



AETNA AT A GLANCE

Aetna reported a fourth quarter 2001 operating loss, excluding other items¹, of (\$84.6) million or (\$0.59) per share. Operating results, excluding other items, for fourth quarter 2000 were \$28.7 million or \$0.20 per share and for third quarter 2001 were (\$49.3) million or (\$0.34) per share².

Cash operating earnings (loss), defined as operating earnings or losses plus goodwill and intangibles amortization, excluding other items was (\$2.6) million or (\$0.02) per share for fourth quarter 2001. Cash operating earnings, excluding other items, for fourth quarter 2000 were \$115.2 million or \$0.80 per share and for third quarter 2001 were \$33.6 million or \$0.23 per share.

Health Care

Operating results (before goodwill amortization and other item(s)) of (\$16.1) million decreased \$105.9 million quarter over quarter and decreased \$26.3 million sequentially.

Revenue of \$5.4 billion decreased 9.3% quarter over quarter and decreased 2.3% sequentially.

Operating expenses as a percent of revenue of 20.3% increased 140 basis points quarter over quarter and increased 90 basis points sequentially.

Pretax operating margin (deficit)³ of (0.7%) decreased 310 basis points quarter over quarter and decreased 100 basis points sequentially.

Health Care Costs Payable of \$3.0 billion decreased \$184.4 million quarter over quarter and decreased \$38.4 million sequentially.

Premiums

Commercial Risk⁴ premium of \$4.4 billion decreased 0.5% quarter over quarter and decreased 0.7% sequentially.

Commercial HMO⁴ premium of \$3.5 billion decreased 0.9% quarter over quarter and decreased 1.0% sequentially.

Medicare HMO premium of \$479.0 million decreased 2.7% quarter over quarter and decreased 5.2% sequentially.

Medical Cost Ratios (MCR)

Commercial Risk MCR of 89.0% increased 330 basis points quarter over quarter and decreased 10 basis points sequentially.

Commercial HMO MCR of 89.7% increased 250 basis points quarter over quarter and decreased 40 basis points sequentially.

Medicare HMO (continuing markets) MCR of 92.9% increased 110 basis points quarter over quarter and was level sequentially.

Health Risk

Health Risk operating loss (before goodwill amortization and other item(s)) of (\$47.0) million decreased \$101.3 million quarter over quarter and decreased \$20.7 million sequentially.

Health Risk operating expenses as a percent of revenue of 14.1% increased 120 basis points quarter over quarter and increased 100 basis points sequentially.

Commercial Risk operating expenses as a percent of revenue of 15.1% increased 70 basis points quarter over quarter and increased 90 basis points sequentially.

Pretax Health Risk operating margin (deficit) of (1.6%) decreased 320 basis points quarter over quarter and decreased 90 basis points sequentially.

Days Claims Payable⁵ of 63.4 days increased 1.1 days quarter over quarter and increased 0.6 days sequentially.

Health Administrative Services Contracts (ASC)

Health ASC operating earnings (before goodwill amortization and other item(s)) of \$30.9 million decreased 13.0% quarter over quarter and decreased 15.3% sequentially.

Health ASC operating expenses as a percent of revenue of 89.9% increased 110 basis points quarter over quarter and increased 120 basis points sequentially.

Pretax Health ASC operating margin of 10.1% decreased 110 basis points quarter over quarter and decreased 120 basis points sequentially.



Group Insurance

Operating earnings (before other items) of \$36.3 million decreased 22.9% quarter over quarter and decreased 11.5% sequentially.
Revenue of \$417.1 million decreased 2.5% quarter over quarter and decreased 1.1% sequentially.
Premiums of \$346.3 million increased 0.1% quarter over quarter and increased 0.3% sequentially.
Operating expenses as a percent of revenue of 11.2% increased 160 basis points quarter over quarter and increased 150 basis points sequentially.
Pretax operating margin of 12.8% decreased 410 basis points quarter over quarter and decreased 100 basis points sequentially.
Group Insurance Cost Ratio (current and future benefits/premiums) of 91.6% increased 60 basis points quarter over quarter and decreased 190 basis points sequentially.

Large Case Pensions

Operating earnings of \$3.8 million decreased 75.2% quarter over quarter and decreased 46.5% sequentially.
Total Assets Under Management⁶ of \$20.1 billion decreased 15.6% quarter over quarter and decreased 4.1% sequentially.

Corporate Interest Expense

Interest expense of \$26.6 million decreased 28.1% quarter over quarter and increased 7.7% sequentially.

Membership - Health Care, Group Insurance, and Dental

Health Care membership of 17.2 million decreased 11.2% quarter over quarter and decreased 2.0% sequentially.
Health Risk membership of 8.3 million decreased 16.8% quarter over quarter and decreased 4.0% sequentially.
Health ASC membership of 8.9 million decreased 5.3% quarter over quarter and decreased 0.1% sequentially.
Group Insurance membership of 11.5 million decreased 1.7% quarter over quarter and decreased 1.7% sequentially.
Group Life membership of 9.2 million decreased 2.2% quarter over quarter and decreased 1.9% sequentially.
Disability membership of 2.1 million decreased 0.4% quarter over quarter and decreased 1.0% sequentially.
Long-Term Care membership of 129 thousand increased 13.2% quarter over quarter and was level sequentially.
Dental membership of 13.5 million decreased 5.6% quarter over quarter and decreased 1.6% sequentially.
Dental Risk membership of 5.7 million decreased 7.1% quarter over quarter and decreased 2.8% sequentially.
Dental ASC membership of 7.8 million decreased 4.4% quarter over quarter and decreased 0.8% sequentially.

¹ All operating results exclude discontinued operations, capital gains and losses, cumulative effect adjustment, and other items, in order to provide a comparison that the company believes better reflects its underlying business performance. An itemization of other items excluded from operating results and reconciliation to operating results under generally accepted accounting principles for each period shown is presented as a footnote table within the fourth quarter 2001 press release.

² Included in the third quarter 2001 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 the third quarter 2001.

³ 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.

⁴ Commercial Risk includes all medical and dental risk products except Medicare and Medicaid. Commercial HMO includes all medical HMO products except Medicare and Medicaid.

⁵ 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.

⁶ Assets Under Management as of December 31, 2001, December 31, 2000, and September 30, 2001, exclude net unrealized capital gains of \$176.0 million, 108.1 million, and \$231.6 million respectively.

This document is supplemental to the Company's fourth quarter 2001 earnings release and should be read in conjunction therewith and in conjunction with the Company's 2001 Form 10-K to be 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 (Loss) (1)

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

	3 Months Ended December 31,		% Change	12 Months Ended December 31,		% Change
	2001	2000		2001	2000	
Continuing operations						
Health Care (2)	\$ (98.1)	\$ 3.3	-	\$ (365.3)	\$ 95.5	-
Group Insurance	36.3	47.1	(22.9)	160.1	193.4	(17.2)
Large Case Pensions	3.8	15.3	(75.2)	31.6	66.0	(52.1)
Corporate Interest	(26.6)	(37.0)	28.1	(92.8)	(161.3)	42.5
Operating earnings (loss) from continuing operations	<u>\$ (84.6)</u>	<u>\$ 28.7</u>		<u>\$ (266.4)</u>	<u>\$ 193.6</u>	
Weighted average common shares - basic	<u>143,806,461</u>	<u>141,588,343</u>		<u>143,217,710</u>	<u>141,260,928</u>	
Weighted average common shares and common share equivalents (3)(4)	<u>146,498,254</u>	<u>144,375,675</u>		<u>145,740,082</u>	<u>143,139,374</u>	
Operating earnings (loss) from continuing operations per common share						
Excluding other items	<u>\$ (0.59)</u>	<u>\$.20</u>		<u>\$ (1.86)</u>	<u>\$ 1.35</u>	
Including other items	<u>\$ (1.45)</u>	<u>\$ (2.49)</u>		<u>\$ (2.55)</u>	<u>\$ (0.80)</u>	

Net Income (Loss) (\$ in Millions)

Operating earnings (loss) from continuing operations	\$ (84.6)	\$ 28.7	\$ (266.4)	\$ 193.6
Other items, net of tax:				
Health Care Segment:				
Favorable (unfavorable) reserve runoff - exited Medicare markets	1.1	-	(26.0)	-
Severance and facilities charge	(125.1)	(92.6)	(125.1)	(92.6)
Goodwill write-off	-	(238.3)	-	(238.3)
Other change-in-control related costs	-	(50.7)	-	(50.7)
Shareholder litigation settlement agreement	-	-	-	(5.2)
Assessment - New Jersey HMO Insolvency Fund	-	-	-	(14.6)
Group Insurance Segment:				
Events of September 11, 2001	-	-	(9.0)	-
Other change-in-control related costs	-	(0.3)	-	(0.3)
Large Case Pensions Segment:				
Reduction of reserve for loss on discontinued products	-	-	61.4	94.9
Operating loss from continuing operations including other items	<u>(208.6)</u>	<u>(353.2)</u>	<u>(365.1)</u>	<u>(113.2)</u>
Net realized capital gains (losses), net of tax	<u>9.6</u>	<u>(18.8)</u>	<u>73.6</u>	<u>(14.2)</u>
Loss from continuing operations before cumulative effect adjustment	<u>(199.0)</u>	<u>(372.0)</u>	<u>(291.5)</u>	<u>(127.4)</u>
Cumulative effect adjustment, net of tax (5)	<u>-</u>	<u>-</u>	<u>0.5</u>	<u>-</u>
Loss from continuing operations	<u>(199.0)</u>	<u>(372.0)</u>	<u>(291.0)</u>	<u>(127.4)</u>
Income (loss) from discontinued operations, net of tax	<u>11.4</u>	<u>(34.3)</u>	<u>11.4</u>	<u>254.5</u>
Net income (loss)	<u>\$ (187.6)</u>	<u>\$ (406.3)</u>	<u>\$ (279.6)</u>	<u>\$ 127.1</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 the Company to its shareholders and 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) Excludes other items, realized capital gains (losses) and cumulative effect adjustment.
- (2) Includes, for the twelve months ended December 31, 2001, \$13.1 million after tax of proceeds from the sale of New Jersey Medicaid membership.
- (3) During the twelve months ended December 31, 2001, the Company repurchased 2,600,000 common shares. The Company did not repurchase common shares during the three months ended December 31, 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 - Continuing Operations
(\$ in Millions)

	Health Care	Group Insurance	Large Case Pensions	Corporate Interest	Consolidated
Three Months Ended December 31, 2001					
Revenue:					
Premiums	\$ 4,876.3	\$ 346.3	\$ 60.2	\$ -	\$ 5,282.8
Administrative services contract fees	437.1	8.0	-	-	445.1
Net investment income	77.1	61.8	164.9	-	303.8
Other income	8.1	1.0	5.3	-	14.4
Total revenue, excluding net realized capital gains (losses)	<u>5,398.6</u>	<u>417.1</u>	<u>230.4</u>	<u>-</u>	<u>6,046.1</u>
Benefits and expenses:					
Health care costs	4,335.4	-	-	-	4,335.4
Current and future benefits	-	317.1	219.3	-	536.4
Operating expenses	1,098.4	46.6	5.3	-	1,150.3
Interest expense	-	-	-	40.9	40.9
Amortization of goodwill and other acquired intangible assets	100.5	-	-	-	100.5
Total benefits and expenses	<u>5,534.3</u>	<u>363.7</u>	<u>224.6</u>	<u>40.9</u>	<u>6,163.5</u>
Operating earnings (loss) from continuing operations, excluding income taxes (benefits) and other items	(135.7)	53.4	5.8	(40.9)	(117.4)
Income taxes (benefits)	(37.6)	17.1	2.0	(14.3)	(32.8)
Operating earnings (loss) from continuing operations, excluding other items	<u>(98.1)</u>	<u>36.3</u>	<u>3.8</u>	<u>(26.6)</u>	<u>(84.6)</u>
Favorable reserve runoff - exited Medicare markets, net of tax	1.1	-	-	-	1.1
Severance and facilities charge, net of tax	(125.1)	-	-	-	(125.1)
Operating earnings (loss) from continuing operations	<u>(222.1)</u>	<u>36.3</u>	<u>3.8</u>	<u>(26.6)</u>	<u>(208.6)</u>
Net realized capital gains (losses), net of tax	14.5	(1.1)	(3.8)	-	9.6
Income (loss) from continuing operations	<u>\$ (207.6)</u>	<u>\$ 35.2</u>	<u>\$ 0.0</u>	<u>\$ (26.6)</u>	<u>\$ (199.0)</u>
Pretax Operating Margin (Deficit)	(0.7)%	12.8%	2.5%	N/A	0.4%
After-tax Operating Margin (Deficit)	(0.3)%	8.7%	1.6%	N/A	0.4%
Three Months Ended December 31, 2000					
Revenue:					
Premiums	\$ 5,375.8	\$ 345.9	\$ 27.8	\$ -	\$ 5,749.5
Administrative services contract fees	463.8	7.9	-	-	471.7
Net investment income	105.8	73.0	211.8	-	390.6
Other income	9.6	1.0	7.0	-	17.6
Total revenue, excluding net realized capital losses	<u>5,955.0</u>	<u>427.8</u>	<u>246.6</u>	<u>-</u>	<u>6,629.4</u>
Benefits and expenses:					
Health care costs	4,685.7	-	-	-	4,685.7
Current and future benefits	-	314.8	216.3	-	531.1
Operating expenses	1,127.7	40.9	6.2	-	1,174.8
Interest expense	-	-	-	57.0	57.0
Amortization of goodwill and other acquired intangible assets	107.7	-	-	-	107.7
Total benefits and expenses	<u>5,921.1</u>	<u>355.7</u>	<u>222.5</u>	<u>57.0</u>	<u>6,556.3</u>
Operating earnings (loss) from continuing operations, excluding income taxes (benefits) and other items	33.9	72.1	24.1	(57.0)	73.1
Income taxes (benefits)	30.6	25.0	8.8	(20.0)	44.4
Operating earnings (loss) from continuing operations, excluding other items	<u>3.3</u>	<u>47.1</u>	<u>15.3</u>	<u>(37.0)</u>	<u>28.7</u>
Severance and facilities charge, net of tax	(92.6)	-	-	-	(92.6)
Goodwill write-off, net of tax	(238.3)	-	-	-	(238.3)
Other change-in-control related costs, net of tax	(50.7)	(0.3)	-	-	(51.0)
Operating earnings (loss) from continuing operations	<u>(378.3)</u>	<u>46.8</u>	<u>15.3</u>	<u>(37.0)</u>	<u>(353.2)</u>
Net realized capital losses, net of tax	(1.4)	(13.5)	(3.9)	-	(18.8)
Income (loss) from continuing operations	<u>\$ (379.7)</u>	<u>\$ 33.3</u>	<u>\$ 11.4</u>	<u>\$ (37.0)</u>	<u>\$ (372.0)</u>
Pretax Operating Margin	2.4%	16.9%	9.8%	N/A	3.6%
After-tax Operating Margin	1.5%	11.0%	6.2%	N/A	2.3%

Consolidating Statements of Net Income (Loss) by Segment - Continuing Operations
(\$ in Millions)

	Health Care	Group Insurance	Large Case Pensions	Corporate Interest	Consolidated
Twelve Months Ended December 31, 2001					
Revenue:					
Premiums	\$ 19,940.4	\$ 1,378.6	\$ 453.0	\$ -	\$ 21,772.0
Administrative services contract fees	1,802.9	32.3	-	-	1,835.2
Net investment income	373.9	286.0	751.7	-	1,411.6
Other income (1)	50.6	4.0	21.3	-	75.9
Total revenue, excluding net realized capital gains (losses)	<u>22,167.8</u>	<u>1,700.9</u>	<u>1,226.0</u>	<u>-</u>	<u>25,094.7</u>
Benefits and expenses:					
Health care costs	17,898.9	-	-	-	17,898.9
Current and future benefits	-	1,289.8	1,154.7	-	2,444.5
Operating expenses	4,318.4	175.1	21.5	-	4,515.0
Interest expense	-	-	-	142.8	142.8
Amortization of goodwill and other acquired intangible assets	416.6	-	-	-	416.6
Total benefits and expenses	<u>22,633.9</u>	<u>1,464.9</u>	<u>1,176.2</u>	<u>142.8</u>	<u>25,417.8</u>
Operating earnings (loss) from continuing operations, excluding income taxes (benefits), other items and cumulative effect adjustment	(466.1)	236.0	49.8	(142.8)	(323.1)
Income taxes (benefits)	(100.8)	75.9	18.2	(50.0)	(56.7)
Operating earnings (loss) from continuing operations, excluding other items and cumulative effect adjustment	<u>(365.3)</u>	<u>160.1</u>	<u>31.6</u>	<u>(92.8)</u>	<u>(266.4)</u>
Unfavorable reserve runoff - exited Medicare markets, net of tax	(26.0)	-	-	-	(26.0)
Reduction of reserve for loss on discontinued products, net of tax	-	-	61.4	-	61.4
Events of September 11, 2001, net of tax	-	(9.0)	-	-	(9.0)
Severance and facilities charge, net of tax	(125.1)	-	-	-	(125.1)
Operating earnings (loss) from continuing operations, excluding cumulative effect adjustment	<u>(516.4)</u>	<u>151.1</u>	<u>93.0</u>	<u>(92.8)</u>	<u>(365.1)</u>
Cumulative effect adjustment, net of tax	.5	-	-	-	.5
Net realized capital gains (losses), net of tax	77.4	.3	(4.1)	-	73.6
Income (loss) from continuing operations	<u>\$ (438.5)</u>	<u>\$ 151.4</u>	<u>\$ 88.9</u>	<u>\$ (92.8)</u>	<u>\$ (291.0)</u>
Pretax Operating Margin (Deficit)	(0.2)%	13.9%	4.1%	N/A	0.9%
After-tax Operating Margin (Deficit)	(0.1)%	9.4%	2.6%	N/A	0.7%
Twelve Months Ended December 31, 2000					
Revenue:					
Premiums	\$ 21,746.6	\$ 1,328.6	\$ 139.7	\$ -	\$ 23,214.9
Administrative services contract fees	1,903.2	34.3	-	-	1,937.5
Net investment income	428.5	300.9	902.2	-	1,631.6
Other income	45.1	4.1	25.8	-	75.0
Total revenue, excluding net realized capital gains (losses)	<u>24,123.4</u>	<u>1,667.9</u>	<u>1,067.7</u>	<u>-</u>	<u>26,859.0</u>
Benefits and expenses:					
Health care costs	18,884.1	-	-	-	18,884.1
Current and future benefits	-	1,216.2	937.3	-	2,153.5
Operating expenses	4,537.9	158.4	25.0	-	4,721.3
Interest expense	-	-	-	248.2	248.2
Amortization of goodwill and other acquired intangible assets	435.6	-	-	-	435.6
Total benefits and expenses	<u>23,857.6</u>	<u>1,374.6</u>	<u>962.3</u>	<u>248.2</u>	<u>26,442.7</u>
Operating earnings (loss) from continuing operations, excluding income taxes (benefits) and other items	265.8	293.3	105.4	(248.2)	416.3
Income taxes (benefits)	170.3	99.9	39.4	(86.9)	222.7
Operating earnings (loss) from continuing operations, excluding other items	<u>95.5</u>	<u>193.4</u>	<u>66.0</u>	<u>(161.3)</u>	<u>193.6</u>
Severance and facilities charge, net of tax	(92.6)	-	-	-	(92.6)
Goodwill write-off, net of tax	(238.3)	-	-	-	(238.3)
Other change-in-control related costs, net of tax	(50.7)	(0.3)	-	-	(51.0)
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
Operating earnings (loss) from continuing operations	<u>(305.9)</u>	<u>193.1</u>	<u>160.9</u>	<u>(161.3)</u>	<u>(113.2)</u>
Net realized capital gains (losses), net of tax	13.1	(31.8)	4.5	-	(14.2)
Income (loss) from continuing operations	<u>\$ (292.8)</u>	<u>\$ 161.3</u>	<u>\$ 165.4</u>	<u>\$ (161.3)</u>	<u>\$ (127.4)</u>
Pretax Operating Margin	2.9%	17.6%	9.9%	N/A	4.1%
After-tax Operating Margin	1.8%	11.6%	6.2%	N/A	2.6%

(1) Health Care 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 December 31, 2001			3 Months Ended December 31, 2000			Total % Change
	Risk (1) (2)	ASC (3) (4)	Total	Risk (1) (2)	ASC (3) (4)	Total	
Revenue:							
Premiums	\$ 4,876.3	\$ -	\$ 4,876.3	\$ 5,375.8	\$ -	\$ 5,375.8	(9.3)
Administrative services contract fees	-	437.1	437.1	-	463.8	463.8	(5.8)
Net investment income	75.4	1.7	77.1	101.1	4.7	105.8	(27.1)
Other income	3.4	4.7	8.1	1.1	8.5	9.6	(15.6)
Total revenue, excluding net realized capital gains (losses)	<u>4,955.1</u>	<u>443.5</u>	<u>5,398.6</u>	<u>5,478.0</u>	<u>477.0</u>	<u>5,955.0</u>	(9.3)
Benefits and expenses:							
Health care costs	4,335.4	-	4,335.4	4,685.7	-	4,685.7	(7.5)
Operating expenses	699.7	398.7	1,098.4	704.1	423.6	1,127.7	(2.6)
Total benefits and expenses	<u>5,035.1</u>	<u>398.7</u>	<u>5,433.8</u>	<u>5,389.8</u>	<u>423.6</u>	<u>5,813.4</u>	(6.5)
Operating earnings (loss) excluding income taxes (benefits), amortization of goodwill and other acquired intangible assets and other items	(80.0)	44.8	(35.2)	88.2	53.4	141.6	
Income taxes (benefits)	<u>(33.0)</u>	<u>13.9</u>	<u>(19.1)</u>	<u>33.9</u>	<u>17.9</u>	<u>51.8</u>	
Operating earnings (loss) excluding amortization of goodwill and other acquired intangible assets and other items	<u>\$ (47.0)</u>	<u>\$ 30.9</u>	(16.1)	<u>\$ 54.3</u>	<u>\$ 35.5</u>	89.8	
Amortization of goodwill and other acquired intangible assets, net of tax			<u>(82.0)</u>			<u>(86.5)</u>	
Operating earnings (loss) excluding other items			(98.1)			3.3	
Other items, net of tax:							
Favorable reserve runoff - exited Medicare markets			1.1			-	
Severance and facilities charge			(125.1)			(92.6)	
Goodwill write-off			-			(238.3)	
Other change-in-control related costs			-			(50.7)	
Operating loss			<u>\$ (222.1)</u>			<u>\$ (378.3)</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 December 31, 2001, the Company recorded a net \$13.0 million after-tax benefit 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 (\$20.9 million after tax for the three months ended December 31, 2000). The reinsurance agreement ended on December 31, 2000, except that the agreement provided for a period of time during which medical cost reimbursements (as calculated in accordance with the agreement) were to be finalized, which occurred in the fourth quarter of 2001. The three months ended December 31, 2001 include the net benefit from the settlement of \$11.3 million after tax.
- (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 December 31, 2000, the Company recorded supplemental fees of \$14.4 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
Operating Earnings (Loss)
(\$ in Millions)

	12 Months Ended December 31, 2001			12 Months Ended December 31, 2000			Total % Change
	Risk (1) (2)	ASC (3) (4)	Total	Risk (1) (2)	ASC (3) (4)	Total	
Revenue:							
Premiums	\$ 19,940.4	\$ -	\$ 19,940.4	\$ 21,746.6	\$ -	\$ 21,746.6	(8.3)
Administrative services contract fees	-	1,802.9	1,802.9	-	1,903.2	1,903.2	(5.3)
Net investment income	352.5	21.4	373.9	398.0	30.5	428.5	(12.7)
Other income (5)	32.1	18.5	50.6	9.6	35.5	45.1	12.2
Total revenue, excluding net realized capital gains (losses)	20,325.0	1,842.8	22,167.8	22,154.2	1,969.2	24,123.4	(8.1)
Benefits and expenses:							
Health care costs	17,898.9	-	17,898.9	18,884.1	-	18,884.1	(5.2)
Operating expenses	2,683.3	1,635.1	4,318.4	2,845.8	1,692.1	4,537.9	(4.8)
Total benefits and expenses	20,582.2	1,635.1	22,217.3	21,729.9	1,692.1	23,422.0	(5.1)
Operating earnings (loss) excluding income taxes (benefits), amortization of goodwill and other acquired intangible assets and other items	(257.2)	207.7	(49.5)	424.3	277.1	701.4	
Income taxes (benefits)	(87.5)	65.6	(21.9)	161.4	94.1	255.5	
Operating earnings (loss) excluding amortization of goodwill and other acquired intangible assets and other items	\$ (169.7)	\$ 142.1	(27.6)	\$ 262.9	\$ 183.0	445.9	
Amortization of goodwill and other acquired intangible assets, net of tax			(337.7)			(350.4)	
Operating earnings (loss) excluding other items			(365.3)			95.5	
Other items, net of tax:							
Unfavorable reserve runoff - exited Medicare markets			(26.0)			-	
Severance and facilities charge			(125.1)			(92.6)	
Goodwill write-off			-			(238.3)	
Other change-in-control related costs			-			(50.7)	
Assessment - New Jersey HMO Insolvency Fund			-			(14.6)	
Shareholder litigation settlement agreement			-			(5.2)	
Operating loss			\$ (516.4)			\$ (305.9)	

- (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 twelve months ended December 31, 2001, the Company recorded a net \$19.2 million after-tax benefit 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 (\$78.2 million after tax for the twelve months ended December 31, 2000). The reinsurance agreement ended on December 31, 2000, except that the agreement provided for a period of time during which medical cost reimbursements (as calculated in accordance with the agreement) were to be finalized, which occurred in the fourth quarter of 2001. The twelve months ended December 31, 2001 include the net benefit from the settlement of \$11.3 million after tax.
- (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 twelve months ended December 31, 2001, the Company recorded supplemental fees of \$8 million after tax (\$87.0 million after tax for the twelve months ended December 31, 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 twelve months ended December 31, 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					12 Months Ended		
	December 2001	December 2000	September 2001	Change Dec. 2001 - Dec. 2000	Change Dec. 2001- Sept. 2001	December 2001	December 2000	Change Dec. 2001 - Dec. 2000
<u>Premiums (1)</u>								
Commercial Risk	\$ 4,393.4	\$ 4,417.6	\$ 4,425.5	(0.5) %	(0.7) %	\$ 17,799.5	\$ 17,496.7	1.7 %
Commercial HMO	\$ 3,532.9	\$ 3,564.5	\$ 3,569.6	(0.9) %	(1.0) %	\$ 14,345.8	\$ 14,164.4	1.3 %
Medicare HMO - All Markets	\$ 479.0	\$ 909.7	\$ 505.1	(47.3) %	(5.2) %	\$ 1,995.7	\$ 4,051.3	(50.7) %
Medicare HMO - 2001 Markets	\$ 479.0	\$ 492.3	\$ 505.1	(2.7) %	(5.2) %	\$ 1,995.7	\$ 2,031.7	(1.8) %
<u>Medical Cost Ratios (1)</u>								
Commercial Risk	89.0 %	85.7 %	89.1 %	3.3 pts.	(0.1) pts.	89.3 %	85.1 %	4.2 pts.
Commercial HMO	89.7 %	87.2 %	90.1 %	2.5 pts.	(0.4) pts.	90.3 %	86.3 %	4.0 pts.
Medicare HMO - All Markets	92.5 %	97.5 %	92.3 %	(5.0) pts.	0.2 pts.	95.7 %	97.0 %	(1.3) pts.
Medicare HMO - 2001 Markets	92.9 %	91.8 %	92.9 %	1.1 pts.	0.0 pts.	93.7 %	91.6 %	2.1 pts.
<u>Operating Expenses as % of Revenue (1) (2)</u>								
Commercial Risk	15.1 %	14.4 %	14.2 %	0.7 pts.	0.9 pts.	14.2 %	14.6 %	(0.4) pts.
Total Health Care	20.3 %	18.9 %	19.4 %	1.4 pts.	0.9 pts.	19.5 %	18.8 %	0.7 pts.
<u>Health Care Costs Payable</u>								
	\$ 2,986.7	\$ 3,171.1	\$ 3,025.1					
<u>Days Claims Payable (3)</u>								
	63.4	62.3	62.8					

(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:	<u>December 31, 2001</u>			<u>September 30, 2001</u>			Risk % Change	Total % Change	<u>December 31, 2000</u>			Risk % Change	Total % Change
	Risk	ASC	Total	Risk	ASC	Total			Risk	ASC	Total		
Commercial													
HMO (1)	6,712	1,086	7,798	6,990	1,093	8,083	(4.0)	(3.5)	7,778	869	8,647	(13.7)	(9.8)
POS	183	2,820	3,003	198	2,840	3,038	(7.6)	(1.2)	341	3,397	3,738	(46.3)	(19.7)
PPO (2)	907	3,168	4,075	922	3,153	4,075	(1.6)	0.0	905	3,100	4,005	0.2	1.7
Indemnity (2)	204	1,691	1,895	216	1,694	1,910	(5.6)	(0.8)	243	1,930	2,173	(16.0)	(12.8)
Total Commercial Membership	8,006	8,765	16,771	8,326	8,780	17,106	(3.8)	(2.0)	9,267	9,296	18,563	(13.6)	(9.7)
Medicare HMO	255	-	255	274	-	274	(6.9)	(6.9)	549	-	549	(53.6)	(53.6)
Medicaid HMO	15	129	144	17	121	138	(11.8)	4.3	131	94	225	(88.5)	(36.0)
Total Health Care Membership	8,276	8,894	17,170	8,617	8,901	17,518	(4.0)	(2.0)	9,947	9,390	19,337	(16.8)	(11.2)
Dental	5,704	7,755	13,459	5,866	7,816	13,682	(2.8)	(1.6)	6,137	8,114	14,251	(7.1)	(5.6)
Group Insurance													
Group Life			9,211			9,390		(1.9)			9,421		(2.2)
Disability			2,140			2,161		(1.0)			2,149		(0.4)
Long-Term Care			129			129		0.0			114		13.2
Total Group Insurance			11,480			11,680		(1.7)			11,684		(1.7)
Regions:													
Northeast	1,709	1,275	2,984	1,783	1,285	3,068	(4.2)	(2.7)	2,180	1,348	3,528	(21.6)	(15.4)
Mid-Atlantic	1,512	1,491	3,003	1,570	1,509	3,079	(3.7)	(2.5)	1,848	1,613	3,461	(18.2)	(13.2)
Southeast	1,373	1,443	2,816	1,419	1,444	2,863	(3.2)	(1.6)	1,676	1,569	3,245	(18.1)	(13.2)
North Central	1,065	2,165	3,230	1,120	2,172	3,292	(4.9)	(1.9)	1,251	2,317	3,568	(14.9)	(9.5)
Southwest	1,179	1,228	2,407	1,232	1,218	2,450	(4.3)	(1.8)	1,350	1,320	2,670	(12.7)	(9.9)
West	1,365	1,286	2,651	1,418	1,273	2,691	(3.7)	(1.5)	1,579	1,223	2,802	(13.6)	(5.4)
Other (2)	73	6	79	75	-	75	(2.7)	5.3	63	-	63	15.9	25.4
Total Health Care Membership	8,276	8,894	17,170	8,617	8,901	17,518	(4.0)	(2.0)	9,947	9,390	19,337	(16.8)	(11.2)
Risk/ASC %	48.2%	51.8%	100.0%	49.2%	50.8%	100.0%	(1.0) pts.		51.4%	48.6%	100.0%	(3.2) pts.	

(1) At December 31, 2001, Commercial HMO includes 1,475 thousand POS members who access primary care physicians and referred care through an HMO network. There were 1,597 thousand such members at September 30, 2001 and 1,892 thousand at December 31, 2000.

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

Consolidated Balance Sheets
(Millions)

	<u>December 31,</u> <u>2001</u>	<u>December 31,</u> <u>2000 (1)</u>		<u>December 31,</u> <u>2001</u>	<u>December 31,</u> <u>2000 (1)</u>
Assets			Liabilities		
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 1,398.2	\$ 1,652.5	Health care costs payable	\$ 2,986.7	\$ 3,171.1
Investment securities	14,260.1	14,308.8	Future policy benefits	800.5	832.0
Other investments	167.7	374.6	Unpaid claims	574.6	528.2
Premiums receivable, net	604.9	838.6	Unearned premiums	208.0	274.7
Other receivables, net	528.0	735.8	Policyholders' funds	1,052.8	1,089.0
Accrued investment income	232.3	260.3	Collateral payable under securities loan agreements	621.7	596.8
Collateral received under securities loan agreements	621.7	596.8	Short-term debt	109.7	1,592.2
Loaned securities	608.1	584.1	Income taxes payable	147.4	297.8
Deferred income taxes	114.1	112.3	Accrued expenses and other current liabilities	1,637.2	1,621.6
Other current assets	216.1	303.7	Total current liabilities	<u>8,138.6</u>	<u>10,003.4</u>
Total current assets	<u>18,751.2</u>	<u>19,767.5</u>			
			Future policy benefits	8,621.5	8,912.1
Long-term investments	1,575.6	1,571.6	Unpaid claims	1,203.6	1,211.6
Mortgage loans	1,887.8	1,826.6	Policyholders' funds	2,245.1	2,649.6
Investment real estate	359.7	319.2	Long-term debt	1,591.3	-
Reinsurance recoverables	1,269.7	1,318.5	Other long-term liabilities	274.7	416.7
Goodwill, net	6,583.8	6,781.9	Separate Accounts liabilities	11,290.0	14,352.5
Other acquired intangible assets, net	703.0	921.5	Total liabilities	<u>33,364.8</u>	<u>37,545.9</u>
Property and equipment, net	327.0	390.0			
Deferred income taxes	360.5	295.0	Shareholders' Equity		
Other long-term assets	146.8	128.7	Common stock and additional paid-in capital	3,913.8	3,898.7
Separate Accounts assets	11,290.0	14,352.5	Accumulated other comprehensive income (2)	68.5	35.1
			Retained earnings	5,908.0	6,193.3
			Total shareholders' equity	<u>9,890.3</u>	<u>10,127.1</u>
Total assets	<u>\$ 43,255.1</u>	<u>\$ 47,673.0</u>	Total liabilities and shareholders' equity	<u>\$ 43,255.1</u>	<u>\$ 47,673.0</u>

(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 \$66.6 million and \$29.4 million at December 31, 2001 and December 31, 2000, respectively.

Combining Balance Sheet
December 31, 2000 (1)
(Millions)

	Health Care and Group Insurance	Large Case Pensions	Total		Health Care and Group Insurance	Large Case Pensions	Total
Assets							
Current assets:							
Cash and cash equivalents	\$ 1,498.5	\$ 154.0	\$ 1,652.5		\$ 3,171.1	\$ -	\$ 3,171.1
Investment securities	6,627.6	7,681.2	14,308.8		84.5	747.5	832.0
Other investments	163.2	211.4	374.6		526.5	1.7	528.2
Premiums receivable, net	838.6	-	838.6		269.3	5.4	274.7
Other receivables, net	510.1	225.7	735.8		150.4	938.6	1,089.0
Accrued investment income	98.5	161.8	260.3		335.1	261.7	596.8
Collateral received under securities loan agreements	335.1	261.7	596.8		1,592.2	-	1,592.2
Loaned securities	328.1	256.0	584.1		296.4	1.4	297.8
Deferred income taxes	132.1	(19.8)	112.3		1,347.2	274.4	1,621.6
Other current assets	290.6	13.1	303.7		7,772.7	2,230.7	10,003.4
Total current assets	10,822.4	8,945.1	19,767.5				
Long-term investments	1,043.4	528.2	1,571.6		1,972.7	6,939.4	8,912.1
Mortgage loans	479.0	1,347.6	1,826.6		1,211.6	-	1,211.6
Investment real estate	141.5	177.7	319.2		714.8	1,934.8	2,649.6
Reinsurance recoverables	1,289.3	29.2	1,318.5		416.7	-	416.7
Goodwill, net	6,781.9	-	6,781.9		13.3	14,339.2	14,352.5
Other acquired intangible assets, net	921.5	-	921.5		12,101.8	25,444.1	37,545.9
Property and equipment, net	148.0	242.0	390.0				
Deferred income taxes	134.4	160.6	295.0				
Other long-term assets	128.7	-	128.7				
Separate Accounts assets	13.3	14,339.2	14,352.5				
Total assets	\$ 21,903.4	\$ 25,769.6	\$ 47,673.0				
Liabilities							
Current liabilities:							
Health care costs payable							
Future policy benefits							
Unpaid claims							
Unearned premiums							
Policyholders' funds							
Collateral payable under securities loan agreements							
Short-term debt							
Income taxes payable							
Accrued expenses and other current liabilities							
Total current liabilities							
Future policy benefits							
Unpaid claims							
Policyholders' funds							
Other long-term liabilities							
Separate Accounts liabilities							
Total liabilities							
Equity							
Total equity							
Total liabilities and equity	\$ 21,903.4	\$ 25,769.6	\$ 47,673.0				

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