AETNA INC /PA/
Form PRE 14A
March 03, 2003

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO. )

Filed by the Registrant [X]

Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[X] Preliminary Proxy Statement
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[ ] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to Section 240.14a-12

Aetna Inc.

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(Name of Registrant as Specified In Its Charter)

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[AETNA LOGO]

2003 Aetna Inc.
Notice of Annual Meeting and
Proxy Statement
and
Aetna 2002 Annual Report,
Financial Report

PRELIMINARY PROXY MATERIALS
DATED MARCH 3, 2002
SUBJECT TO COMPLETION

[AETNA LOGO]

AETNA INC.
151 Farmington Avenue
Hartford, Connecticut 06156

JOHN W. ROWE, M.D.
Chairman and
Chief Executive Officer

To Our Shareholders:

Aetna Inc.'s 2003 Annual Meeting of Shareholders will be held on Friday, April 25, 2003, at 9:30 a.m. at our Company Headquarters in Hartford, Connecticut, and I hope you will attend.

This booklet includes the formal notice of the Annual Meeting, Aetna's 2003 Proxy Statement and Aetna's 2002 Annual Report, Financial Report.

At the meeting, in addition to specific agenda items, I will discuss generally the operations of Aetna. I welcome any questions you have concerning Aetna and will provide time during the meeting for questions from shareholders.

If you are unable to attend the Annual Meeting, it is still important that your shares be represented. Please vote your shares promptly.

/s/ JOHN W. ROWE
John W. Rowe, M.D.

Chairman and Chief Executive Officer
March [14], 2003

2003 Aetna Inc.
Notice of Annual Meeting
and
Proxy Statement

[AETNA LOGO]

AETNA INC.
151 Farmington Avenue
Hartford, Connecticut 06156

WILLIAM J. CASAZZA
Vice President and
Corporate Secretary

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS OF AETNA INC.

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Shareholders of Aetna Inc. will be held at the Company's Headquarters, 151 Farmington Avenue, Hartford, Connecticut, on Friday, April 25, 2003, at 9:30 a.m. for the following purposes:

1. To elect five Directors to terms expiring at the 2004 Annual Meeting;

2. To approve the appointment of KPMG LLP as independent auditors for the current calendar year;

3. To approve an amendment to Aetna's Articles of Incorporation reducing the shareholder voting requirements for business combinations;

4. To approve an amendment to Aetna's Articles of Incorporation permitting shareholders to call special meetings of shareholders;

5. To approve an amendment to Aetna's By-Laws reducing the shareholder voting requirements for certain By-Law amendments;

6. To consider and act on one shareholder proposal, if properly presented at the meeting; and

7. To transact any other business that may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on February 28, 2003 as the record date for determination of the shareholders entitled to vote at the Annual Meeting or any adjournment thereof.

The Annual Meeting is open to all shareholders or their authorized representatives. In order to attend the Annual Meeting, you must present an admission ticket. You may request a ticket in advance by following the instructions below. Shareholders who do not have admission tickets will be admitted only following proof of share ownership. If you hold Aetna Common Shares in your own name, please signify your intention to attend by checking the appropriate box on your proxy card. If you hold your shares through the Aetna Incentive Savings Plan, please indicate your intention to attend by checking the appropriate box on your voting instruction card. If you hold your shares through a broker, bank or other holder of record and plan to attend, you must send a written request to attend along with proof that you own the shares (such as a copy of your brokerage or bank account statement) to the Corporate Secretary at the above address.

It is important that your shares be represented and voted at the Annual Meeting. You can vote your shares by one of the following methods: vote over the Internet or by telephone using the instructions on the enclosed proxy card (if these options are available to you), or mark, sign, date and promptly return the enclosed proxy card in the postage-paid envelope furnished for that purpose. If you attend the Annual Meeting, you may vote in person if you wish, even if you have previously voted.

This Proxy Statement booklet, including the 2002 Annual Report, Financial Report, and the Company's 2002 Annual Report are available on Aetna's Internet site at http://www.aetna.com/investor/proxy.htm and http://www.aetna.com/investor/annualrept.htm, respectively.

By order of the Board of Directors,

/s/ William J. Casazza
William J. Casazza
Vice President and Corporate Secretary
March [14], 2003

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AETNA INC.
151 FARMINGTON AVENUE, HARTFORD, CONNECTICUT 06156
MARCH [14], 2003

# PROXY STATEMENT
## FOR THE ANNUAL MEETING OF SHAREHOLDERS
## TO BE HELD ON FRIDAY, APRIL 25, 2003

## QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

Q: WHY AM I RECEIVING THESE MATERIALS?

A: The Board of Directors (the "Board") of Aetna Inc. ("Aetna") is providing these proxy materials to you in connection with the solicitation by the Board of proxies to be voted at Aetna's Annual Meeting of Shareholders that will take place on April 25, 2003, and any adjournments or postponements of the Annual Meeting. You are invited to attend the Annual Meeting and are requested to vote on the proposals described in this Proxy Statement. These proxy materials and the enclosed proxy card are being mailed to shareholders on or about March [14], 2003.

Q: WHAT INFORMATION IS CONTAINED IN THESE MATERIALS?

A: The information included in this Proxy Statement relates to the proposals to be voted on at the Annual Meeting, the voting process, the compensation of Directors and our most highly paid executive officers, and certain other required information. Our 2002 Annual Report, Financial Report is included in this booklet and also is available to those accessing this Proxy Statement booklet via the Internet.

Q: WHAT PROPOSALS WILL BE VOTED ON AT THE ANNUAL MEETING?

A: There are six proposals scheduled to be voted on at the Annual Meeting:

- The election of five Directors to terms expiring at the 2004 Annual Meeting.

- Approval of the appointment of KPMG LLP, independent auditors, to audit the consolidated financial statements of Aetna and its subsidiaries (the "Company") for the year 2003.

- Approval of an amendment to Aetna's Articles of Incorporation reducing the shareholder voting requirements for business combinations.

- Approval of an amendment to Aetna's Articles of Incorporation permitting shareholders to call special meetings of shareholders.

- Approval of an amendment to Aetna's By-Laws reducing the shareholder voting requirements for certain By-Law amendments.

- Consideration of a shareholder proposal relating to cumulative voting in the election of Directors, if properly presented at the Annual Meeting.

Q: WHAT ARE AETNA'S VOTING RECOMMENDATIONS?

A: The Board recommends that you vote your shares FOR each of Aetna's nominees to the Board, FOR the approval of the appointment of KPMG LLP as the Company's independent auditors for 2003, FOR the approval of each of the proposed amendments to Aetna's Articles of Incorporation and By-Laws and AGAINST the shareholder proposal.

Q: WHICH OF MY SHARES CAN I VOTE?

A: You may vote all Aetna Inc. Common Shares, par value $.01 per share ("Common Stock"), you owned as of the close of business on February 28, 2003, the RECORD DATE. These shares include those (1) held

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directly in your name as the SHAREHOLDER OF RECORD, including shares purchased through Aetna's DirectSERVICE Investment Program, and (2) held for you as the BENEFICIAL OWNER through a stockbroker, bank or other nominee.

Q: WHAT IS THE DIFFERENCE BETWEEN HOLDING SHARES AS A SHAREHOLDER OF RECORD AND AS A BENEFICIAL OWNER?

A: Many Aetna shareholders hold their shares through a stockbroker, bank or other nominee rather than directly in their own names. As summarized below, there are some distinctions between shares held of record and those owned beneficially:

- SHAREHOLDER OF RECORD -- If your shares are registered directly in your name with Aetna's Transfer Agent, EquiServe Trust Company, N.A., you are considered the shareholder of record with respect to those shares, and Aetna is sending these proxy materials directly to you. As the shareholder of record, you have the right to grant your voting proxy to the persons appointed by Aetna or to vote in person at the Annual Meeting. Aetna has enclosed a proxy card for you to use. Any shares held for you under the DirectSERVICE Investment Program are included on the enclosed proxy card.

- BENEFICIAL OWNER -- If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your broker or nominee who is considered the shareholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker or nominee on how to vote your shares and are also invited to attend the Annual Meeting. However, since you are not the shareholder of record, you may not vote these shares in person at the Annual Meeting unless you bring with you to the Annual Meeting a proxy, executed in your favor, from the shareholder of record. Your broker or nominee is obligated to provide you with a voting instruction card for you to use.

Q: HOW CAN I VOTE MY SHARES BEFORE THE ANNUAL MEETING?

A: Whether you hold shares directly as the shareholder of record or beneficially in street name, you may vote before the Annual Meeting by granting a proxy or, for shares held in street name, by submitting voting instructions to your broker or nominee. Most shareholders have a choice of voting over the Internet, by using a toll-free telephone number or by completing a proxy card and mailing it in the postage-paid envelope provided. Please refer to the summary instructions below, and please follow carefully the instructions included on your proxy card or, for shares held in street name, the voting instruction card included by your broker or nominee.

- BY MAIL -- You may vote by mail by signing and dating your proxy card or, for shares held in street name, the voting instruction card provided by your broker or nominee and mailing it in the enclosed, postage-paid envelope. If you provide specific voting instructions, your shares will be voted as you instruct. IF YOU SIGN AND DATE YOUR PROXY OR VOTING INSTRUCTION CARD, BUT DO NOT PROVIDE INSTRUCTIONS, YOUR SHARES WILL BE VOTED AS DESCRIBED BELOW IN WHAT IF I RETURN MY PROXY CARD OR VOTING INSTRUCTION CARD BUT DO NOT PROVIDE VOTING INSTRUCTIONS?

- BY INTERNET -- Go to http://www.eproxyvote.com/aet and follow the instructions. You will need to provide the personal identification number contained on your proxy card.

- BY TELEPHONE -- Call toll-free on a touchtone telephone 1-877-779-8683 inside the United States or 1-201-536-8073 outside the United States and follow the instructions. You will need to provide the personal identification number on your proxy card.



The Internet and telephone voting procedures are designed to authenticate shareholders by use of a Control Number and to allow shareholders to confirm that their instructions have been properly recorded. In order to provide shareholders of record with additional time to vote their shares while still permitting an orderly tabulation of votes, Internet and telephone voting for these shareholders will be available until 11:59 p.m. on April 24, 2003.

Q: HOW CAN I VOTE THE SHARES I HOLD THROUGH THE ISP?

A: Participants in Aetna's Incentive Savings Plan (the "ISP") who receive this Proxy Statement in their capacity as participants in the ISP will receive voting instruction cards in lieu of proxy cards. The voting instruction cards direct the trustee of the ISP how to vote the shares. Shares held in the ISP may be voted by using a toll-free telephone number or by marking, signing and dating the voting instruction card and mailing it in the postage-paid envelope provided. Shares held in the ISP for which no directions are received are voted by the trustee in the same percentage as the shares held in the ISP for which directions are received.

Q: HOW CAN I VOTE THE SHARES I HOLD THROUGH THE ESPP?

A: You hold the Common Stock you acquired through Aetna's Employee Stock Purchase Plan (the "ESPP") as the beneficial owner of shares held in street name. You can vote these shares as described above under HOW CAN I VOTE MY SHARES BEFORE THE ANNUAL MEETING?

Q: CAN I CHANGE MY VOTE?

A: You may change your vote at any time before the polls close at the Annual Meeting. For shares you hold directly in your name, you may change your vote by (1) signing another proxy card with a later date and delivering it to us before the date of the Annual Meeting, or (2) attending the Annual Meeting in person and voting your shares at the Annual Meeting. The last-dated proxy card will be the only one that counts. Attendance at the Annual Meeting will not cause your previously granted proxy to be revoked unless you specifically so request. For shares you hold beneficially, you may change your vote by submitting new voting instructions to your broker or nominee in a manner that allows your broker or nominee sufficient time to vote your shares.

Q: CAN I VOTE AT THE ANNUAL MEETING?

A: You may vote your shares at the Annual Meeting if you attend in person. You may vote shares you hold directly in your name by completing a ballot at the Annual Meeting. You may only vote the shares you hold in street name at the Annual Meeting if you bring to the Annual Meeting a proxy, executed in your favor, from the shareholder of record. You may not vote shares you hold through the ISP at the Annual Meeting.

Q: HOW CAN I VOTE ON EACH PROPOSAL?

A: In the election of Directors, you may vote FOR all of the nominees or your vote may be WITHHELD with respect to one or more of the nominees. For all other proposals, you may vote FOR, AGAINST or ABSTAIN.

Q: WHAT IF I RETURN MY PROXY CARD OR VOTING INSTRUCTION CARD BUT DO NOT PROVIDE VOTING INSTRUCTIONS?

A: All shares entitled to vote and represented by properly completed proxy cards received prior to the Annual Meeting and not revoked will be voted at the Annual Meeting in accordance with your instructions.

IF YOU SIGN AND DATE YOUR PROXY CARD WITH NO FURTHER INSTRUCTIONS, YOUR SHARES WILL BE VOTED (1) FOR THE ELECTION OF EACH OF AETNA'S NOMINEE DIRECTORS NAMED ON PAGES 12 AND 13 OF THIS PROXY STATEMENT, (2) FOR THE APPROVAL OF KPMG LLP AS THE COMPANY'S INDEPENDENT AUDITORS FOR 2003, (3) FOR THE PROPOSED AMENDMENT TO AETNA'S ARTICLES OF INCORPORATION REDUCING THE SHAREHOLDER VOTING REQUIREMENTS FOR BUSINESS COMBINATIONS, (4) FOR THE



PROPOSED AMENDMENT TO AETNA'S ARTICLES OF INCORPORATION PERMITTING SHAREHOLDERS TO CALL SPECIAL MEETINGS OF SHAREHOLDERS, (5) FOR THE PROPOSED AMENDMENT TO AETNA'S BY-LAWS REDUCING THE SHAREHOLDER VOTING REQUIREMENTS FOR CERTAIN BY-LAW AMENDMENTS, AND (6) AGAINST THE SHAREHOLDER PROPOSAL.

If you sign and date your broker voting instruction card with no further instructions, your shares will be voted as described on your broker voting instruction card.

If you sign and date your ISP voting instruction card with no further instructions, any shares you hold in the ISP will be voted by the trustee as described above in HOW CAN I VOTE THE SHARES I HOLD THROUGH THE ISP?

Q: WHAT IF I DON'T RETURN MY PROXY CARD OR VOTING INSTRUCTION CARD?

A: Shares that you hold directly in your name will not be voted at the Annual Meeting. Shares that you beneficially own that are held in the name of a brokerage firm or other nominee may be voted in certain circumstances even if you do not provide the brokerage firm with voting instructions. Under New York Stock Exchange rules, brokerage firms have the authority to vote shares for which their customers do not provide voting instructions on certain routine matters. The election of Directors and the approval of KPMG LLP as the Company's independent auditors are considered routine matters for which brokerage firms may vote unvoted shares. The other proposals to be voted on at the Annual Meeting are not considered routine under the applicable rules, and therefore brokerage firms may not vote unvoted shares on those matters. Any shares you hold through Aetna's ISP will be voted by the trustee as described above in HOW CAN I VOTE THE SHARES I HOLD THROUGH THE ISP?

Q: WHAT DOES IT MEAN IF I RECEIVE MORE THAN ONE PROXY OR VOTING INSTRUCTION CARD?

A: It means your shares are registered differently or are in more than one account. Please provide voting instructions for all proxy and voting instruction cards you receive.

Q: HOW CAN I OBTAIN AN ADMISSION TICKET FOR THE MEETING?

A: In order to attend the Annual Meeting, you must present an admission ticket. You may request a ticket in advance by following these instructions. Shareholders who do not have admission tickets will be admitted only following proof of share ownership. If you hold Aetna Common Stock directly as the shareholder of record, please signify your intention to attend by checking the appropriate box on your proxy card. If you hold your shares through the ISP, please indicate your intention to attend by checking the appropriate box on your voting instruction card. If your shares are held in street name and you plan to attend, you must send a written request to attend along with proof that you own the shares (such as a copy of your brokerage or bank account statement) to Aetna's Corporate Secretary at 151 Farmington Avenue, RC4A, Hartford, CT 06156.

Q: WHERE CAN I FIND THE VOTING RESULTS OF THE MEETING?

A: We will publish the voting results of the meeting in a Quarterly Report on Form 10-Q.

Q: WHAT CLASS OF SHARES IS ENTITLED TO BE VOTED?

A: Each share of Aetna's Common Stock outstanding as of the close of business on February 28, 2003, the RECORD DATE, is entitled to one vote at the Annual Meeting. On February 28, 2003, we had [     ] shares of Common Stock outstanding.

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Q: HOW MANY SHARES MUST BE PRESENT TO HOLD THE ANNUAL MEETING?

A: A majority of the shares of Common Stock outstanding as of the close of business on February 28, 2003 must be present in person or by proxy for us to hold the Annual Meeting and transact business. This is referred to as a quorum. Both abstentions and broker nonvotes are counted as present for the purpose of determining the presence of a quorum. Generally, broker nonvotes occur when shares held by a broker for a beneficial owner are not voted with respect to a particular proposal because the proposal is not a routine matter, and the broker has not received voting instructions from the beneficial owner of the shares.

Q: WHAT IS THE VOTING REQUIREMENT TO APPROVE EACH OF THE PROPOSALS AND HOW WILL VOTES BE COUNTED?

A: Under Pennsylvania corporation law, the approval of any corporate action taken at a shareholder meeting is based on votes cast. "Votes cast" means votes actually cast "for" or "against" a particular proposal, whether by proxy or in person. Abstentions and broker nonvotes are not considered "votes cast." Directors are elected by a plurality of votes cast. Shareholder approval of the amendment to Aetna's Articles of Incorporation reducing the shareholder voting requirements for business combinations requires the affirmative vote of at least two-thirds of Aetna's outstanding shares of Common Stock. Shareholder approval of the amendment to Aetna's By-Laws reducing the shareholder voting requirements for certain By-Law amendments requires the affirmative vote of at least 80% of Aetna's outstanding shares of Common Stock. Shareholder approval of each of the other three proposals to be considered at the Annual Meeting occurs if the votes cast in favor of the proposal exceed the votes cast against the proposal. If you are a beneficial owner and do not provide the shareholder of record with voting instructions, your shares may constitute broker nonvotes, as described above in HOW MANY SHARES MUST BE PRESENT TO HOLD THE ANNUAL MEETING?

Q: WHO WILL BEAR THE COST OF SOLICITING VOTES FOR THE ANNUAL MEETING?

A: Aetna will pay the entire cost of preparing, assembling, printing, mailing, and distributing these proxy materials, except that you will pay certain expenses for Internet access if you choose to access these proxy materials over the Internet. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone, or by electronic communication by our Directors, officers and employees, none of whom will receive any additional compensation for such solicitation activities. We also have hired Georgeson Shareholder Communications Inc. to assist us in the distribution of proxy materials and the solicitation of votes for a fee of $35,000 plus reasonable out-of-pocket expenses for these services. We also will reimburse brokerage houses and other custodians, nominees, and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to beneficial owners of Aetna Common Stock.

Q: DOES AETNA OFFER SHAREHOLDERS THE OPTION OF VIEWING ANNUAL REPORTS TO SHAREHOLDERS AND PROXY STATEMENTS VIA THE INTERNET?

A: Yes. Aetna offers shareholders of record the option to view future annual reports to shareholders and proxy statements via the Internet instead of receiving paper copies of these documents in the mail. The 2003 Aetna Inc. Notice of Annual Meeting and Proxy Statement and Aetna 2002 Annual Report, Financial Report and Aetna's 2002 Annual Report are available on Aetna's Internet Web site at http://www.aetna.com/investor/proxy.htm and http://www.aetna.com/investor/annualrept.htm, respectively. Under Pennsylvania law, Aetna may provide shareholders who give the Company their e-mail addresses with electronic notice of its shareholder meetings as described below.

If you are a shareholder of record, you can choose this option and save Aetna the cost of producing and mailing these documents in the future by following the instructions under HOW DO I ELECT THIS OPTION? below. If you hold your shares through a broker, bank or other holder of record, check the information provided by that entity for instructions on how to elect to view future notices of shareholder meetings, proxy statements and annual reports over the Internet.

If you are a shareholder of record and choose to receive future notices of shareholder meetings by e-mail and view future proxy statements and annual reports over the Internet, you must supply an e-mail address, and you will receive your notice of the meeting by e-mail when those materials are posted. That notice will include instructions and contain the Internet address of those materials.

Many shareholders who hold their shares through a broker, bank or other holder of record and who elect electronic access will receive an e-mail containing the Internet address to access Aetna's notices of shareholder meetings, proxy statements and annual reports when those materials are posted.

Q: HOW DO I ELECT THIS OPTION?

A: If you are a record shareholder and are interested in receiving future notices of shareholder meetings by e-mail and viewing future annual reports and proxy statements on the Internet, instead of receiving paper copies of these documents, please do the following:

(1) You will need your account number, which can be found above your name and address on your dividend check stub, and your Social Security number, if you have a Social Security number.

(2) Go to the Web site http://www.econsent.com/aet.

(3) Review Important Considerations and Frequently Asked Questions.

(4) Follow the prompts.

Q: WHAT IF I GET MORE THAN ONE COPY OF AETNA'S SUMMARY ANNUAL REPORT?

A: Aetna's Summary Annual Report is being mailed to shareholders in advance of or together with this Proxy Statement. If you hold Aetna shares in your own name and you received more than one copy of the Summary Annual Report at your address and you wish to reduce the number of reports you receive and save Aetna the cost of producing and mailing these reports, we will discontinue the mailing of reports on the accounts you select if you mark the designated box on the appropriate proxy card(s), or follow the instructions provided to you when you vote over the Internet or by telephone. At least one account at your address must continue to receive an annual report, unless you elect to review future annual reports over the Internet. Mailing of dividends, dividend reinvestment statements, proxy materials and special notices will not be affected by your election to discontinue duplicate mailings of annual reports. Registered shareholders may discontinue or resume the mailing of an annual report to an account by calling Aetna's Transfer Agent at 1-800-446-2617. If you own shares through a broker, bank or other holder of record and received more than one Summary Annual Report, please contact the holder of record to eliminate duplicate mailings.

Q: WHAT IF A DIRECTOR NOMINEE IS UNWILLING OR UNABLE TO SERVE?

A: If for any unforeseen reason any of Aetna's nominees is not available as a candidate for Director, the persons named as proxy holders on your proxy card may vote your shares for such other candidate or candidates as may be nominated by the Board, or the Board may reduce the number of Directors to be elected.

Q: WHAT HAPPENS IF ADDITIONAL PROPOSALS ARE PRESENTED AT THE MEETING?

A: Other than the election of Directors and the five other proposals described in this Proxy Statement, Aetna has not received proper notice of, and is not aware of, any matters to be presented for a vote at the Annual Meeting. If you grant a proxy using the enclosed proxy card, the persons named as proxies on the enclosed

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proxy card, or any of them, will have discretion to, and intend to, vote your shares according to their best judgment on any additional proposals or other matters properly presented for a vote at the Annual Meeting, including, among other things, consideration of a motion to adjourn the Annual Meeting to another time or place.

Q: MAY I PROPOSE ACTIONS FOR CONSIDERATION AT NEXT YEAR'S ANNUAL MEETING OF SHAREHOLDERS OR NOMINATE INDIVIDUALS TO SERVE AS DIRECTORS?

A: You may submit proposals for consideration at future annual meetings, including Director nominations.

- SHAREHOLDER PROPOSALS: In order for a shareholder proposal to be considered for inclusion in Aetna's proxy statement for next year's Annual Meeting, the written proposal must be RECEIVED by the Corporate Secretary no later than November [15], 2003. SUCH PROPOSALS MUST BE SENT TO: CORPORATE SECRETARY, AETNA INC., 151 FARMINGTON AVENUE, RC4A, HARTFORD, CT 06156. Such proposals also will need to comply with Securities and Exchange Commission ("SEC") regulations regarding the inclusion of shareholder proposals in Aetna sponsored proxy materials.

In order for a shareholder proposal to be raised from the floor during next year's Annual Meeting, the shareholder's written notice must be RECEIVED by Aetna's Corporate Secretary at least 90 calendar days before the date of next year's Annual Meeting and must contain the information required by Aetna's By-Laws. Please note that the 90-day advance notice requirement relates only to matters a shareholder wishes to bring before the Annual Meeting from the floor. It does not apply to proposals that a shareholder wishes to have included in Aetna's proxy statement; that procedure is explained in the paragraph above.

- NOMINATION OF DIRECTOR CANDIDATES: You may propose Director candidates for consideration by the Board's Nominating and Corporate Governance Committee. In addition, Aetna's By-Laws permit shareholders to nominate Directors at a shareholder meeting. In order to make a Director nomination at next year's Annual Meeting, the shareholder's written notice must be RECEIVED by Aetna's Corporate Secretary at least 90 calendar days before the date of next year's Annual Meeting and must contain the information required by Aetna's By-Laws.

- COPY OF BY-LAWS PROVISIONS: You may contact the Corporate Secretary at Aetna's Headquarters for a copy of the relevant provisions of Aetna's By-Laws regarding the requirements for making shareholder proposals and nominating Director candidates or visit Aetna's Web site at www.aetna.com/governance for a copy of Aetna's By-Laws.

Q: MAY SHAREHOLDERS ASK QUESTIONS AT THE ANNUAL MEETING?

A: Yes. You can ask questions regarding each of the items to be voted on when those items are discussed at the Annual Meeting. Also, shareholders will be given an opportunity to ask questions of general interest at the end of the

Annual Meeting.

Q: WHO COUNTS THE VOTES CAST AT THE ANNUAL MEETING?

A: Votes are counted by tellers of Aetna's Transfer Agent who have been appointed as judges of election for the Annual Meeting. The judges will determine the number of shares outstanding and the voting power of each share, determine the shares represented at the Annual Meeting, determine the validity of proxies and ballots, count all votes and determine the results of the actions taken at the Annual Meeting.



## GOVERNANCE OF THE COMPANY

Aetna's reputation for excellence and integrity is one of our Company's most valuable assets. We have earned this reputation over the course of 150 years by delivering quality products and services, and by adhering to the highest standards of business conduct. By having in place sound corporate governance principles, we help ensure our standards of excellence, integrity and accountability are applied to all aspects of our operations.

At Aetna, we have embraced the principles behind the Sarbanes-Oxley Act of 2002, as well as the recent rule changes proposed by the New York Stock Exchange. These principles are reflected in the structure and composition of our Board of Directors and in our Committee Charters, and are reinforced through Aetna's Code of Conduct, which applies to every employee and to our Directors.

We believe sound corporate governance principles are good for our business, the industry, the competitive marketplace and for all of those who place their trust in us.

In 2002, Aetna's Board conducted a comprehensive review of Aetna's governance structure and took a number of actions. On October 25, 2002, the Board terminated Aetna's shareholder rights plan by accelerating its expiration date from 2010 to October 31, 2002. The Board, however, retains the right to adopt a new plan at a future date in the event of changed circumstances. The Board also decided to recommend to shareholders that the shareholder voting requirement for approving business combinations be reduced from two-thirds to a majority of outstanding shares, that shareholders representing two-thirds of the voting power of the shares entitled to vote on the matter to be considered at a special meeting of shareholders also be permitted to call the special meeting, and that the shareholder voting requirement for certain By-Law changes be reduced from 80% to two-thirds. These three items require shareholder approval to implement, and are described in further detail in this Proxy Statement.

During 2002 and 2003, the Board also took a number of other corporate governance actions which are reflected in new or revised corporate governance documents described below. In 2003, the Board also formally established a new Board Committee, the Medical Affairs Committee, to assist the Board in the general oversight of policies and practices that relate to providing members with access to cost-effective quality health care. That Committee is also described in further detail below.

### AETNA'S CORPORATE GOVERNANCE GUIDELINES

These Guidelines provide the framework for the governance of Aetna. The Board has embraced the governance changes proposed (but not yet effective) by the New York Stock Exchange and contained in the Sarbanes-Oxley Act of 2002, and these changes are reflected in the Guidelines. The Board will review these principles and other aspects of governance periodically.

The Guidelines address the role of the Board of Directors, the composition and selection of Directors, the functioning of the Board, the Committees of the Board, the compensation of Directors and the conduct and ethics standards for Directors. A copy of these Guidelines is attached as Annex 1 to this Proxy Statement and is available at www.aetna.com/governance.

Among other things, Aetna's nonmanagement Directors meet at regularly scheduled executive sessions, without management present. Anyone wishing to make their concerns known to Aetna's nonmanagement Directors may contact the Aetna Director who leads the nonmanagement Directors' sessions (currently Gerald Greenwald) by writing to Mr. Greenwald at P.O. Box 370205, West Hartford, CT 06137-0205.

AETNA'S DIRECTOR INDEPENDENCE STANDARDS

The Board has established guidelines to assist it in determining Director independence. A copy of these Standards is attached as Annex 2 to this Proxy Statement and is available at www.aetna.com/governance.



Based on these Standards, the Board has determined in its business judgment that each of the 11 non-management Directors on the Board of 13 members is independent. Dr. Rowe and Mr. Williams are members of management and as a result are not considered independent Directors.

AETNA'S CODE OF CONDUCT

Aetna's Code of Conduct applies to every employee and to our Directors and is available at www.aetna.com/governance and as an exhibit to Aetna's 2002 Annual Report on Form 10-K. Aetna will disclose any amendments to the Code of Conduct, or waivers of the Code of Conduct relating to Aetna's Directors, executive officers and principal financial and accounting officers or persons performing senior functions, on its Web site at www.aetna.com/governance.

BOARD AND COMMITTEE MEMBERSHIP

Aetna's Board oversees and guides the Company's management and its business. Committees support the role of the Board on issues that benefit from consideration by a smaller, more focused subset of Directors.

The following table presents, as of February 28, 2003, the key Committees of the Board, the membership of such Committees and the number of times each such Committee met in 2002.

| | COMMITTEE | | | | | |
|---|---|---|---|---|---|---|
| NOMINEE/DIRECTOR | AUDIT | COMPENSATION AND ORGANIZATION | EXECUTIVE | INVESTMENT | MEDICAL AFFAIRS | NOM COR GOV |
| Betsy Z. Cohen.................... | | X | | X | | |
| Barbara Hackman Franklin.......... | X * | | X | | | |
| Jeffrey E. Garten................. | X | | | | X | |
| Earl G. Graves.................... | X | | X | | | |
| Gerald Greenwald.................. | | X | | X | | |

| | | | | | |
|---|---|---|---|---|---|
| Ellen M. Hancock................. | X | | | | |
| Michael H. Jordan................ | | X* | X | | |
| Jack D. Kuehler.................. | | X | X | X* | |
| Joseph P. Newhouse............... | X | | | | X |
| Judith Rodin..................... | | | X | X | X* |
| John W. Rowe, M.D................ | | | X* | | X |
| Ronald A. Williams............... | | | | X | |
| R. David Yost.................... | | X | | X | |
| Number of Meetings in 2002:....... | 10 | 6 | 2 | 4 | 0 |

* Committee Chair

All members of the Audit Committee, the Committee on Compensation and Organization and the Nominating and Corporate Governance Committee are, in the business judgment of the Board, independent Directors (as independence is defined under the rules of the New York Stock Exchange, Inc.).

During 2002, the Board met eight times. Each Director attended at least 86% of the regularly scheduled and special meetings of the Board and the Committees on which he or she served in 2002, and the average attendance of Directors at all meetings during the year was 94%.

The functions and responsibilities of the key Committees of Aetna's Board are described below.

- Audit Committee. This Committee is composed entirely of independent Directors. The Committee assists the Board in its oversight of (1) the integrity of the financial statements of the Company, (2) the independent accountant's qualifications and independence, (3) the performance of the Company's internal audit functions and independent accountants, and (4) the compliance by the Company with legal and regulatory requirements. The Committee is directly responsible for the appointment, compensation



and oversight of the work of the independent accountants, including the resolution of any disagreements between management and the independent accountants regarding financial reporting. The independent accountants report directly to the Committee. For more information regarding the role, responsibilities and limitations of the Committee, please refer to the Report of the Audit Committee beginning on page 32. A copy of this Committee's Charter is attached as Annex 3 to this Proxy Statement and is available at www.aetna.com/governance.

Ms. Franklin currently serves on four other public company audit committees. After reviewing Ms. Franklin's other time commitments and her performance as a member of Aetna's Audit Committee, the Board determined that Ms. Franklin's service on those other audit committees does not impair her ability to serve as a member of Aetna's Audit Committee.

The Audit Committee can be confidentially contacted by those wishing to raise concerns or complaints about the Company's accounting, internal accounting controls or auditing matters by calling AlertLine(R), an independent toll-free service, at 1-888-891-8910 (available seven days a week, 24 hours a day), or by writing to: Corporate Compliance, P.O. Box 370205, West Hartford, CT 06137-0205.

- Committee on Compensation and Organization. This Committee is composed entirely of independent Directors. The Committee evaluates and determines the compensation of the Company's senior executives and oversees the compensation and benefit plans, policies and programs of the Company. The Committee also administers Aetna's stock incentive plans and its Annual Incentive Plan. On a regular basis, the Committee reviews and makes recommendations, as appropriate, to the Board as to the development and succession plans for the senior management of the Company. A copy of this Committee's Charter is attached as Annex 4 to this Proxy Statement and is available at www.aetna.com/governance.

- Executive Committee. This Committee is authorized to act on behalf of the full Board between regularly scheduled Board meetings, usually when timing is critical. A copy of this Committee's Charter is attached as Annex 5 to this Proxy Statement and is available at www.aetna.com/governance.

- Investment Committee. This Committee assists the Board in reviewing investment policies, strategies, transactions and performance of Aetna and its subsidiaries. A copy of this Committee's Charter is attached as Annex 6 to this Proxy Statement and is available at www.aetna.com/governance.

- Medical Affairs Committee. This Committee provides general oversight of Company policies and practices that relate to providing Aetna's members with access to cost-effective quality health care. A copy of this Committee's Charter is attached as Annex 7 to this Proxy Statement and is available at www.aetna.com/governance.

- Nominating and Corporate Governance Committee. This Committee is composed entirely of independent Directors. The primary purpose of this Committee is to assist the Board in identifying and recommending individuals to the Board for nomination as members of the Board and its Committees, and in developing and recommending to the Board corporate governance principles applicable to the Company. A copy of this Committee's Charter is attached as Annex 8 to this Proxy Statement and is available at www.aetna.com/governance.

In recommending Director nominees to the Board, the Nominating Committee solicits candidate recommendations from its own members, other Directors and management. Although the Nominating Committee does not specifically solicit suggestions for possible candidates from shareholders, the Nominating Committee will consider candidates meeting the criteria set by the Committee with the concurrence of the full Board and re-evaluated periodically, including those set out in the Committee's Charter. (Suggestions, together with a description of the proposed nominee's qualifications, other relevant biographical information and an indication of the willingness of the proposed nominee to serve, should be sent to the Nominating and Corporate Governance Committee Chairman, in care of the Corporate Secretary, Aetna Inc., 151 Farmington Avenue, RC4A, Hartford, CT 06156.)

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## I. ELECTION OF DIRECTORS

Aetna will nominate five individuals for election as Directors at the Annual Meeting (the "Nominees"). The terms of office for the Directors to be elected at this meeting will run until the Annual Meeting in 2004 and until their successors are duly elected and qualified. The Directors elected at the Annual Meeting, together with the eight Directors whose terms continue beyond the Annual Meeting until the Annual Meeting in 2004 (the "Continuing Directors"), will comprise the Board. At and after Aetna's Annual Meeting in 2004, shareholders will elect all Directors annually for a one-year term.

All Nominees are currently Directors of Aetna. The following pages list the names and ages of the Nominees and the Continuing Directors as of the date of the Annual Meeting, the year each first became a Director of Aetna or one of its predecessors, the principal occupation and publicly traded company and certain other directorships of each as of February 28, 2003, and a brief description of the business experience of each for at least the last five years.

THE FIVE INDIVIDUALS (OR SUCH LESSER NUMBER IF THE BOARD HAS REDUCED THE NUMBER OF DIRECTORS TO BE ELECTED AT THE ANNUAL MEETING AS DESCRIBED ABOVE UNDER WHAT IF A DIRECTOR NOMINEE IS UNWILLING OR UNABLE TO SERVE?) RECEIVING THE GREATEST NUMBER OF VOTES CAST AT THE ANNUAL MEETING WILL BE ELECTED DIRECTORS.

THE BOARD RECOMMENDS A VOTE FOR EACH OF THE FIVE NOMINEES. IF YOU COMPLETE THE ENCLOSED PROXY CARD, UNLESS YOU DIRECT TO THE CONTRARY ON THAT CARD, THE SHARES REPRESENTED BY THAT PROXY CARD WILL BE VOTED FOR THE ELECTION OF THE FIVE NOMINEES.



NOMINEES FOR DIRECTORSHIPS WITH TERMS EXPIRING AT THE 2004 ANNUAL MEETING

[BETSY Z. COHEN PHOTO]
Director since 2000
Director of Aetna's
predecessors from 1994 to 2000

BETSY Z. COHEN, age 61, is Chairman, Chief Executive Off and trustee of Resource Asset Investment Trust (real est investment trust), a position she assumed in August 1997 She also serves as Chief Executive Officer of The Bancorp.com, Inc. (Internet banking and financial servic From 1999 to 2000, Mrs. Cohen also had served as a direc of Hudson United Bancorp (holding company), the successo JeffBanks, Inc. where she had been Chairman and Chief Executive Officer since its inception in 1981 and also served as Chairman and Chief Executive Officer of its subsidiaries, Jefferson Bank (which she founded in 1974) Jefferson Bank New Jersey (which she founded in 1987) pr to JeffBanks' merger with Hudson United Bancorp in Decem 1999. From 1985 until 1993, Mrs. Cohen was a director of First Union Corp. of Virginia (bank holding company) and predecessor, Dominion Bankshares, Inc. In 1969, Mrs. Coh co-founded a commercial law firm and served as a Senior Partner until 1984. Mrs. Cohen also is a director of The Maine Merchant Bank, LLC and is a trustee of Corporate Office Properties Trust.

[JEFFREY E. GARTEN photo]
Director since 2000
Director of Aetna's
predecessors from 2000

JEFFREY E. GARTEN, age 56, is the Dean of the Yale Schoo Management, a position he assumed in 1995. Mr. Garten he senior posts on the White House Staff and at the U.S. Department of State from 1973 to 1979. He joined Shearso Lehman Brothers (investment banking) in 1979 and served Managing Director from 1984 to 1987. In 1987, Mr. Garten founded Eliot Group, Inc. (investment banking) and serve President until 1990, when he became Managing Director o The Blackstone Group (private merchant bank). From 1992 1993, Mr. Garten was Professor of Finance and Economics Columbia University's Graduate School of Business. He wa appointed U.S. Under Secretary of Commerce for Internati Trade in 1993 and served in that position until 1995. Mr Garten is a director of Calpine Corporation (power compa and CarMax, Inc. (automotive retailer) and also a direct of 53 Credit Suisse mutual funds. He is the author of A Peace: America, Japan, Germany and the Struggle for Supremacy; The Big Ten: Big Emerging Markets and How The Will Change Our Lives; The Mind of the CEO; and The Poli of Fortune: A New Agenda for Business Leaders. Mr. Garte also writes a monthly column for Business Week magazine. also serves on the Board of Directors of Aetna Foundatio Inc.



[JACK D. KUEHLER photo]
Director since 2000
Director of Aetna's predecessors from 1990 to 2000

JACK D. KUEHLER, age 70, retired in August 1993 as Vice Chairman and a director of International Business Machin Corporation (information-handling systems, equipment and services), having held various positions with IBM since joining that company in 1958. Prior to his appointment a Vice Chairman of IBM in January 1993, Mr. Kuehler served President from 1989 to 1993, as Vice Chairman from 1988 1989 and as Executive Vice President from 1987 to 1988. Kuehler is a director of Arch Chemicals Inc. (specialty chemicals) and The Parsons Corporation (heavy constructi and engineering services). He also is a member of the National Academy of Engineering, a Fellow of the Institu of Electrical and Electronics Engineers, Inc. and a trus of Santa Clara University.

[JOHN W. ROWE photo]
Director since 2000
Director of Aetna's predecessors from 2000

JOHN W. ROWE, M.D., age 58, is Chairman and Chief Execut Officer of Aetna. He was appointed Chairman of Aetna on April 1, 2001 and was appointed President and Chief Executive Officer of Aetna on September 15, 2000. He ser as President of Aetna until May 27, 2002. Prior to joini Aetna, Dr. Rowe served as President and Chief Executive Officer of Mount Sinai NYU Health, a position he assumed 1998 after overseeing the 1998 merger of the Mount Sinai NYU Medical Centers. Dr. Rowe joined The Mount Sinai Hospital and the Mount Sinai School of Medicine as Presi in 1988. Before that, Dr. Rowe was a Professor of Medici and the founding Director of the Division on Aging at Harvard Medical School and Chief of Gerontology at Bosto Beth Israel Hospital. He has authored over 200 scientifi publications, mostly on the physiology of the aging proc and a leading text book of geriatric medicine. Dr. Rowe received many honors and awards for his research and hea policy efforts regarding care of the elderly. He was Director of the MacArthur Foundation Research Network on Successful Aging and is co-author, with Robert Kahn, Ph. of Successful Aging. Dr. Rowe is a member of the Institu of Medicine of the National Academy of Sciences and the Medicare Payment Advisory Commission. He also is a direc of Cantel Medical Corporation (infection prevention and control products and diagnostic and medical equipment).

[RONALD A. WILLIAMS photo]
Director since 2002

RONALD A. WILLIAMS, age 53, became President of Aetna on 27, 2002, having served as Executive Vice President and Chief of Health Operations of the Company since March 15 2001. Prior to joining Aetna, Mr. Williams held various executive positions from 1987 to 2001 at WellPoint Healt Networks Inc. and its Blue Cross of California subsidiar From October 1995 to March 1999, he served as Executive President of the Blue Cross of California Businesses of WellPoint and as President of its Blue Cross of Californ subsidiary and from April 1999 to March 2001, he served Executive Vice President, Large Group Businesses, of

WellPoint and as Group President of WellPoint's Large Gr
Division.



DIRECTORS CONTINUING IN OFFICE WITH TERMS EXPIRING AT THE 2004 ANNUAL MEETING

[BARBARA H. FRANKLIN PHOTO]
Director since 2000
Director of Aetna's
predecessors from 1979 to 1992
and from 1993 to 2000

BARBARA HACKMAN FRANKLIN, age 63, is President and Chief Executive Officer of Barbara Franklin Enterprises (priva investment and international trade consulting firm). Fro 1992 to 1993, she served as the 29th U.S. Secretary of Commerce. Before her appointment, Ms. Franklin was President and Chief Executive Officer of Franklin Associates (management consulting firm), which she found in 1984. Ms. Franklin also served as Alternate Representative to the 44th Session of the United Nations General Assembly, and as a public member of the Board of the American Institute of Certified Public Accountants a of the Auditing Standards Board. She has received the Jo J. McCloy award for contributions to audit excellence. M Franklin has served as Senior Fellow of The Wharton Scho of the University of Pennsylvania, an original Commissio and Vice Chair of the U.S. Consumer Product Safety Commission, a Staff Assistant to the President of the United States, and an Assistant Vice President of Citiba N.A. Ms. Franklin is a director of several international organizations, including the U.S. China Business Council chairs the Asia Studies Advisory Council of the Heritage Foundation, is a trustee of the Economic Club of New Yor a member of the Board of Directors of the Associates of Harvard Business School and the National Association of Corporate Directors, and a regular commentator on PBS' "Nightly Business Report." She is a director of The Dow Chemical Company (chemicals, plastics and agricultural products), GenVec, Inc. (biotechnology company), MedImmu Inc. (biotechnology company) and Milacron Inc. (plastics processing technologies and industrial products for metalworking).

[EARL G. GRAVES photo]
Director since 2000
Director of Aetna's
predecessors from 1994 to 2000

EARL G. GRAVES, age 68, is Chairman and Chief Executive Officer of Earl G. Graves, Ltd. (a multifaceted communications company) and is the Publisher of Black Enterprise magazine, which he founded in 1970. Additionally, since 1998, Mr. Graves has been Managing Director of Black Enterprise/Greenwich Street Corporate Growth Partners, L.P. Mr. Graves is a director of AMR Corporation and its subsidiary, American Airlines, Inc., Federated Department Stores Inc. (retailer) and Rohm and Haas Company (specialty chemicals and plastics) and is a member of the Supervisory Board of DaimlerChrysler AG (transportation products and financial and other service Mr. Graves also is a trustee of Howard University and is member of the Executive Board and Executive Committee of the National Office of the Boy Scouts of America. He als serves on the Board of Directors of Aetna Foundation, In

[GERALD GREENWALD photo]
Director since 2000
Director of Aetna's predecessors from 1993 to 2000

GERALD GREENWALD, age 67, is a founding principal of the Greenbriar Equity Group (invests in the global transportation industry). Mr. Greenwald retired in July 1999 as Chairman and Chief Executive Officer of UAL Corporation and United Airlines (UAL), its principal subsidiary, having served in those positions since July 1994. He was Chairman Emeritus of UAL Corporation from 1 to 2002. Mr. Greenwald held various executive positions with Chrysler Corporation (automotive manufacturer) from 1979 to 1990, serving as Vice Chairman of the Board from 1989 to May 1990 and as Chairman of Chrysler Motors from 1985 to 1988. In 1990, Mr. Greenwald was selected to ser as Chief Executive Officer of United Employee Acquisitio Corporation in connection with the proposed 1990 employe acquisition of UAL. From 1991 to 1992, he was a Managing Director of Dillon Read & Co., Inc. (investment banking) and, from 1992 to 1993, he was President and Deputy Chie Executive Officer of Olympia & York Developments Ltd. (Canadian real estate company). Mr. Greenwald then serve as Chairman and Managing Director of Tatra Truck Company (truck manufacturer in the Czech Republic) from 1993 to 1994. Mr. Greenwald is a director of Calpine Corporation (power company) and Sentigen Holding Corp. (provides goo and services in the domestic biotechnology and pharmaceutical industries). He is also a trustee of the Aspen Institute.

[ELLEN M. HANCOCK photo]
Director since 2000
Director of Aetna's predecessors from 1995 to 2000

ELLEN M. HANCOCK, age 60, is the former Chairman of the Board and Chief Executive Officer of Exodus Communicatio Inc. (Internet system and network management services). Mrs. Hancock joined Exodus in March 1998 and served as Chairman from June 2000 to September 2001, Chief Executi Officer from September 1998 to September 2001, and President from March 1998 to June 2000. Mrs. Hancock hel various staff, managerial and executive positions at International Business Machines Corporation (information-handling systems, equipment and services) f 1966 to 1995. She became a Vice President of IBM in 1985 and served as President, Communication Products Division from 1986 to 1988, when she was named General Manager, Networking Systems. Mrs. Hancock was elected an IBM Seni Vice President in November 1992, and in 1993 was appoint Senior Vice President and Group Executive, which positio she held until February 1995. Mrs. Hancock served as an Executive Vice President and Chief Operating Officer of National Semiconductor Corporation (semiconductors) from September 1995 to May 1996 and served as Executive Vice President for Research and Development and Chief Technol Officer of Apple Computer, Inc. (personal computers) fro July 1996 to July 1997. Mrs. Hancock is a director of Colgate-Palmolive Company (consumer products).

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[MICHAEL H. JORDAN photo]
Director since 2000

MICHAEL H. JORDAN, age 66, retired on December 31, 1998 Chairman and Chief Executive Officer of CBS Corporation

Director of Aetna's predecessors from 1992 to 2000

(media company), having assumed that position with CBS (then Westinghouse Electric Corporation) in 1993. Currently, Mr. Jordan is serving as a General Partner of Global Asset Capital, LLC (private equity investment fir and as Chairman of the Board of eOriginal, Inc. (electro document services). He served as Chairman of Luminant Worldwide Corporation (Internet and electronic commerce services) from September 1999 to May 2001. Mr. Jordan wa partner with Clayton, Dubilier & Rice, Inc. (private investing firm) from 1992 to 1993. Mr. Jordan retired in July 1992 as Chairman and Chief Executive Officer of the PepsiCo International Foods and Beverages Division of PepsiCo, Inc. (snack foods and beverages), having held various positions with PepsiCo since 1974. Mr. Jordan al is a director of Dell Computer Corporation (personal computers), Galaxy Nutritional Foods, Inc. (natural and organic foods), i2 Technologies, Inc. (global provider o e-business solutions), MVC Capital (venture capital fund Pinnacor Inc. (global content and technology solutions provider) and WPP Group plc (global communication servic company).

[JOSEPH P. NEWHOUSE photo]
Director since 2001

JOSEPH P. NEWHOUSE, age 61, is the John D. MacArthur Professor of Health Policy and Management at Harvard University, a position he assumed in 1988. At Harvard, h also is a Director of the Division of Health Policy Research and Education, a Director of the Interfaculty Initiative on Health Policy, Chair of the Committee on Higher Degrees in Health Policy and a member of the faculties of the John F. Kennedy School of Government, t Harvard Medical School, the Harvard School of Public Hea and the Faculty of Arts and Sciences. Prior to joining Harvard, Dr. Newhouse held various positions at The RAND Corporation from 1968 to 1988, serving as a faculty memb of the RAND Graduate School from 1972 to 1988, as Deputy Program Manager for Health Sciences Research from 1971 t 1988, Senior Staff Economist from 1972 to 1981, Head of Economics Department from 1981 to 1985 and as a Senior Corporate Fellow from 1985 to 1988. Dr. Newhouse is the Editor of the Journal of Health Economics, which he foun in 1981. He is a Faculty Research Associate of the Natio Bureau of Economic Research, a member of the Medicare Payment Advisory Commission, a member of the Institute o Medicine of the National Academy of Sciences, a member o the New England Journal of Medicine Editorial Board, and Fellow of the American Academy of Arts and Sciences. Dr. Newhouse is the author of Free for All: Lessons from the RAND Health Insurance Experiment. He also serves on the Board of Directors of Aetna Foundation, Inc.



[JUDITH RODIN photo]
Director since 2000
Director of Aetna's predecessors from 1995 to 2000

JUDITH RODIN, age 58, became President of the University Pennsylvania in July 1994 where she also holds positions the faculty as Professor of Psychology in the School of Arts and Sciences and as Professor of Medicine and Psychiatry in the School of Medicine. Prior to assuming current position, Dr. Rodin had served as Provost of Yal University since 1992. Dr. Rodin joined the Yale faculty

1972, and held teaching and research positions of increasing responsibility in the Department of Psycholog She became a Professor of Psychology in 1979 and a Professor of Medicine and Psychiatry in 1985, and served Chair of the Department of Psychology from 1989 to 1991 Dean of the Graduate School of Arts and Sciences from 19 to 1992 when she became Provost. Dr. Rodin has published more than 200 articles and chapters in academic publications and authored or co-authored ten books. Dr. Rodin is a director of AMR Corporation and its subsidiar American Airlines, Inc., Comcast Corporation (communications, media and entertainment company) and Electronic Data Systems Corporation (information technol services) and a trustee of 43 of the mutual funds manage by The BlackRock Funds.

[R. DAVID YOST photo]
Director since 2002

R. DAVID YOST, age 55, is Chief Executive Officer and a director of AmerisourceBergen Corporation (pharmaceutica distributor), a position he assumed in August 2001. Mr. Yost has held various managerial and executive positions AmerisourceBergen or its predecessor since 1974. He serv as Executive Vice President -- Operations of AmeriSource Health Corporation from 1995 to May 1997, when he was appointed President and Chief Executive Officer. In December 2000, Mr. Yost was appointed Chairman and Chief Executive Officer of AmeriSource Health, a position he h until August 2001 when AmeriSource Health merged with Bergen Brunswig Corporation to form AmerisourceBergen Corporation and Mr. Yost became President and Chief Executive Officer of AmerisourceBergen. Mr. Yost served President of AmerisourceBergen until October 2002.



NONEMPLOYEE DIRECTOR COMPENSATION IN 2002

The Nominating and Corporate Governance Committee (the "Nominating Committee") reviews compensation for nonemployee Directors annually. The Nominating Committee's goal of attracting and retaining qualified Directors is supported through a competitive compensation program that provides remuneration for Directors' contributions, while offering stock-based compensation alternatives that strengthen the Directors' mutuality of interests with other shareholders. Directors who are officers of Aetna receive no additional compensation for membership on the Board or any of its Committees. The following table sets forth the cash and stock-based compensation Aetna paid to each Nominee and Continuing Director who was an outside Director of Aetna in 2002.

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| | CASH COMPENSATION(1) | | STOCK UNITS | STOCK OPTIONS |
|---|---|---|---|---|
| NAME | ANNUAL RETAINER FEES(2) | MEETING FEES(3) | NUMBER OF UNITS GRANTED(4) | NUMBER OF OPTIONS GRANTED(5) |
| Betsy Z. Cohen.................................... | $33,000 | $20,000 | 350 | 5,500 |
| Barbara Hackman Franklin......................... | 38,667 | 26,000 | 350 | 5,500 |

| | | | | |
|---|---|---|---|---|
| Jeffrey E. Garten.............................. | 34,000 | 19,000 | 350 | 5,500 |
| Earl G. Graves................................. | 41,000 | 26,000 | 350 | 5,500 |
| Gerald Greenwald............................... | 38,667 | 22,000 | 350 | 5,500 |
| Ellen M. Hancock............................... | 33,000 | 25,000 | 350 | 5,500 |
| Michael H. Jordan.............................. | 38,667 | 19,000 | 350 | 5,500 |
| Jack D. Kuehler................................ | 38,667 | 19,000 | 350 | 5,500 |
| Joseph P. Newhouse............................. | 34,000 | 20,000 | 350 | 5,500 |
| Judith Rodin................................... | 33,000 | 16,000 | 350 | 5,500 |
| R. David Yost.................................. | 6,250 | 2,000 | 1,500 | 0 |

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(1) Under the Aetna Inc. Nonemployee Director Compensation Plan (the "Director Plan"), nonemployee Directors may defer payment of some or all of their annual retainer fees, meeting fees and dividend equivalents paid on stock units to a stock unit or interest account until after they have resigned or retired (as defined in the Director Plan) from the Board. During the period of deferral, amounts deferred to the stock unit account track the value of the Common Stock and earn dividend equivalents. Amounts deferred to the interest account accrue interest pursuant to a formula equal to the rate of interest paid from time to time under a fixed interest rate fund option of Aetna's ISP for employees (currently yielding 5.2% a year). In 2002, seven Directors deferred all or a portion of their Director cash compensation to a stock unit account. The table above includes cash compensation that was deferred by Directors during 2002 under the Director Plan.

(2) Aetna currently pays a retainer fee of $25,000 a year to nonemployee Directors for Board membership. Aetna also pays a $4,000 retainer to such Directors for membership on Committees of the Board ($7,000 in the case of each Committee Chair).

(3) Aetna currently pays $1,000 to outside Directors for attendance at each Board or Committee meeting.

(4) Pursuant to the Director Plan, nonemployee Directors, upon their initial election to the Board, receive a one-time grant of units convertible upon retirement from Board service into 1,500 shares of Common Stock ("Initial Units"). Additionally, on the date of each Annual Meeting during the term of the Director Plan, each nonemployee Director will receive units convertible upon retirement from Board service into 350 shares of Common Stock ("Annual Units"). Generally, to become fully vested in the units, a Director must complete, in the case of the Initial Units, three years of service and, in the case of the Annual Units, one year of service following the grant of the units. If service is sooner terminated by reason of death, disability, retirement or acceptance of a position in government service, a Director is entitled to receive the full grant if the Director has completed a minimum of six consecutive months of service as a Director since such grant. A Director's right with respect to unvested units also will vest upon a change-in-control of Aetna (as defined in the Director Plan). If a Director terminates Board service prior to completion of three years or one year of service, as applicable, from the grant date of

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any units that have not otherwise vested under the terms of the Director Plan, the Director will be entitled to receive a pro rata portion of the award. Although Directors receive dividend equivalents, they have no voting rights with respect to the units granted. The units granted are not transferable.

(5) In furtherance of the previously disclosed goal of increasing over time the

proportional share of stock-based compensation that will be received by the Directors, beginning in 2002, nonemployee Directors were granted stock options under the Director Plan. On January 25, 2002, each nonemployee Director was granted options to purchase 5,500 shares of Common Stock. The exercise price of the options was $35.78, the fair market value of the Common Stock on the date of grant. The options have a ten year term and vest in three equal annual installments commencing on January 25, 2003. All options granted to a nonemployee Director will vest immediately if the Director ceases to be a Director because of death, disability, retirement or his or her acceptance of a position in government service. All options granted to nonemployee Directors also vest immediately upon a change-in-control of Aetna (as defined in the Director Plan).

OTHER INFORMATION REGARDING DIRECTORS

As part of its overall program of support for charitable institutions and in order to attract and retain qualified Directors, Aetna maintains a Director Charitable Award Program. Only nonemployee Directors are eligible to participate in the program. The program may be funded by life insurance on the lives of the participating Directors. Each of the Directors other than Dr. Newhouse and Mr. Yost is fully vested in the program. Dr. Newhouse, Mr. Yost and each new Director who participates in the program will be fully vested in the program upon completion of five years of service as a Director or upon death or disability. Under the program, Aetna intends to make a charitable contribution of $1 million in ten equal annual installments, with the first installment made following each participating Director's retirement from the Board, allocated among up to five charitable organizations recommended by the Director. Beneficiary organizations recommended by Directors must be, among other things, tax exempt under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). Donations Aetna ultimately pays are expected to be deductible from taxable income for purposes of U.S. federal and other income taxes payable by Aetna. Directors derive no personal financial or tax benefit from the program, since all insurance proceeds and charitable deductions accrue solely to Aetna. The program will not result in a material cost to Aetna.

Aetna provides $150,000 of group life insurance for its nonemployee Directors. Optional medical, dental and long-term care coverage for nonmanagement Directors and their eligible dependents is available to Directors at a cost similar to that charged to Aetna employees.

CERTAIN TRANSACTIONS AND RELATIONSHIPS

Mrs. Hancock resigned as Chairman of the Board and Chief Executive Officer of Exodus Communications, Inc. on September 4, 2001. Exodus filed a voluntary petition under Chapter 11 of the federal bankruptcy laws on September 26, 2001.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our Directors and executive officers to file reports of holdings and transactions in Aetna Common Stock with the SEC and the New York Stock Exchange. Based on our records and other information, we believe that during our fiscal year ended December 31, 2002, our Directors and executive officers timely met all applicable SEC filing requirements.



SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, DIRECTORS, NOMINEES AND EXECUTIVE OFFICERS

The following table presents, as of December 31, 2002, the names of persons known to Aetna to be the beneficial owners of more than 5% of the outstanding shares of its Common Stock. The information set forth in the table below and in the related footnotes was furnished by the respective persons.

| NAME AND ADDRESS OF BENEFICIAL OWNER | AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP | | PERCENT |
|---|---|---|---|
| Capital Research and Management Company<br>333 South Hope Street<br>Los Angeles, California 90071 | 15,082,000 | shares(1) | 10.1% |
| AXA Financial, Inc.<br>1290 Avenue of the Americas<br>New York, New York 10104 | 14,905,676 | shares(2) | 9.9% |
| Morgan Stanley<br>1585 Broadway<br>New York, New York 10036 | 7,998,041 | shares(3) | 5.3% |

(1) Of the reported shares, Capital Research and Management Company reports that it does not have sole or shared voting power with respect to any shares and that it has sole dispositive power with respect to 15,082,000 shares.

(2) Also reported as beneficially owned by the following affiliates of AXA Financial, Inc.: AXA Conseil Vie Assurance Mutuelle, AXA Assurances I.A.R.D. Mutuelle, and AXA Assurances Vie Mutuelle, each with an address at 370, rue Saint Honore, 75001 Paris, France; AXA Courtage Assurance Mutuelle, with an address at 26, rue Louis le Grand, 75002 Paris, France; and AXA, with an address at 25, avenue Matignon, 75008 Paris, France (collectively, the "AXA Group"). Of the reported shares, the AXA Group reports that it has sole voting power with respect to 8,203,774 shares, that it shares voting power with respect to 1,375,565 shares, that it has sole dispositive power with respect to 14,905,676 shares and shared dispositive power with respect to no shares. The AXA Group reports that its shares are deemed to be beneficially owned by the following subsidiaries of AXA Financial, Inc.: Alliance Capital Management L.P. (14,904,617 shares) and The Equitable Life Assurance Society of the United States (1,059 shares).

(3) Of the reported shares, Morgan Stanley reports that it has sole voting power with respect to no shares, shared voting power with respect to 7,961,624 shares, sole dispositive power with respect to no shares and shared dispositive power with respect to 7,998,041 shares.

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BENEFICIAL OWNERSHIP TABLE

The following table presents, as of January 31, 2003, the beneficial ownership of, and other interests in, shares of Common Stock of each current Director and Nominee, each executive officer named in the Summary Compensation Table on page 23, and Aetna's Directors and executive officers as a group. The information set forth below and in the related footnotes on the following page has been furnished by the respective persons.

| NAME OF BENEFICIAL OWNER AND POSITION | AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP COMMON STOCK | PERCENT | COMMON STOCK EQUIVALENTS(1) | TOTAL |
|---|---|---|---|---|
| Betsy Z. Cohen (current Director and Nominee).... | 3,405(2) | * | 10,767 | 14,172 |
| Barbara Hackman Franklin (current Director) | 9,325(2) | * | 8,284 | 17,609 |
| Jeffrey E. Garten (current Director and Nominee).... | 2,034(2) | * | 4,544 | 6,578 |
| Earl G. Graves (current Director) | 2,334(2) | * | 12,413 | 14,747 |
| Gerald Greenwald (current Director) | 4,834(2)(3) | * | 22,317 | 27,151 |
| Ellen M. Hancock (current Director) | 3,834(2)(4) | * | 19,139 | 22,973 |
| Michael H. Jordan (current Director) | 4,834(2) | * | 16,370 | 21,204 |
| Jack D. Kuehler (current Director and Nominee) | 13,834(2)(4) | * | 21,492 | 35,326 |
| Joseph P. Newhouse (current Director) | 2,334(2)(4) | * | 3,135 | 5,469 |
| Judith Rodin (current Director) | 2,336(2) | * | 19,673 | 22,009 |
| R. David Yost (current Director) | | * | 1,500 | 1,500 |
| John W. Rowe, M.D. (Chairman and Chief Executive Officer, current Director and Nominee) | 1,093,793(5) | * | 51,994(10) | 1,145,787 |
| Alan M. Bennett (named executive) | 112,753(6) | * | | 112,753 |
| David B. Kelso (named executive) | 165,000(7) | * | | 165,000 |
| L. Edward Shaw, Jr. (named executive) | 387,708(8) | * | | 387,708 |
| Ronald A. Williams (named executive, current Director and Nominee) | 596,668(9) | * | 105,107(11) | 701,775 |
| Directors and executive officers as a group (17 persons) | | | | |

| | | | |
|---|---|---|---|
| 2,511,496(12) | 1.6% | 296,735 | 2,808,231 |

* Less than 1%

Unless noted in the footnotes, each person currently has sole voting and investment powers over the shares set forth above.



NOTES TO BENEFICIAL OWNERSHIP TABLE

(1) Except as set forth in Notes 10 and 11, represents stock units issued under the Director Plan and plans of Aetna's predecessors. Certain of the stock units are not fully vested -- see description of the Director Plan on pages 18 and 19. Stock units track the value of Aetna Common Stock and earn dividend equivalents that may be reinvested, but do not have voting rights.

(2) Includes 1,834 shares that the Director has the right to acquire currently or within 60 days of January 31, 2003 upon the exercise of stock options.

(3) Represents shares held by his spouse, as to which Mr. Greenwald has no voting or investment power.

(4) Held jointly with the Director's spouse, as to which the Director shares voting and investment powers.

(5) Includes 1,072,643 shares that Dr. Rowe has the right to acquire currently or within 60 days of January 31, 2003 upon the exercise of stock options. Also includes 21,000 shares held by Dr. Rowe, of which 1,000 shares are held jointly with his spouse as to which Dr. Rowe shares voting and investment powers, and 150 shares held under the ISP.

(6) Includes 99,184 shares that Mr. Bennett has the right to acquire currently or within 60 days of January 31, 2003 upon the exercise of stock options, 10,884 shares held by Mr. Bennett and 2,685 shares held under the ISP.

(7) Includes 150,000 shares that Mr. Kelso has the right to acquire currently or within 60 days of January 31, 2003 upon the exercise of stock options. Also includes 12,500 shares held by Mr. Kelso and 2,500 shares held in a Community Property Trust of which Mr. Kelso and his spouse are sole trustees and beneficiaries.

(8) Includes 375,618 shares that Mr. Shaw has the right to acquire currently or within 60 days of January 31, 2003 upon the exercise of stock options. Also includes 12,000 shares held by Mr. Shaw, of which 2,000 shares are held jointly with his spouse as to which Mr. Shaw shares voting and investment powers, and 90 shares held under the ISP.

(9) Includes 566,668 shares that Mr. Williams has the right to acquire currently or within 60 days of January 31, 2003 upon the exercise of stock options. Also includes 27,500 shares that Mr. Williams held jointly with his spouse, as to which Mr. Williams shares voting and investment powers, and 2,500 shares held in a Guaranteed Retained Annuity Trust of which Mr. Williams is the sole Trustee.

(10) Includes 17,312 restricted stock units which vest on September 15, 2003. Also includes 34,682 fully vested deferred stock units which earn dividend equivalents that are reinvested in stock units. Stock units do not have

voting rights.

(11) Includes 13,333 restricted stock units which vest on March 15, 2003 and 13,334 such units which vest on March 15, 2004. Also includes 78,440 fully vested deferred stock units which earn dividend equivalents that are reinvested in stock units. Stock units do not have voting rights.

(12) Directors and executive officers as a group have sole voting and investment powers over 89,203 shares and share voting and investment powers with respect to 47,500 shares. Included in the number of shares shown in the table are 2,925 shares held under the ISP and beneficially owned by executive officers, and 2,368,868 shares that Directors and executive officers have the right to acquire currently or within 60 days of January 31, 2003 upon the exercise of stock options.



EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table sets forth for the periods indicated compensation of the Chairman and Chief Executive Officer and each of the four other most highly compensated executive officers of Aetna in 2002.

| | | | | | LONG-TERM COMPENSATI | |
|---|---|---|---|---|---|---|
| | | | | | AWARDS | |
| | | ANNUAL COMPENSATION | | | | |
| NAME AND PRINCIPAL POSITION IN 2002 | YEAR | SALARY | BONUS | OTHER ANNUAL COMPENSATION(3) | RESTRICTED STOCK AWARDS(4) | SECURIT UNDERLY STOCK OPTIONS |
| John W. Rowe, M.D. | 2002 | $1,000,000 | $2,500,000 | $89,490 | $ | 350,0 |
| Chairman and | 2001 | 1,000,000 | 1,000,000 | | | 250,0 |
| Chief Executive Officer | 2000 | 273,077 | 375,000 | | 1,367,188 | 1,246,4 |
| Alan M. Bennett | 2002 | $ 425,000 | $ 450,000 | | | 60,0 |
| Senior Vice President and Chief Financial Officer(1) | 2001 | 377,885 | 83,725 | | | 75,0 |
| David B. Kelso Executive Vice | 2002 | $ 700,000 | $ 925,000 | $76,648 | | 150,0 |
| President, Strategy and Finance(1) | 2001 | 188,462 | 400,000 | | | 250,0 |
| L. Edward Shaw, Jr. | 2002 | $ 525,000 | $ 700,000 | | | 60,0 |
| Executive Vice | 2001 | 525,000 | 420,000 | | | 60,0 |
| President and General Counsel | 2000 | 492,308 | 650,000 | | | 140,2 |
| Ronald A. Williams | 2002 | $ 848,077 | $1,500,000 | $ 372 | $ | 200,0 |
| President(2) | 2001 | 621,538 | 600,000 | 87 | 1,496,000 | 800,0 |

| | LONG-TERM COMPENSATION | |
|---|---|---|
| | PAYOUTS | |
| NAME AND PRINCIPAL POSITION IN 2002 | LONG-TERM INCENTIVE PLAN(6) | ALL OTHER COMPENSATION |
| John W. Rowe, M.D. | $5,198,400 | $ 139,115(7) |
| Chairman and | | 1,544,242 |
| Chief Executive Officer | | 2,013,654 |
| Alan M. Bennett | $ 996,360 | $ 121,262(8) |
| Senior Vice President | | 37,394 |
| and Chief Financial | | |
| Officer(1) | | |
| David B. Kelso | $2,599,200 | $ 61,562(9) |
| Executive Vice | | |
| President, | | 209,423 |
| Strategy and Finance(1) | | |
| L. Edward Shaw, Jr. | $ 797,088 | $ 34,350(10) |
| Executive Vice | | 58,750 |
| President and | 581,788 | 14,928 |
| General Counsel | | |
| Ronald A. Williams | $3,465,600 | $ 299,442(11) |
| President(2) | | 561,168 |

(1) Neither Mr. Bennett nor Mr. Kelso was an executive officer of Aetna or its predecessors at any time in 2000.

(2) Mr. Williams became President of Aetna on May 27, 2002. Mr. Williams was not an executive officer of Aetna or its predecessors at any time in 2000.

(3) Includes $80,360 and $66,204 for personal use of corporate aircraft for Dr. Rowe and Mr. Kelso, respectively. This benefit is included in each executive's taxable income, and each executive is responsible for taxes due on that income. Mr. Williams was reimbursed $372 for income taxes.

(4) At December 31, 2002, Dr. Rowe held 17,312 restricted stock units with a value of $711,870 and Mr. Williams held 26,667 restricted stock units with a value of $1,096,547. Any unvested restricted stock units granted to Dr. Rowe or Mr. Williams will immediately vest upon either the occurrence of a "change in control" of Aetna or upon termination of the named executive's employment without "cause" by Aetna or for "good reason" by the named executive, or by reason of death or disability.

(5) Represents stock options granted under Aetna's 2000 Stock Incentive Plan (the "2000 Stock Plan").

(6) Represents the value of previously awarded performance units that vested upon attainment of specified performance criteria.

(7) Includes $73,500 in life insurance premiums. Also includes $59,615 in matching contributions made by Aetna under the ISP and/or the Supplemental ISP and a $6,000 performance based contribution by Aetna under the ISP for performance year 2002. The ISP is a 401(k) plan qualified under the Code. For 2002, Aetna matched 50% of the amount deferred by employees under the ISP up to 6% of eligible pay. In addition, employees are eligible to receive an additional performance based ISP contribution of up to 3% of eligible pay, not to exceed $6,000. Performance based contributions vest after the employee attains three years of service with the Company. Aetna has established the Supplemental ISP to provide the deferred and matching benefits that would have been credited to the ISP but for limits imposed by the Employee Retirement Income Security Act and the Code. The Supplemental ISP also is used to provide other benefits not otherwise payable under the

ISP, as provided from time to time by the Board.



(8) Includes $100,000 retention bonus. Also includes $15,262 in matching contributions made by Aetna under the ISP and/or the Supplemental ISP and a $6,000 performance based contribution by Aetna under the ISP for performance year 2002.

(9) Includes $33,538 in matching contributions made by Aetna under the ISP and/or the Supplemental ISP and a $6,000 performance based contribution by Aetna under the ISP for performance year 2002. Also includes $22,024 in living expenses paid in accordance with Mr. Kelso's employment agreement.

(10) Includes a matching contribution of $28,350 made by Aetna under the ISP and/or the Supplemental ISP and a $6,000 performance based contribution by Aetna under the ISP for performance year 2002.

(11) Includes $250,000 retention bonus paid in accordance with Mr. Williams' employment agreement. Also includes $43,442 in matching contributions made by Aetna under the ISP and/or the Supplemental ISP and a $6,000 performance based contribution by Aetna under the ISP for performance year 2002.



STOCK OPTION GRANTS TABLE

The following table sets forth information concerning stock options granted during 2002 by Aetna to the persons listed in the Summary Compensation Table on page 23. The hypothetical grant date present values of stock options granted in 2002 shown below are presented pursuant to SEC rules and are calculated under the modified Black-Scholes Model for pricing options.

INDIVIDUAL GRANTS(1)

| NAME | NUMBER OF SECURITIES UNDERLYING STOCK OPTIONS GRANTED | PERCENT OF TOTAL STOCK OPTIONS GRANTED TO EMPLOYEES IN 2002 | EXERCISE PRICE PER SHARE | EXPIRATION DATE | GRA PR V |
|---|---|---|---|---|---|
| John W. Rowe, M.D. ................. | 350,000(2) | 6.63% | $35.78 | 01/25/12 | $5, |
| Alan M. Bennett..................... | 60,000(2) | 1.14% | 35.78 | 01/25/12 | |
| David B. Kelso...................... | 150,000(2) | 2.84% | 35.78 | 01/25/12 | 2, |
| L. Edward Shaw, Jr. ................ | 45,000(2) | 0.85% | 35.78 | 01/25/12 | |
| | 15,000(3) | 0.28% | 37.05 | 09/27/12 | |
| Ronald A. Williams.................. | 200,000(2) | 3.79% | 35.78 | 01/25/12 | 3, |

(1) All options were granted under the 2000 Stock Plan. The 2000 Stock Plan permits participants to use shares of Aetna Common Stock to exercise options. The 2000 Stock Plan provides that the option price shall not be less than 100% of the fair market value of the Common Stock on the date the option is granted. Under the 2000 Stock Plan, options may be granted until November 30, 2010.

(2) Date of grant was January 25, 2002; initial exercise date was January 25,

2003; option vests in equal annual installments over a period of three years from the date of grant.

(3) Date of grant was September 27, 2002; initial exercise date is September 27, 2003; option vests in equal annual installments over a period of three years from the date of grant.

(4) The assumptions made and factors used by Aetna in the Black-Scholes Model calculation for the options granted January 25, 2002 were as follows: (i) a volatility factor of 42.9%, representing the four-year historical volatility of the Common Stock as of the date of the option grant; (ii) a risk-free rate of return of 4.46%, representing the five-year U.S. Treasury bond rate in effect on the date of the option grant; (iii) a dividend yield of 0.1%, representing Aetna's then current annual dividend, divided by the Common Stock price on the date of the option grant; and (iv) a five-year option term, representing the historical average life of the options granted. No further discount to the option value calculated was taken to give effect to the fact that the options are not freely transferable or to the exercise or lapse of the options after the vesting period but prior to the end of the option period.

(5) The assumptions made and factors used by Aetna in the Black-Scholes Model calculation for the options granted September 27, 2002 were as follows: (i) a volatility factor of 44.2%, representing the four-year historical volatility of the Common Stock as of the date of the option grant; (ii) a risk-free rate of return of 2.74%, representing the five-year U.S. Treasury bond rate in effect on the date of the option grant; (iii) a dividend yield of 0.1%, representing Aetna's then current annual dividend, divided by the Common Stock price on the date of the option grant; and (iv) a five-year option term, representing the historical average life of the options granted. No further discount to the option value calculated was taken to give effect to the fact that the options are not freely transferable or to the exercise or lapse of the options after the vesting period but prior to the end of the option period.

There is no assurance that the hypothetical present values of stock options presented in the preceding table represent the actual values of such options. The hypothetical values shown should not be construed as predictions by Aetna as to the future value of its Common Stock.



STOCK OPTION EXERCISES AND DECEMBER 31, 2002 STOCK OPTION VALUE TABLE

The following table sets forth information concerning stock options exercised during 2002 by the persons listed in the Summary Compensation Table on page 23 and the number and value of specified options held by those persons at December 31, 2002. The values of unexercised in-the-money stock options at December 31, 2002 shown below are presented pursuant to SEC rules. There is no assurance that the values of unexercised in-the-money stock options reflected in this table will be realized.

| | | | NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 2002 | | VAL UNEXE IN-TH OPTI DECEMBER |
|---|---|---|---|---|---|
| NAME | SHARES ACQUIRED ON EXERCISE | VALUE REALIZED ON EXERCISE | EXERCISABLE | UNEXERCISABLE(2) | EXERCISABLE |

| | | | | | |
|---|---|---|---|---|---|
| John W. Rowe, M.D. | 0 | 0 | 955,976 | 890,488 | $10,556,570 |
| Alan M. Bennett | 36,834 | $919,847 | 79,184 | 100,000 | 517,148 |
| David B. Kelso | 0 | 0 | 100,000 | 300,000 | 1,298,000 |
| L. Edward Shaw, Jr. | 0 | 0 | 360,618 | 124,624 | 4,318,446 |
| Ronald A. Williams | 0 | 0 | 300,002 | 699,998 | 1,180,002 |

(1) Based on the December 31, 2002 closing stock price of $41.12.
(2) Represents stock options that are not vested.

LONG-TERM INCENTIVE AWARDS TABLE

The following table sets forth information concerning long-term incentive awards granted during 2002 to persons listed in the Summary Compensation Table on page 23 under the 2000 Stock Plan.

| NAME | NUMBER OF UNITS GRANTED IN 2002(1) | PERFORMANCE OR OTHER PERIOD UNTIL MATURATION OR PAYOUT(2) | ESTIMATED FUTURE PAYOUTS (IN SHARES) UNDER NON-STOCK PRICE BASED PLANS | | |
|---|---|---|---|---|---|
| | | | THRESHOLD | TARGET | MAXIMU |
| John W. Rowe, M.D. | 50,000 | 2002-2006 | 25,000 | 50,000 | 100,00 |
| Alan M. Bennett | 12,250 | 2002-2006 | 6,125 | 12,250 | 24,50 |
| David B. Kelso | 20,000 | 2002-2006 | 10,000 | 20,000 | 40,00 |
| L. Edward Shaw, Jr. | 15,000 | 2002-2006 | 7,500 | 15,000 | 30,00 |
| Ronald A. Williams | 45,000 | 2002-2006 | 22,500 | 45,000 | 90,00 |

(1) The Performance Units will vest and become payable if Aetna meets specified performance objectives set annually during the performance period. The performance goal for 2003 is based on Aetna attaining a specified level of earnings. If the performance objectives are not met by December 31, 2006, the units are payable at 50% of target provided the executive remains an active employee of the Company on that date. The units are payable in shares of Common Stock and/or cash, at the discretion of the Committee on Compensation and Organization.
(2) Under the terms of the Performance Unit awards, the units can vest as early as January 2004 if the 2003 performance goal is met.

PENSION PLAN

Aetna provides for certain of its employees a noncontributory, defined benefit pension plan (the "Pension Plan"). Effective January 1, 1999, the Pension Plan was amended to convert the plan's final average pay benefit formula to a cash balance design. Under this design, the pension benefit is expressed as a cash balance account. Each year a participant's cash balance account is credited with (i) a pension credit based on the participant's age, years of service and eligible pay for that year, and (ii) an interest credit based on the participant's account balance as of the beginning of the year and an interest rate that equals the average 30-year U.S. Treasury bond rate for October of the prior calendar year. (For 2002, the interest rate was

5.32%.) For purposes of the Pension Plan, eligible pay is generally base pay and certain other forms of cash compensation, including annual performance bonuses, but excluding long-term incentive compensation and proceeds from stock option exercises.

Employees with former Aetna pension benefits as of December 31, 1998 are considered transition participants under the Pension Plan. Under the current plan design, transition participants continue to accrue benefits under the Pension Plan's final average pay formula until December 31, 2006. Under the final average pay formula, retirement benefits are calculated on the basis of (i) the number of years of credited service (maximum credit is 35 years), and (ii) the employee's average annual earnings during the 60 consecutive months out of the last 120 months of service that yield the highest annual compensation. On termination of employment, the value of the cash balance account is compared to the lump sum value of the benefit under the final average pay formula, and the greater of these two amounts becomes the cash balance account value.

The estimated annual benefit expressed as a single life annuity payable at age 65 for Dr. Rowe is $240,480, for Mr. Bennett is $185,699, for Mr. Kelso is $362,709, for Mr. Shaw is $101,051 and for Mr. Williams is $1,146,270. Under his employment agreement, Dr. Rowe is eligible to vest to a minimum annual benefit expressed as a single life annuity of not less than $300,000 in five equal annual installments commencing on his date of employment. These estimates assume each named executive continues working for Aetna until age 65, the account balance receives annual interest credits of 5.32% for 2002, 4.93% for 2003 and 6% thereafter, pension eligible pay increases 4% per year, there are no future annual performance bonuses, the Social Security wage base increases 4% per year, and the Pension Plan continues unchanged until the projection date. Actual benefits will vary. The estimated benefits do not take into account any reduction for joint and survivorship payments, any offset for Social Security benefits to be received by the employee, or, in the case of estimated benefits, payment of lump sum benefits of up to 50% of the employee's cash balance account at the election of the employee.

The Code limits the maximum annual benefit that may be accrued under and paid from a tax-qualified plan such as the Pension Plan. As a result, Aetna has established a supplemental pension plan to provide benefits (included in the amounts listed in the preceding paragraph) that would exceed the Code limit. The supplemental pension plan also is used to pay other pension benefits not otherwise payable under the Pension Plan, including additional years of credited service beyond years actually served, additional years of age, and covered compensation in excess of that permitted under the Pension Plan.

OTHER AGREEMENTS

Aetna administers a Job Elimination Benefits Plan (the "Severance Plan") under which employees, including Aetna's executive officers, terminated by Aetna due to re-engineering, reorganization or staff reduction efforts may receive a maximum of 52 weeks of continuing salary depending on years of service and pay level. Under certain circumstances, determined on a case-by-case basis, additional severance pay benefits may be granted for the purposes of inducing employment of senior officers or rewarding past service. Certain benefits continue for part of the severance period.

Aetna has entered into an employment agreement with Dr. Rowe. Under the agreement, which is for a remaining term ending December 31, 2003, with two one-year extensions, Dr. Rowe is entitled to an annual salary of not less than $1,000,000, a target annual bonus opportunity of $1,500,000 and a maximum annual bonus opportunity of $3,000,000. In addition to certain other benefits, Dr. Rowe will be entitled (subject to vesting in five equal annual installments) to a minimum annual pension of $300,000 commencing at age 65. If Aetna terminates Dr. Rowe's employment other than for "cause" (as defined in the agreement), death or disability, or Dr. Rowe terminates it for "good reason" (as defined in the agreement), he will be entitled to 104 weeks (156 weeks, if such termination is within two years following a change in control) of cash compensation (calculated as annual base salary and target annual bonus) and his pro rata bonus for the year of termination. If Aetna does not renew Dr. Rowe's agreement for a one-year term on December 31, 2003 or 2004, he will be entitled to a cash payment of $3,000,000 or $1,500,000,



respectively. Aetna has agreed generally to make Dr. Rowe whole for any excise taxes incurred as a result of payments made under his agreement or otherwise.

Aetna has entered into an employment agreement with Mr. Bennett. Under this agreement, if Aetna terminates Mr. Bennett's employment other than for cause, Mr. Bennett will be entitled to 78 weeks of cash compensation (calculated as base salary and target annual bonus) and his stock options will continue to vest and be exercisable during the severance period. In addition, if the Company notifies Mr. Bennett at the end of any severance period that he is unable to sell the underlying stock in an open market transaction due to access to material nonpublic information pertaining to the Company, Mr. Bennett will have an additional 90 days to exercise his options from the date the Company notifies him he is no longer precluded from selling such shares (but in no event may the options be exercised beyond the original term of the option).

Aetna has entered into an employment agreement with Mr. Kelso. Under the agreement, which is for a remaining term ending September 30, 2003, with two one-year extensions, Mr. Kelso is entitled to an annual salary of not less than $700,000, a target annual bonus opportunity of $560,000 and a maximum annual bonus opportunity of $1,120,000. Mr. Kelso also is entitled to reimbursement of his living expenses in the Hartford area through March 15, 2003. In addition to certain other benefits, Mr. Kelso will receive annual pension credits under Aetna's supplemental pension plan of at least 15% of his pension eligible compensation. If Aetna terminates Mr. Kelso's employment other than for "cause" (as defined in the agreement), death or disability, or Mr. Kelso terminates it for "good reason" (as defined in the agreement), he will be entitled to 104 weeks (156 weeks, if such termination is within two years following a change in control) of cash compensation (calculated as annual base salary and target annual bonus) and his pro rata bonus for the year of termination. If Aetna does not renew Mr. Kelso's agreement for a one-year term on September 30, 2003 or September 30, 2004, and Mr. Kelso elects to terminate his employment, he will be entitled to his then current base salary and target bonus through September 2005. Aetna has agreed generally to make Mr. Kelso whole for certain excise taxes incurred as a result of payments made under his agreement or otherwise.

Aetna has entered into an employment agreement with Mr. Shaw. Under this agreement, which runs through December 31, 2003, Mr. Shaw is entitled to an annual salary of not less than $525,000. Under this agreement, if Aetna terminates Mr. Shaw's employment other than for "cause" (as defined in the agreement), death or disability, Mr. Shaw will be entitled to 156 weeks of cash compensation (calculated as annual base salary and target annual bonus), and continued health and dental benefits. Mr. Shaw may elect special retirement on or after January 2002, in which case he will be entitled to 50% of his current base salary and target annual bonus for the balance of the agreement term and continued health and dental benefits. Aetna has agreed generally to make Mr. Shaw whole for any excise taxes incurred as a result of payments made under his agreement or otherwise.

Aetna has entered into an employment agreement with Mr. Williams. Under the agreement, which is for a remaining term ending December 31, 2003, with a single one-year extension, Mr. Williams is entitled to an annual salary of not less than $800,000, a target annual bonus opportunity of $800,000 and a maximum annual bonus opportunity of $1,600,000. Under the agreement, Mr. Williams received a retention bonus of $250,000 in March 2002. In addition to certain other benefits, Mr. Williams will vest in a pension benefit in five equal annual installments, and for each of calendar years 2006 through 2011, Mr. Williams will receive an additional fully vested pension accrual in an amount equal to his base salary for such year. This additional pension accrual will not be credited if Mr. Williams is not actively employed by Aetna and will be offset by the value of Mr. Williams' vested benefit under his prior employer's pension plan. If Aetna terminates Mr. Williams' employment other than for "cause" (as defined in the agreement), death or disability, or Mr. Williams terminates it for "good reason" (as defined in the agreement), he will be entitled to 104 weeks (156 weeks, if such termination is within two years following a change in control) of cash compensation (calculated as annual base salary and target annual bonus) and his pro rata bonus for the year of

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termination. Aetna has agreed generally to make Mr. Williams whole for certain excise taxes incurred as a result of payments made under his agreement or otherwise.

The Board has approved provisions for certain benefits of Aetna employees upon a change-in-control of Aetna (as defined). The provisions provide that the Severance Plan shall become noncancelable for a period of two years following a change-in-control. Upon a change-in-control, all previously granted stock options that have not yet vested will become vested and immediately exercisable and bonuses payable under Aetna's Annual Incentive Plan will become payable based on the target award for participants. Outstanding long-term incentive awards also vest and become payable at a target level. Provision has been made to maintain the aggregate value of specified benefits for one year following a change-in-control.

## REPORT OF THE COMMITTEE ON COMPENSATION AND ORGANIZATION

What is Aetna's compensation philosophy?

The executive compensation program is designed to:

- create a performance-oriented environment to attract and retain high performing executives and in which high performing executives can earn increased levels of compensation by achieving superior annual and long-term business results; and

- focus executives on increasing shareholder value by awarding them stock-based compensation directly linked to improvements in Company earnings and stock price.

What are the elements of Aetna's executive compensation program?

The compensation program for executive officers consists of four principal elements:

- salaries;

- annual incentive bonuses;

- stock options; and

- long-term incentive awards.

The compensation program is designed to set total compensation opportunity (salary, annual bonus, stock options and long-term incentive award) at a level relative to the median level of total compensation paid to similarly positioned executives at companies in a comparison group selected for each position (the "Comparison Group"). In designing the compensation programs available to executive officers the Committee consults an outside compensation consultant. Executive officers are also eligible for other employee benefits as set forth in the S