.0</u>	<u>22.5</u>	<u>64.0</u>	<u>4.6</u>
<b>Income (loss) from continuing operations before cumulative effect adjustment</b>	<u>(54.4)</u>	<u>59.6</u>	<u>(92.5)</u>	<u>244.6</u>
Cumulative effect adjustment, net of tax (5)	-	-	0.5	-
<b>Income (loss) from continuing operations</b>	<u>(54.4)</u>	<u>59.6</u>	<u>(92.0)</u>	<u>244.6</u>
<b>Income from discontinued operations, net of tax</b>	<u>-</u>	<u>117.2</u>	<u>-</u>	<u>288.8</u>
<b>Net income (loss)</b>	<u>\$ (54.4)</u>	<u>\$ 176.8</u>	<u>\$ (92.0)</u>	<u>\$ 533.4</u>

*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 September 30, 2001, \$1.9 million after tax of favorable reserve developments related to Medicare markets the Company exited January 1, 2001 in the Health Care segment; for the nine months ended September 30, 2001, a \$27.1 million after tax charge for unfavorable reserve developments related to these markets in the Health Care segment; for the three and nine months ended September 30, 2001, a \$9.0 million after tax charge related to the events of September 11, 2001 in the Group Insurance segment; for the nine months ended September 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; for the three and nine months ended September 30, 2000, a \$5.2 million after tax charge for a shareholder litigation settlement agreement in the Health Care segment; and for the nine months ended September 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) Includes, for the three and nine months ended September 30, 2001, \$13.1 million after tax of proceeds from the sale of New Jersey Medicaid membership.
- (3) During the nine months ended September 30, 2001, the Company repurchased 2,600,000 common shares. The Company did not repurchase common shares during the three months ended September 30, 2001.
- (4) 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.
- (5) 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**  
(\$ in Millions)

	Health Care	Group Insurance	Large Case Pensions	Corporate Interest	Consolidated
<b>Three Months Ended September 30, 2001</b>					
<b>Continuing operations</b>					
Revenue:					
Premiums	\$ 4,955.6	\$ 345.4	\$ 51.5	\$ -	\$ 5,352.5
Administrative services contract fees	450.0	7.6	-	-	457.6
Net investment income	89.7	67.9	178.2	-	335.8
Other income (1)	27.7	1.0	8.1	-	36.8
Total revenue, excluding net realized capital gains (losses)	<u>5,523.0</u>	<u>421.9</u>	<u>237.8</u>	<u>-</u>	<u>6,182.7</u>
Benefits and expenses:					
Health care costs	4,437.0	-	-	-	4,437.0
Current and future benefits	-	322.9	219.5	-	542.4
Operating expenses	1,070.5	40.9	6.6	-	1,118.0
Interest expense	-	-	-	38.0	38.0
Amortization of goodwill and other acquired intangible assets	101.6	-	-	-	101.6
Total benefits and expenses	<u>5,609.1</u>	<u>363.8</u>	<u>226.1</u>	<u>38.0</u>	<u>6,237.0</u>
Operating earnings (loss), excluding income taxes (benefits) and other items	(86.1)	58.1	11.7	(38.0)	(54.3)
Income taxes (benefits)	(13.4)	17.1	4.6	(13.3)	(5.0)
<b>Operating earnings (loss), excluding other items</b>	<u>(72.7)</u>	<u>41.0</u>	<u>7.1</u>	<u>(24.7)</u>	<u>(49.3)</u>
Favorable reserve runoff - exited Medicare markets, net of tax	1.9	-	-	-	1.9
Events of September 11, 2001, net of tax	-	(9.0)	-	-	(9.0)
<b>Operating earnings (loss)</b>	<u>(70.8)</u>	<u>32.0</u>	<u>7.1</u>	<u>(24.7)</u>	<u>(56.4)</u>
Net realized capital gains (losses), net of tax	3.0	(1.5)	.5	-	2.0
Net income (loss)	<u>\$ (67.8)</u>	<u>\$ 30.5</u>	<u>\$ 7.6</u>	<u>\$ (24.7)</u>	<u>\$ (54.4)</u>
Pretax Operating Margin	0.3%	13.8%	4.9%	N/A	1.4%
After-tax Operating Margin	0.2%	9.7%	3.0%	N/A	0.9%
<b>Three Months Ended September 30, 2000</b>					
<b>Continuing operations</b>					
Revenue:					
Premiums	\$ 5,435.0	\$ 322.0	\$ 34.3	\$ -	\$ 5,791.3
Administrative services contract fees	471.8	8.1	-	-	479.9
Net investment income	121.3	76.2	229.7	-	427.2
Other income	6.4	1.0	6.2	-	13.6
Total revenue, excluding net realized capital gains (losses)	<u>6,034.5</u>	<u>407.3</u>	<u>270.2</u>	<u>-</u>	<u>6,712.0</u>
Benefits and expenses:					
Health care costs	4,746.6	-	-	-	4,746.6
Current and future benefits	-	287.2	233.4	-	520.6
Operating expenses	1,129.3	41.6	6.0	-	1,176.9
Interest expense	-	-	-	65.9	65.9
Amortization of goodwill and other acquired intangible assets	109.5	-	-	-	109.5
Total benefits and expenses	<u>5,985.4</u>	<u>328.8</u>	<u>239.4</u>	<u>65.9</u>	<u>6,619.5</u>
Operating earnings (loss) from continuing operations, excluding income taxes (benefits) and other item	49.1	78.5	30.8	(65.9)	92.5
Income taxes (benefits)	35.5	26.6	11.1	(23.0)	50.2
<b>Operating earnings (loss) from continuing operations, excluding other item</b>	<u>13.6</u>	<u>51.9</u>	<u>19.7</u>	<u>(42.9)</u>	<u>42.3</u>
Shareholder litigation settlement agreement, net of tax	(5.2)	-	-	-	(5.2)
<b>Operating earnings (loss) from continuing operations</b>	<u>8.4</u>	<u>51.9</u>	<u>19.7</u>	<u>(42.9)</u>	<u>37.1</u>
Net realized capital gains (losses), net of tax	29.8	(10.5)	3.2	-	22.5
Income (loss) from continuing operations	<u>\$ 38.2</u>	<u>\$ 41.4</u>	<u>\$ 22.9</u>	<u>\$ (42.9)</u>	<u>\$ 59.6</u>
Pretax Operating Margin	2.6%	19.3%	11.4%	N/A	4.0%
After-tax Operating Margin	1.7%	12.7%	7.3%	N/A	2.6%

(1) Includes \$20.2 million (\$13.1 million after tax) of proceeds from the sale of the Company's New Jersey Medicaid membership.

**Consolidating Statements of Net Income (Loss) by Segment**  
(\$ in Millions)

	Health Care	Group Insurance	Large Case Pensions	Corporate Interest	Consolidated
<b>Nine Months Ended September 30, 2001</b>					
<b>Continuing operations</b>					
Revenue:					
Premiums	\$ 15,064.1	\$ 1,032.3	\$ 392.8	\$ -	\$ 16,489.2
Administrative services contract fees	1,365.8	24.3	-	-	1,390.1
Net investment income	296.8	224.2	586.8	-	1,107.8
Other income (1)	42.5	3.0	18.7	-	64.2
Total revenue, excluding net realized capital gains (losses)	<u>16,769.2</u>	<u>1,283.8</u>	<u>998.3</u>	<u>-</u>	<u>19,051.3</u>
Benefits and expenses:					
Health care costs	13,563.5	-	-	-	13,563.5
Current and future benefits	-	972.7	935.4	-	1,908.1
Operating expenses	3,220.0	128.5	18.9	-	3,367.4
Interest expense	-	-	-	101.9	101.9
Amortization of goodwill and other acquired intangible assets	316.1	-	-	-	316.1
Total benefits and expenses	<u>17,099.6</u>	<u>1,101.2</u>	<u>954.3</u>	<u>101.9</u>	<u>19,257.0</u>
Operating earnings (loss), excluding income taxes (benefits), other items and cumulative effect adjustment	(330.4)	182.6	44.0	(101.9)	(205.7)
Income taxes (benefits)	(63.2)	58.8	16.2	(35.7)	(23.9)
<b>Operating earnings (loss), excluding other items and cumulative effect adjustment</b>	<u>(267.2)</u>	<u>123.8</u>	<u>27.8</u>	<u>(66.2)</u>	<u>(181.8)</u>
Unfavorable reserve runoff - exited Medicare markets, net of tax	(27.1)	-	-	-	(27.1)
Events of September 11, 2001, net of tax	-	(9.0)	-	-	(9.0)
Reduction of reserve for loss on discontinued products, net of tax	-	-	61.4	-	61.4
<b>Operating earnings (loss), excluding cumulative effect adjustment</b>	<u>(294.3)</u>	<u>114.8</u>	<u>89.2</u>	<u>(66.2)</u>	<u>(156.5)</u>
Cumulative effect adjustment, net of tax	.5	-	-	-	.5
Net realized capital gains (losses), net of tax	62.9	1.4	(.3)	-	64.0
Net income (loss)	<u>\$ (230.9)</u>	<u>\$ 116.2</u>	<u>\$ 88.9</u>	<u>\$ (66.2)</u>	<u>\$ (92.0)</u>
Pretax Operating Margin (Deficit)	(0.1)%	14.2%	4.4%	N/A	1.1%
After-tax Operating Margin (Deficit)	(0.1)%	9.6%	2.8%	N/A	0.7%
<b>Nine Months Ended September 30, 2000</b>					
<b>Continuing operations</b>					
Revenue:					
Premiums	\$ 16,370.8	\$ 982.7	\$ 111.9	\$ -	\$ 17,465.4
Administrative services contract fees	1,439.4	26.4	-	-	1,465.8
Net investment income	322.7	227.9	690.4	-	1,241.0
Other income	35.5	3.1	18.8	-	57.4
Total revenue, excluding net realized capital gains (losses)	<u>18,168.4</u>	<u>1,240.1</u>	<u>821.1</u>	<u>-</u>	<u>20,229.6</u>
Benefits and expenses:					
Health care costs	14,198.4	-	-	-	14,198.4
Current and future benefits	-	901.4	721.0	-	1,622.4
Operating expenses	3,410.2	117.5	18.8	-	3,546.5
Interest expense	-	-	-	191.2	191.2
Amortization of goodwill and other acquired intangible assets	327.9	-	-	-	327.9
Total benefits and expenses	<u>17,936.5</u>	<u>1,018.9</u>	<u>739.8</u>	<u>191.2</u>	<u>19,886.4</u>
Operating earnings (loss) from continuing operations, excluding income taxes (benefits) and other items	231.9	221.2	81.3	(191.2)	343.2
Income taxes (benefits)	139.7	74.9	30.6	(66.9)	178.3
<b>Operating earnings (loss) from continuing operations, excluding other items</b>	<u>92.2</u>	<u>146.3</u>	<u>50.7</u>	<u>(124.3)</u>	<u>164.9</u>
Shareholder litigation settlement agreement, net of tax	(5.2)	-	-	-	(5.2)
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
<b>Operating earnings (loss) from continuing operations</b>	<u>72.4</u>	<u>146.3</u>	<u>145.6</u>	<u>(124.3)</u>	<u>240.0</u>
Net realized capital gains (losses), net of tax	14.5	(18.3)	8.4	-	4.6
Income (loss) from continuing operations	<u>\$ 86.9</u>	<u>\$ 128.0</u>	<u>\$ 154.0</u>	<u>\$ (124.3)</u>	<u>\$ 244.6</u>
Pretax Operating Margin	3.1%	17.8%	9.9%	N/A	4.3%
After-tax Operating Margin	2.0%	11.8%	6.2%	N/A	2.7%

(1) Includes \$20.2 million (\$13.1 million after tax) of proceeds from the sale of the Company's New Jersey Medicaid membership.

**Health Care**  
**Operating Earnings (Loss)**  
(\$ in Millions)

	3 Months Ended September 30, 2001			3 Months Ended September 30, 2000			Total % Change
	Risk (1) (2)	ASC (3) (4)	Total	Risk (1) (2)	ASC (3) (4)	Total	
Revenue:							
Premiums	\$ 4,955.6	\$ -	\$ 4,955.6	\$ 5,435.0	\$ -	\$ 5,435.0	(8.8)
Administrative services contract fees	-	450.0	450.0	-	471.8	471.8	(4.6)
Net investment income	84.5	5.2	89.7	111.3	10.0	121.3	(26.1)
Other income (5)	23.3	4.4	27.7	0.3	6.1	6.4	332.8
Total revenue, excluding net realized capital gains (losses)	<u>5,063.4</u>	<u>459.6</u>	<u>5,523.0</u>	<u>5,546.6</u>	<u>487.9</u>	<u>6,034.5</u>	(8.5)
Benefits and expenses:							
Health care costs	4,437.0	-	4,437.0	4,746.6	-	4,746.6	(6.5)
Operating expenses	662.8	407.7	1,070.5	714.8	414.5	1,129.3	(5.2)
Total benefits and expenses	<u>5,099.8</u>	<u>407.7</u>	<u>5,507.5</u>	<u>5,461.4</u>	<u>414.5</u>	<u>5,875.9</u>	(6.3)
Operating earnings (loss) excluding income taxes (benefits), amortization of goodwill and other acquired intangible assets and other items	(36.4)	51.9	15.5	85.2	73.4	158.6	
Income taxes (benefits)	<u>(10.1)</u>	<u>15.4</u>	<u>5.3</u>	<u>33.0</u>	<u>25.3</u>	<u>58.3</u>	
Operating earnings (loss) excluding amortization of goodwill and other acquired intangible assets and other items	<u>\$ (26.3)</u>	<u>\$ 36.5</u>	10.2	<u>\$ 52.2</u>	<u>\$ 48.1</u>	100.3	
Amortization of goodwill and other acquired intangible assets, net of tax			<u>(82.9)</u>			<u>(86.7)</u>	
Operating earnings (loss) excluding other items			(72.7)			13.6	
Other items, net of tax:							
Favorable reserve runoff - exited Medicare markets			1.9			-	
Shareholder litigation settlement agreement			<u>-</u>			<u>(5.2)</u>	
Operating earnings (loss)			<u>\$ (70.8)</u>			<u>\$ 8.4</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 September 30, 2001, the Company recorded a net \$1.5 million after-tax benefit (\$26.6 million after tax for the three months ended September 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 no later than 2002.
- (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 September 30, 2000, the Company recorded supplemental fees of \$18.0 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.
- (5) For the three months ended September 30, 2001, Risk includes \$20.2 million (\$13.1 million after tax) of proceeds from the sale of the Company's New Jersey Medicaid membership.

**Health Care**  
**Operating Earnings (Loss)**  
(\$ in Millions)

	9 Months Ended September 30, 2001			9 Months Ended September 30, 2000			Total % Change
	Risk (1) (2)	ASC (3) (4)	Total	Risk (1) (2)	ASC (3) (4)	Total	
Revenue:							
Premiums	\$ 15,064.1	\$ -	\$ 15,064.1	\$ 16,370.8	\$ -	\$ 16,370.8	(8.0)
Administrative services contract fees	-	1,365.8	1,365.8	-	1,439.4	1,439.4	(5.1)
Net investment income	277.1	19.7	296.8	296.9	25.8	322.7	(8.0)
Other income (5)	28.7	13.8	42.5	8.5	27.0	35.5	19.7
Total revenue, excluding net realized capital gains (losses)	15,369.9	1,399.3	16,769.2	16,676.2	1,492.2	18,168.4	(7.7)
Benefits and expenses:							
Health care costs	13,563.5	-	13,563.5	14,198.4	-	14,198.4	(4.5)
Operating expenses	1,983.6	1,236.4	3,220.0	2,141.7	1,268.5	3,410.2	(5.6)
Total benefits and expenses	15,547.1	1,236.4	16,783.5	16,340.1	1,268.5	17,608.6	(4.7)
Operating earnings (loss) excluding income taxes (benefits), amortization of goodwill and other acquired intangible assets and other items	(177.2)	162.9	(14.3)	336.1	223.7	559.8	
Income taxes (benefits)	(54.5)	51.7	(2.8)	127.5	76.2	203.7	
Operating earnings (loss) excluding amortization of goodwill and other acquired intangible assets and other items	\$ (122.7)	\$ 111.2	(11.5)	\$ 208.6	\$ 147.5	356.1	
Amortization of goodwill and other acquired intangible assets, net of tax			(255.7)			(263.9)	
Operating earnings (loss) excluding other items			(267.2)			92.2	
Other items, net of tax:							
Unfavorable reserve runoff - exited Medicare markets			(27.1)			-	
Assessment - New Jersey HMO Insolvency Fund			-			(14.6)	
Shareholder litigation settlement agreement			-			(5.2)	
Operating earnings (loss)			\$ (294.3)			\$ 72.4	

- (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 nine months ended September 30, 2001, the Company recorded a net \$6.2 million after-tax benefit (\$57.3 million after tax for the nine months ended September 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 no later than 2002.
- (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 nine months ended September 30, 2001, the Company recorded supplemental fees of \$.8 million after tax (\$72.6 million after tax for the nine months ended September 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.
- (5) For the nine months ended September 30, 2001, Risk includes \$20.2 million (\$13.1 million after tax) of proceeds from the sale of the Company's New Jersey Medicaid membership.

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

	3 Months Ended					9 Months Ended		
	September 2001	September 2000	June 2001	Change Sept. 2001 - Sept. 2000	Change Sept. 2001- June 2001	September 2001	September 2000	Change Sept. 2001 - Sept. 2000
<b><u>Premiums (1)</u></b>								
Commercial Risk	\$ 4,425.5	\$ 4,364.2	\$ 4,474.8	1.4 %	(1.1) %	\$ 13,406.1	\$ 13,079.1	2.5 %
Commercial HMO	\$ 3,569.6	\$ 3,524.8	\$ 3,614.6	1.3 %	(1.2) %	\$ 10,812.9	\$ 10,599.9	2.0 %
Medicare HMO - All Markets	\$ 505.1	\$ 1,021.5	\$ 505.4	(50.6) %	(0.1) %	\$ 1,516.7	\$ 3,141.6	(51.7) %
Medicare HMO - Continuing Markets	\$ 505.1	\$ 503.2	\$ 505.4	0.4 %	(0.1) %	\$ 1,516.7	\$ 1,539.4	(1.5) %
<b><u>Medical Cost Ratios (1)</u></b>								
Commercial Risk	89.1 %	85.6 %	90.0 %	3.5 pts.	(0.9) pts.	89.4 %	85.0 %	4.4 pts.
Commercial HMO	90.1 %	87.4 %	91.3 %	2.7 pts.	(1.2) pts.	90.5 %	86.0 %	4.5 pts.
Medicare HMO - All Markets	92.3 %	99.0 %	93.6 %	(6.7) pts.	(1.3) pts.	96.7 %	96.8 %	(0.1) pts.
Medicare HMO - Continuing Markets	92.9 %	92.5 %	95.2 %	0.4 pts.	(2.3) pts.	93.9 %	91.5 %	2.4 pts.
<b><u>Operating Expenses as % of Revenue (2)</u></b>								
Commercial Risk	14.2 %	14.7 %	14.2 %	(0.5) pts.	(0.0) pts.	13.9 %	14.6 %	(0.7) pts.
Total Health Care	19.4 %	18.7 %	19.3 %	0.7 pts.	0.1 pts.	19.2 %	18.8 %	0.4 pts.
<b><u>Health Care Costs Payable</u></b>								
	\$ 3,025.1	\$ 3,196.9	\$ 3,163.5			\$ 3,025.1	\$ 3,196.9	
<b><u>Days Claims Payable (3)</u></b>								
	62.8	62.0	63.0			60.7	61.5	

(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**  
(Thousands)

Products:	September 30, 2001			September 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)	6,990	1,093	8,083	7,763	861	8,624	(10.0)	(6.3)	7,778	869	8,647	(10.1)	(6.5)
POS	198	2,840	3,038	340	3,373	3,713	(41.8)	(18.2)	341	3,397	3,738	(41.9)	(18.7)
PPO (3)	922	3,153	4,075	813	3,062	3,875	13.4	5.2	905	3,100	4,005	1.9	1.7
Indemnity (3)	216	1,694	1,910	258	1,944	2,202	(16.3)	(13.3)	243	1,930	2,173	(11.1)	(12.1)
Total Commercial Membership	8,326	8,780	17,106	9,174	9,240	18,414	(9.2)	(7.1)	9,267	9,296	18,563	(10.2)	(7.8)
Medicare HMO	274	-	274	619	-	619	(55.7)	(55.7)	549	-	549	(50.1)	(50.1)
Medicaid HMO	17	121	138	127	85	212	(86.6)	(34.9)	131	94	225	(87.0)	(38.7)
Total Health Care Membership	8,617	8,901	17,518	9,920	9,325	19,245	(13.1)	(9.0)	9,947	9,390	19,337	(13.4)	(9.4)
Dental	5,866	7,816	13,682	6,097	8,035	14,132	(3.8)	(3.2)	6,137	8,114	14,251	(4.4)	(4.0)
Group Insurance													
Group Life			9,390			9,077		3.4			9,421		(0.3)
Disability			2,161			2,209		(2.2)			2,149		0.6
Long-Term Care			129			114		13.2			114		13.2
Total Group Insurance			11,680			11,400		2.5			11,684		0.0

  

Regions:	September 30, 2001			September 30, 2000			Risk % Change	Total % Change	December 31, 2000			Risk % Change	Total % Change
	Risk	ASC	Total	Risk	ASC	Total			Risk	ASC	Total		
Northeast	1,281	747	2,028	1,491	784	2,275	(14.1)	(10.9)	1,485	788	2,273	(13.7)	(10.8)
Mid-Atlantic	1,587	1,370	2,957	1,965	1,436	3,401	(19.2)	(13.1)	1,947	1,434	3,381	(18.5)	(12.5)
Capitol	593	912	1,505	737	1,004	1,741	(19.5)	(13.6)	730	1,008	1,738	(18.8)	(13.4)
Southeast	1,201	1,032	2,233	1,349	1,109	2,458	(11.0)	(9.2)	1,357	1,133	2,490	(11.5)	(10.3)
Mid-West	833	1,820	2,653	1,012	1,890	2,902	(17.7)	(8.6)	1,013	1,892	2,905	(17.8)	(8.7)
West Central	1,629	1,747	3,376	1,749	1,883	3,632	(6.9)	(7.0)	1,773	1,912	3,685	(8.1)	(8.4)
West	1,418	1,273	2,691	1,564	1,219	2,783	(9.3)	(3.3)	1,579	1,223	2,802	(10.2)	(4.0)
Other (3)	75	-	75	53	-	53	41.5	41.5	63	-	63	19.0	19.0
Total Health Membership	8,617	8,901	17,518	9,920	9,325	19,245	(13.1)	(9.0)	9,947	9,390	19,337	(13.4)	(9.4)

(1) Dental membership at September 30, 2000 reflects a restatement of 367 thousand members.

(2) At September 30, 2001, Commercial HMO includes 1,597 thousand POS members who access primary care physicians and referred care through an HMO network. There were 1,926 thousand such members at September 30, 2000 and 1,892 thousand at December 31, 2000.

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



**Combining Balance Sheet**  
**September 30, 2001**  
(Millions)

	<b>Health Care and Group Insurance</b>	<b>Large Case Pensions</b>	<b>Total</b>		<b>Health Care and Group Insurance</b>	<b>Large Case Pensions</b>	<b>Total</b>
<b>Assets</b>				<b>Liabilities</b>			
Current assets:				Current liabilities:			
Cash and cash equivalents	\$ 1,413.7	\$ 197.7	\$ 1,611.4	Health care costs payable	\$ 3,025.1	\$ -	\$ 3,025.1
Investment securities	6,897.0	7,379.0	14,276.0	Future policy benefits	89.4	690.7	780.1
Other investments	40.6	180.0	220.6	Unpaid claims	578.7	1.5	580.2
Premiums receivable, net	755.9	-	755.9	Unearned premiums	294.0	6.9	300.9
Other receivables, net	463.2	169.7	632.9	Policyholders' funds	260.8	834.0	1,094.8
Accrued investment income	110.4	149.9	260.3	Collateral payable under securities loan agreements	374.0	164.6	538.6
Collateral received under securities loan agreements	374.0	164.6	538.6	Short-term debt	222.8	-	222.8
Loaned securities	366.0	160.7	526.7	Income taxes payable	133.9	4.5	138.4
Deferred income taxes	106.1	-	106.1	Deferred income taxes	25.0	30.3	55.3
Other assets	213.7	7.1	220.8	Accrued expenses and other liabilities	1,018.5	377.3	1,395.8
Total current assets	<u>10,740.6</u>	<u>8,408.7</u>	<u>19,149.3</u>	Total current liabilities	<u>6,022.2</u>	<u>2,109.8</u>	<u>8,132.0</u>
Long-term investments	815.8	629.1	1,444.9	Future policy benefits	1,685.1	6,844.1	8,529.2
Mortgage loans	565.0	1,311.5	1,876.5	Unpaid claims	1,244.2	-	1,244.2
Investment real estate	158.1	185.9	344.0	Policyholders' funds	714.1	1,665.2	2,379.3
Reinsurance recoverables	1,250.5	24.5	1,275.0	Long-term debt	1,595.2	-	1,595.2
Goodwill and other acquired intangible assets, net	7,387.3	-	7,387.3	Other liabilities	284.8	4.7	289.5
Property and equipment, net	119.8	229.7	349.5	Separate Accounts liabilities	11.4	12,221.3	12,232.7
Deferred income taxes	114.6	188.7	303.3	Total liabilities	<u>11,557.0</u>	<u>22,845.1</u>	<u>34,402.1</u>
Other assets	146.0	-	146.0	<b>Equity</b>			
Separate Accounts assets	<u>11.4</u>	<u>12,221.3</u>	<u>12,232.7</u>	Total equity	<u>9,752.1</u>	<u>354.3</u>	<u>10,106.4</u>
Total assets	<u>\$ 21,309.1</u>	<u>\$ 23,199.4</u>	<u>\$ 44,508.5</u>	Total liabilities and equity	<u>\$ 21,309.1</u>	<u>\$ 23,199.4</u>	<u>\$ 44,508.5</u>

