

# Financial Supplement

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This document is supplemental to our first quarter 2008 earnings press release issued on April 24, 2008 and should be read in conjunction therewith and in conjunction with our Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 to be filed with the U.S. Securities and Exchange Commission. Please direct questions with respect to this material to Jeffrey Chaffkin, Vice President, Investor Relations at 860-273-7830 or [chaffkinj@aetna.com](mailto:chaffkinj@aetna.com).

### Financial Highlights

(Millions, except per common share data)	Three Months Ended		Change
	March 31, 2008	March 31, 2007	
<b>Operating Earnings</b> <sup>(1)</sup>			
Aetna Inc.	\$ 469.6	\$ 435.4	7.9 %
Aetna Inc. per common share	.92	.81	13.6 %
Health Care	461.6	422.7	9.2 %
Group Insurance	34.9	31.1	12.2 %
Large Case Pensions	8.5	9.1	(6.6) %
<b>Net Income</b>			
Aetna Inc.	431.6	434.6	(.7) %
Aetna Inc. per common share	.85	.81	4.9 %
Weighted average common shares - diluted	509.1	536.4	(5.1) %
<b>Operating Margin</b> <sup>(1)</sup>			
Pretax Operating Margin	10.3 %	10.9 %	(.6) pts.
After-tax Operating Margin	6.7 %	7.1 %	(.4) pts.
<b>Revenue by Segment</b> <sup>(1)</sup>			
Health Care <sup>(2)</sup>	\$ 7,137.5	\$ 5,969.1	19.6 %
Group Insurance	512.5	544.1	(5.8) %
Large Case Pensions	147.2	188.0	(21.7) %
Total Revenue <sup>(2)</sup>	\$ 7,797.2	\$ 6,701.2	16.4 %
<b>Operating Expenses as % of Revenue</b> <sup>(1)</sup>			
	18.0 %	18.0 %	- pts.

	March 31, 2008	December 31, 2007	September 30, 2007	June 30, 2007	March 31, 2007
<b>Membership (Thousands)</b>					
Medical	17,467	16,853	16,613	15,767	15,703
Dental	14,166	13,832 <sup>(3)</sup>	13,694 <sup>(3)</sup>	13,185	13,655
Pharmacy	10,951	10,732	10,669	10,586	10,496
<b>Days Claims Payable</b>	44.4	44.2	46.3	45.4	46.2

Refer to page 9 for an explanation of footnotes and definitions of terms used.

**Health Care and Group Insurance Statistics**

(Millions)	Three Months Ended		Change
	March 31, 2008	March 31, 2007	
<b>Health Care</b>			
<b>Premiums</b>			
Commercial	\$ 4,883.4	\$ 4,512.6	8.2 %
Medicare	1,227.5	651.4	88.4 %
Medicaid	142.6	14.5	*
Health Care <sup>(2)</sup>	\$ 6,253.5	\$ 5,178.5	20.8 %
<b>Health Care Costs</b>			
Commercial	\$ 3,897.8	\$ 3,591.0	8.5 %
Medicare	1,056.1	573.3	84.2 %
Medicaid	132.3	12.8	*
Health Care	\$ 5,086.2	\$ 4,177.1	21.8 %
<b>Medical Benefit Ratios</b>			
Commercial	79.8 %	79.6 %	.2 pts.
Medicare	86.0 %	88.0 %	(2.0) pts.
Medicaid	92.8 %	*	*
Total	81.3 %	80.7 %	.6 pts.

\* Not meaningful

**Group Insurance**

Revenue <sup>(1)</sup>	\$ 512.5	\$ 544.1	(5.8) %
Benefit ratio	88.8 %	94.9 %	(6.1) pts.

Refer to page 9 for an explanation of footnotes and definitions of terms used.

**Health Care Membership**

(Thousands)	March 31, 2008			December 31, 2007			March 31, 2007		
	Insured	ASC	Total	Insured	ASC	Total	Risk	ASC	Total
<b>Products</b>									
Medical:									
Commercial <sup>(3)</sup>	5,387	10,901	16,288	5,390	10,453	15,843	5,157	10,172	15,329
Medicare Advantage	350	-	350	193	-	193	178	-	178
Medicare Health Support Program	-	14	14	-	14	14	-	16	16
Medicaid <sup>(3)</sup>	174	641	815	166	637	803	50	130	180
Total Medical	5,911	11,556	17,467	5,749	11,104	16,853	5,385	10,318	15,703
Consumer-Directed Health Plans <sup>(4)</sup>			1,359			994			910
Dental:									
Commercial <sup>(3)</sup>	5,008	7,584	12,592	5,037	7,269	12,306	4,987	7,215	12,202
Medicare & Medicaid	216	394	610	190	398	588	155	-	155
Network Access <sup>(5)</sup>	-	964	964	-	938	938	-	1,298	1,298
Total Dental	5,224	8,942	14,166	5,227	8,605	13,832	5,142	8,513	13,655
Pharmacy:									
Commercial <sup>(3)</sup>			9,746			9,613			9,398
Medicare PDP (stand-alone)			369			311			321
Medicare Advantage PDP			181			151			137
Medicaid <sup>(3)</sup>			22			21			19
Total Pharmacy Benefit Management Services			10,318			10,096			9,875
Mail Order <sup>(6)</sup>			633			636			621
Total Pharmacy			10,951			10,732			10,496
<b>Regions</b>									
Northeast	1,117	1,534	2,651	1,154	1,471	2,625	1,158	1,460	2,618
Mid-Atlantic	1,075	1,766	2,841	1,074	1,767	2,841	1,006	1,645	2,651
Southeast	956	1,821	2,777	949	1,726	2,675	929	1,699	2,628
North Central	884	2,239	3,123	783	2,271	3,054	653	2,256	2,909
Southwest	662	2,043	2,705	669	1,880	2,549	639	1,790	2,429
West	1,022	2,004	3,026	987	1,852	2,839	861	1,396	2,257
Other	195	149	344	133	137	270	139	72	211
Total Medical	5,911	11,556	17,467	5,749	11,104	16,853	5,385	10,318	15,703
Percent of Total	33.8%	66.2%	100.0%	34.1%	65.9%	100.0%	34.3%	65.7%	100.0%

Refer to page 9 for an explanation of footnotes and definitions of terms used.

**Statements of Net Income (Loss) by Segment**

(Millions)	Health Care	Group Insurance	Large Case Pensions	Corporate Interest	Consolidated
<b>Three Months Ended March 31, 2008</b>					
Revenue:					
Premiums	\$ 6,253.5	\$ 423.3	\$ 51.9	\$ -	\$ 6,728.7
Fees and other revenue	797.0	25.2	3.1	-	825.3
Net investment income	87.0	64.0	92.2	-	243.2
Total revenue, excluding net realized capital losses <sup>(1)</sup>	7,137.5	512.5	147.2	-	7,797.2
Benefits and expenses:					
Health care costs	5,086.2	-	-	-	5,086.2
Current and future benefits	-	375.9	133.0	-	508.9
Operating expenses:					
Selling expenses	279.3	24.5	-	-	303.8
General and administrative expenses	1,030.6	62.8	3.7	-	1,097.1
Total operating expenses	1,309.9	87.3	3.7	-	1,400.9
Interest expense	-	-	-	54.4	54.4
Amortization of other acquired intangible assets	26.1	1.7	-	-	27.8
Total benefits and expenses	6,422.2	464.9	136.7	54.4	7,078.2
Operating earnings (loss), excluding income taxes (benefits)	715.3	47.6	10.5	(54.4)	719.0
Income taxes (benefits)	253.7	12.7	2.0	(19.0)	249.4
Operating earnings (loss)	461.6	34.9	8.5	(35.4)	469.6
Net realized capital losses, net of tax	(14.0)	(19.2)	(4.8)	-	(38.0)
Net income (loss)	\$ 447.6	\$ 15.7	\$ 3.7	\$ (35.4)	\$ 431.6
<b>Three Months Ended March 31, 2007</b>					
Revenue:					
Premiums	\$ 5,178.5	\$ 439.6	\$ 55.8	\$ -	\$ 5,673.9
Fees and other revenue	703.5	26.1	3.2	-	732.8
Net investment income	87.1	78.4	129.0	-	294.5
Total revenue, excluding net realized capital (losses) gains <sup>(1)</sup>	5,969.1	544.1	188.0	-	6,701.2
Benefits and expenses:					
Health care costs	4,177.1	-	-	-	4,177.1
Current and future benefits	-	417.2	173.2	-	590.4
Operating expenses:					
Selling expenses	247.6	22.2	-	-	269.8
General and administrative expenses	869.3	61.8	3.6	-	934.7
Total operating expenses	1,116.9	84.0	3.6	-	1,204.5
Interest expense	-	-	-	42.3	42.3
Amortization of other acquired intangible assets	20.1	1.7	-	-	21.8
Total benefits and expenses	5,314.1	502.9	176.8	42.3	6,036.1
Operating earnings (loss), excluding income taxes (benefits)	655.0	41.2	11.2	(42.3)	665.1
Income taxes (benefits)	232.3	10.1	2.1	(14.8)	229.7
Operating earnings (loss)	422.7	31.1	9.1	(27.5)	435.4
Net realized capital (losses) gains, net of tax	(2.3)	.2	1.3	-	(.8)
Net income (loss)	\$ 420.4	\$ 31.3	\$ 10.4	\$ (27.5)	\$ 434.6

Refer to page 9 for an explanation of footnotes and definitions of terms used.

**Balance Sheets**

(Millions)	March 31, 2008			December 31, 2007		
	Health Care and Group Insurance	Large Case Pensions	Consolidated	Health Care and Group Insurance	Large Case Pensions	Consolidated
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 1,290.6	\$ 80.1	\$ 1,370.7	\$ 1,140.8	\$ 113.2	\$ 1,254.0
Investments	512.9	189.4	702.3	567.3	284.2	851.5
Premiums receivable, net	689.7	-	689.7	479.8	-	479.8
Other receivables, net	559.3	43.5	602.8	511.5	77.6	589.1
Accrued investment income	118.4	76.1	194.5	114.7	74.5	189.2
Collateral received under securities loan agreements	698.2	397.8	1,096.0	698.7	443.7	1,142.4
Deferred income taxes	229.1	49.7	278.8	265.4	56.3	321.7
Other current assets	404.6	29.0	433.6	385.1	53.6	438.7
<b>Total current assets</b>	<b>4,502.8</b>	<b>865.6</b>	<b>5,368.4</b>	<b>4,163.3</b>	<b>1,103.1</b>	<b>5,266.4</b>
Long-term investments	10,938.5	6,686.1	17,624.6	10,421.6	6,618.5	17,040.1
Reinsurance recoverables	1,068.1	13.0	1,081.1	1,079.1	14.1	1,093.2
Goodwill	5,081.0	-	5,081.0	5,081.0	-	5,081.0
Other acquired intangible assets, net	752.6	-	752.6	780.4	-	780.4
Property and equipment, net	328.9	46.5	375.4	314.6	49.4	364.0
Other long-term assets	1,903.1	-	1,903.1	1,850.2	-	1,850.2
Separate Accounts assets	2.5	6,969.8	6,972.3	2.9	19,246.5	19,249.4
<b>Total assets</b>	<b>\$ 24,577.5</b>	<b>\$ 14,581.0</b>	<b>\$ 39,158.5</b>	<b>\$ 23,693.1</b>	<b>\$ 27,031.6</b>	<b>\$ 50,724.7</b>
<b>Liabilities and shareholders' equity</b>						
Current liabilities:						
Health care costs payable	\$ 2,480.3	\$ -	\$ 2,480.3	\$ 2,177.4	\$ -	\$ 2,177.4
Future policy benefits	126.0	628.3	754.3	123.9	639.9	763.8
Unpaid claims	536.7	.7	537.4	625.3	.6	625.9
Unearned premiums	313.8	12.7	326.5	192.3	6.1	198.4
Policyholders' funds	685.5	105.7	791.2	522.3	145.9	668.2
Collateral payable under securities loan agreements	698.2	397.8	1,096.0	698.7	443.7	1,142.4
Short-term debt	375.5	3.6	379.1	116.9	13.8	130.7
Income taxes payable	205.3	(5.2)	200.1	18.7	(12.8)	5.9
Accrued expenses and other current liabilities	1,891.8	222.3	2,114.1	1,745.9	216.1	1,962.0
<b>Total current liabilities</b>	<b>7,313.1</b>	<b>1,365.9</b>	<b>8,679.0</b>	<b>6,221.4</b>	<b>1,453.3</b>	<b>7,674.7</b>
Future policy benefits	1,973.1	5,240.2	7,213.3	1,969.1	5,284.1	7,253.2
Unpaid claims	1,253.1	-	1,253.1	1,234.1	-	1,234.1
Policyholders' funds	539.6	662.6	1,202.2	546.1	679.6	1,225.7
Long-term debt	3,138.8	-	3,138.8	3,138.5	-	3,138.5
Income taxes payable	17.7	-	17.7	13.0	-	13.0
Deferred income taxes	257.0	(210.7)	46.3	327.4	(181.0)	146.4
Other long-term liabilities	727.5	26.8	754.3	729.4	21.9	751.3
Separate Accounts liabilities	2.5	6,969.8	6,972.3	2.9	19,246.5	19,249.4
<b>Total liabilities</b>	<b>15,222.4</b>	<b>14,054.6</b>	<b>29,277.0</b>	<b>14,181.9</b>	<b>26,504.4</b>	<b>40,686.3</b>
Shareholders' equity	9,355.1	526.4	9,881.5	9,511.2	527.2	10,038.4
<b>Total liabilities and shareholders' equity</b>	<b>\$ 24,577.5</b>	<b>\$ 14,581.0</b>	<b>\$ 39,158.5</b>	<b>\$ 23,693.1</b>	<b>\$ 27,031.6</b>	<b>\$ 50,724.7</b>

Refer to page 9 for an explanation of footnotes and definitions of terms used.

Condensed Statements of Cash Flows

(Millions)	Three Months Ended					
	March 31, 2008			March 31, 2007		
	Health Care and Group Insurance	Large Case Pensions	Consolidated	Health Care and Group Insurance	Large Case Pensions	Consolidated
Cash flows from operating activities:						
Net income	\$ 427.9	\$ 3.7	\$ 431.6	\$ 424.2	\$ 10.4	\$ 434.6
Adjustments to reconcile net income to net cash provided by (used for) operating activities:						
Depreciation and amortization	88.2	-	88.2	72.3	-	72.3
Stock-based compensation expense	31.7	-	31.7	25.2	-	25.2
Equity in earnings of affiliates, net	20.9	8.9	29.8	(5.2)	(21.7)	(26.9)
Net realized capital losses (gains)	51.1	7.4	58.5	3.3	(2.1)	1.2
Amortization (accretion) of net investment premium (discount)	4.4	.5	4.9	8.5	(1.7)	6.8
Cash flows from operating activities before balance sheet changes	624.2	20.5	644.7	528.3	(15.1)	513.2
Changes in assets and liabilities:						
Accrued investment income	(3.7)	(1.6)	(5.3)	(2.8)	(3.4)	(6.2)
Premiums due and other receivables	(265.1)	.9	(264.2)	(152.2)	.4	(151.8)
Income taxes	183.0	4.1	187.1	192.1	(17.6)	174.5
Other assets and other liabilities	(48.2)	1.7	(46.5)	(150.6)	.1	(150.5)
Health care and insurance liabilities	470.0 <sup>(7)</sup>	(88.6)	381.4	490.5	(40.1)	450.4
Other, net	.4	-	.4	(1.0)	.1	(.9)
<b>Net cash provided by (used for) operating activities</b>	<b>960.6</b>	<b>(63.0)</b>	<b>897.6</b>	<b>904.3</b>	<b>(75.6)</b>	<b>828.7</b>
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	2,210.9	592.9	2,803.8	1,420.9	851.3	2,272.2
Cost of investments	(2,685.2)	(553.9)	(3,239.1)	(1,471.1)	(735.1)	(2,206.2)
Increase in property, equipment and software	(82.7)	-	(82.7)	(79.4)	-	(79.4)
<b>Net cash (used for) provided by investing activities</b>	<b>(557.0)</b>	<b>39.0</b>	<b>(518.0)</b>	<b>(129.6)</b>	<b>116.2</b>	<b>(13.4)</b>
Cash flows from financing activities:						
Net issuance (repayment) of short-term debt	258.9	(10.2)	248.7	(20.4)	(14.8)	(35.2)
Deposits and interest credited for investment contracts	-	2.0	2.0	-	2.6	2.6
Withdrawals of investment contracts	-	(1.1)	(1.1)	-	(1.2)	(1.2)
Common shares issued under benefit plans	13.0	-	13.0	40.3	-	40.3
Stock-based compensation tax benefits	17.0	-	17.0	30.2	-	30.2
Common shares repurchased	(552.6)	-	(552.6)	(302.2)	-	(302.2)
Other, net	9.9	.2	10.1	11.4	(11.4)	-
<b>Net cash used for financing activities</b>	<b>(253.8)</b>	<b>(9.1)</b>	<b>(262.9)</b>	<b>(240.7)</b>	<b>(24.8)</b>	<b>(265.5)</b>
Net increase (decrease) in cash and cash equivalents	149.8	(33.1)	116.7	534.0	15.8	549.8
Cash and cash equivalents, beginning of period	1,140.8	113.2	1,254.0	790.3	89.7	880.0
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,290.6</b>	<b>\$ 80.1</b>	<b>\$ 1,370.7</b>	<b>\$ 1,324.3</b>	<b>\$ 105.5</b>	<b>\$ 1,429.8</b>

Refer to page 9 for an explanation of footnotes and definitions of terms used.

**Reconciliations of Certain Reported Amounts to the Most Directly Comparable GAAP Measure**

(Millions, except per common share data)	Three Months Ended	
	March 31, 2008	March 31, 2007
<b>Summary of Results</b>		
Operating earnings	\$ 469.6	\$ 435.4
Net realized capital losses	(38.0)	(.8)
<b>Net income (GAAP measure)</b>	<b>\$ 431.6</b>	<b>\$ 434.6</b>
Weighted average common shares - diluted	509.1	536.4
<b>Summary of Results Per Common Share</b>		
Operating earnings	\$ .92	\$ .81
Net realized capital losses	(.07)	-
<b>Net income (GAAP measure)</b>	<b>\$ .85</b>	<b>\$ .81</b>
<b>Health Care</b>		
<b>Reconciliation of Revenue</b>		
Revenue, excluding net realized capital losses	\$ 7,137.5	\$ 5,969.1
Net realized capital losses	(21.5)	(3.6)
<b>Total revenue (GAAP measure)</b>	<b>\$ 7,116.0</b>	<b>\$ 5,965.5</b>
<b>Group Insurance</b>		
<b>Reconciliation of Revenue</b>		
Revenue, excluding net realized capital (losses) gains	\$ 512.5	\$ 544.1
Net realized capital (losses) gains	(29.6)	.3
<b>Total revenue (GAAP measure)</b>	<b>\$ 482.9</b>	<b>\$ 544.4</b>
<b>Large Case Pensions</b>		
<b>Reconciliation of Revenue</b>		
Revenue, excluding net realized capital (losses) gains	\$ 147.2	\$ 188.0
Net realized capital (losses) gains	(7.4)	2.1
<b>Total revenue (GAAP measure)</b>	<b>\$ 139.8</b>	<b>\$ 190.1</b>

Refer to page 9 for an explanation of footnotes and definitions of terms used.

**Reconciliations of Certain Reported Amounts to the Most Directly Comparable GAAP Measure (Continued)**

(Millions)	Three Months Ended	
	March 31, 2008	March 31, 2007
<b>Reconciliation to Income Before Income Taxes</b>		
Operating earnings before income taxes, excluding interest expense and amortization		
of other acquired intangible assets	(A)	\$ 801.2
Interest expense		(54.4)
Amortization of other acquired intangible assets		(27.8)
Net realized capital losses		(58.5)
Income before income taxes (GAAP measure)	(B)	\$ 660.5
<b>Reconciliation to Net Income</b>		
Operating earnings, excluding interest expense and amortization of other acquired		
intangible assets	(C)	\$ 523.1
Interest expense, net of tax		(35.4)
Amortization of other acquired intangible assets, net of tax		(18.1)
Net realized capital losses, net of tax		(38.0)
Net income (GAAP measure)	(D)	\$ 431.6
<b>Reconciliation of Revenue</b>		
Revenue, excluding net realized capital losses and 2007 acquisitions	(E)	\$ 7,629.1
Schaller Anderson and Goodhealth revenue		168.1
Revenue, excluding net realized capital losses	(F)	7,797.2
Net realized capital losses		(58.5)
Total revenue (GAAP measure)	(G)	\$ 7,738.7
<b>Operating Margin</b>		
Pretax operating margin	(A)/(F)	10.3 %
Pretax operating margin (GAAP measure)	(B)/(G)	8.5 %
After-tax operating margin	(C)/(F)	6.7 %
After-tax operating margin (GAAP measure)	(D)/(G)	5.6 %
<b>Reconciliation of Operating Expenses</b>		
Operating expenses, excluding 2007 acquisitions	(H)	\$ 1,338.5
Schaller Anderson and Goodhealth operating expenses		62.4
Total operating expenses (GAAP measure)	(I)	\$ 1,400.9
<b>Operating Expenses as a % of Revenue</b>		
Operating expenses as a % of revenue, excluding 2007 acquisitions	(H)/(E)	17.5 %
Operating expenses as a % of revenue	(I)/(F)	18.0 %
Total operating expenses as a % of total revenue (GAAP measure)	(I)/(G)	18.1 %

Refer to page 9 for an explanation of footnotes and definitions of terms used.

## Footnotes

- (1) In order to provide a comparison that we believe provides useful information regarding our underlying performance, all operating earnings metrics exclude net realized capital gains and losses and other items, if any, from net income. In addition, operating margins exclude interest expense and amortization of other acquired intangible assets. Also, revenue excludes net realized capital gains and losses. We use these measures to assess business performance and to make decisions regarding our operations and allocation of resources among our businesses. For a reconciliation of financial measures calculated under U.S. generally accepted accounting principles ("GAAP"), refer to pages 7-8 and footnote 2 below.
- (2) We acquired Schaller Anderson, Incorporated ("Schaller Anderson") on July 31, 2007 and Goodhealth Worldwide (Bermuda) Limited ("Goodhealth") on October 1, 2007. The results for the three months ended March 31, 2008 included approximately \$168 million of revenue in our Health Care segment attributable to these acquisitions, including approximately \$114 million in premium revenue and \$53 million in fees and other revenue. Excluding these amounts, for the three months ended March 31, 2008, Health Care segment revenue increased by 17%, Health Care segment premiums increased by 19% and consolidated fees and other revenue increased by 5%.
- (3) At March 31, 2008, approximately 28,000 and 22,000 State Children's Health Insurance Program ("SCHIP") medical members and 21,000 and 19,000 of both SCHIP pharmacy and dental members at December 31, 2007 and March 31, 2007, respectively, were reclassified from Commercial to Medicaid. Additionally, at March 31, 2008, we began including Schaller Anderson (Medicaid) dental membership. Dental membership at December 31, 2007 and September 30, 2007 has been revised accordingly.
- (4) Represents members in consumer-directed health plans included in our Commercial medical membership.
- (5) Represents members in products that allow these members access to our dental provider network for a nominal fee.
- (6) Represents members who purchased medications through Aetna Rx Home Delivery<sup>®</sup>, our mail order pharmacy, during the quarterly period.
- (7) Includes approximately \$127 million of cash proceeds for the three months ended March 31, 2008, for premium stabilization funds received from a large customer.

## Definitions

**Administrative Services Contracts ("ASC")** include all medical and dental products offered on an employer-funded basis. Under employer-funded plans, the plan sponsor assumes all or a majority of health care cost, utilization or other risk.

**After-tax Operating Margins** are calculated by dividing after-tax operating earnings, excluding interest expense, amortization of other acquired intangible assets and other items, if any, by revenue, excluding net realized capital gains (losses).

**Benefit Ratios** are calculated by dividing benefit costs by premiums. Various product level versions of this metric are provided and are calculated using this base formula. For example, the Total Medical Benefit Ratio is calculated by dividing health care costs by health care premiums.

**Commercial** includes all medical, dental and other health care products except Medicare and Medicaid.

**Days Claims Payable** is calculated by dividing the health care costs payable at each quarter end by the health care costs per day in each respective quarter. Health care costs per day is derived by dividing health care costs by ninety-one days.

**Insured** includes all medical, dental and other health care products for which we assume all or a majority of health care cost, utilization or other risk.

**Operating Earnings** exclude net realized capital gains (losses) and other items, if any, from net income.

**Operating Expenses as a % of Revenue** are calculated by dividing operating expenses, excluding other items, if any, by revenue, excluding net realized capital gains (losses).

**Pretax Operating Margins** are calculated by dividing pretax operating earnings, excluding interest expense, amortization of other acquired intangible assets and other items, if any, by revenue, excluding net realized capital gains (losses).

**Selling Expenses** are comprised of broker commissions, the variable component of our internal sales force compensation and premium taxes.

## Balance Sheet Terms

**Future Policy Benefits** consist primarily of reserves for limited payment pension and annuity contracts in the Large Case Pension business and long-duration group paid-up life and long-term care insurance contracts in the Group Insurance business.

**Health Care Costs Payable** consist principally of unpaid fee-for-service claims, capitation costs and other amounts due to health care providers pursuant to insured arrangements.

**Policyholders' Funds** consist primarily of reserves for pension and annuity investment contracts in the Large Case Pension business and customer funds associated with group life and health contracts in the Health Care and Group Insurance business.

**Separate Account** assets and liabilities in the Large Case Pensions business generally represent funds maintained to meet specific objectives of contract holders who bear the investment risk.

**Unpaid Claims** consist primarily of reserves associated with certain short-duration group disability and term life insurance contracts in the Group Insurance business.