SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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AETNA LIFE & CASUALTY CO

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SIC: **6311** Life insurance

Mailing Address
151 FARMINGTON AVE
FINANCIAL YF8H CITY PLACE
HARTFORD CT 06156

Business Address
151 FARMINGTON AVE
HARTFORD CT 06156
2032730123

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1993
Commission file number 1-5704

Aetna Life and Casualty Company
(Exact name of registrant as specified in its charter)

Connecticut	06-0843808
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
151 Farmington Avenue, Hartford, Connecticut	06156
(Address of principal executive offices)	(ZIP Code)

Registrant's telephone number, including area code: (203) 273-0123
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Capital Stock without par value	New York Stock Exchange Pacific Stock Exchange Various Swiss Exchanges

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

[ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant as of February 25, 1994 was $6,987,637,850.

As of February 25, 1994, 112,496,019 shares of the registrant's Common Capital Stock without par value were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

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Portions of the registrant's 1993 annual report to shareholders (the "Annual Report"). (Parts I, II and IV)

Portions of the registrant's proxy statement filed on or about March 18, 1994 (the "Proxy Statement"). (Parts III and IV)

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PART I

Item 1. Business.

A. Organization of Business

Aetna Life and Casualty Company was organized in 1967 as a Connecticut insurance corporation. Aetna Life and Casualty Company and its subsidiaries (collectively, "Aetna" or the "company") constitute one of the nation's largest insurance/financial services organizations in the United States based on its assets at December 31, 1992. Based on 1992 premium rankings, the company also is one of the nation's largest stock insurers of property-casualty lines and one of the largest writers of group health and managed care products, and group life, annuity and pension products. Although the company offers insurance and financial services products in foreign countries, 90% of its total revenue in 1993 was derived from domestic sources.

The company's reportable segments and principal products included in such segments are:

Health and Life Insurance and Services:
- Group life
- Group health and disability
- Managed health care
- Individual life

Financial Services:
- Group pensions and related financial services
- Individual and group annuities
- Investment products

Commercial Property-Casualty Insurance and Services:
- Automobile
- Fidelity and surety
- Fire and allied lines
- General liability
- Marine
- Multiple peril
- Professional liability
- Workers' compensation

Personal Property-Casualty:
- Automobile
- Homeowners

International:
- Group life, health and disability, and pensions
- Individual life, health, accident and disability, and annuities
- Property-casualty
- Investment products

B. Financial Information about Industry Segments

Revenue, income (loss) from continuing operations before income taxes, extraordinary item and cumulative effect adjustments, net income (loss), and assets by industry segment are set forth in Note 14 to the Financial Statements which is incorporated by

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reference from the Annual Report. Revenue and income (loss) from continuing operations before extraordinary item and cumulative effect adjustments attributable to each industry segment are incorporated herein by reference from the Selected Financial Data in the Annual Report.

Certain reclassifications have been made to 1992 and 1991 financial information to conform to 1993 presentation.

C. Description of Business Segments

1. Health and Life Insurance and Services

Principal Products

Group health and life insurance products and services, including managed health care products and services, are marketed through units of the Health and Life Insurance and Services segment ("Health and Life") primarily to employers and employer-sponsored groups. These products and services are provided to employees or other individuals covered under benefit plans sponsored by those organizations. Individual life insurance products also are included in Health and Life.

Group life insurance consists chiefly of renewable term coverage, the amounts of which frequently are linked to individual employee wage levels. The company also offers group universal life and sponsored universal and whole life products.

Group health and disability insurance includes coverage for medical and dental care expenses and for disabled employees' income replacement benefits. Health coverage is provided under both traditional indemnity and prepaid arrangements, whereby Aetna assumes the full insurance risk, and under alternative risk-sharing plans, whereby employers assume all or a significant portion of the insurance risk. Health and Life also provides administrative and claim services and, in many cases, partial insurance protection, for an appropriate fee or premium charge.

Continuing concern over the rising costs of health care and the need for quality assurance have resulted in a continuation of a market shift away from traditional forms of health benefit coverage to a variety of "managed care" products. Managed care products, which may be sold on a stand-alone basis or in combination with traditional indemnity products, vary from traditional indemnity products primarily through the use of health care networks (physicians and hospitals) and the implementation of medical management procedures designed to enhance the quality and reduce the cost of medical services provided. Such procedures, including contracted physician reimbursement rates and required pre-authorization for certain medical procedures, are designed to enable managed care companies and their customers to control medical costs more effectively.

The company offers a broad spectrum of traditional indemnity and managed care group products. The latter include preferred provider organizations ("PPOs"), which offer enhanced coverage benefits for services received from participating providers; point-of-service ("POS") plans, which typically combine PPO-style benefit designs with stronger utilization management; and health maintenance organizations ("HMOs"), which arrange for non-emergency services exclusively through the HMO's network of providers. The company's HMOs are primarily Individual Practice Associations in which the HMO generally shares some financial risk with the physicians based on medical utilization results.

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At year-end 1993, Aetna operated various types of managed care networks in approximately 211 Standard Metropolitan Statistical Areas with enrollment of approximately 5 million. The number of members covered under all arrangements, including traditional health plans, was 15 million at December 31, 1993. Health and Life units continue to develop a wide range of products and services tailored to help employers manage their employee benefit plan costs effectively.

Through its individual life unit, the company markets a variety of universal life, interest-sensitive whole life and term products. Aetna's universal life product accounted for approximately 86% of individual life sales in 1993.

Life insurance agents are typically paid a renewal commission or service fee to encourage them to retain business. The company's universal and interest-sensitive whole life insurance contracts typically impose a surrender penalty on policyholder balances withdrawn in the first 10 to 15 years of the contract life. The period of time and level of the penalty vary by product. In addition, more favorable credited rates and policy loan terms may be offered after policies have been in force more than 10 years.

Certain of the company's life insurance and annuity products allow for customers to borrow against their policies. At December 31, 1993, approximately 17% of outstanding policy loans were on individual annuity policies and had fixed interest rates ranging from 1% to 3%. Approximately 79% of outstanding policy loans at December 31, 1993 were on individual life policies and had fixed interest rates ranging from 5% to 8%. The remaining 4% of outstanding policy loans had variable interest rates averaging 8% at December 31, 1993. Investment income on outstanding policy loans was $24 million for the year ended December 31, 1993.

The company ceased selling individual health insurance products in mid-1990 and transferred this business to another company in 1991.

The following table summarizes group life, group health and disability, and individual life and health premiums for the years indicated:

<TABLE>
<CAPTION>

(millions)	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
Group life (1).............	$ 894.8	$ 971.1	$ 995.2	$1,020.2	$ 902.7
Group health and disability (2)............	3,714.0	3,535.2	3,389.3	3,084.7	2,787.9
Individual life............	157.8	144.9	155.4	165.9	131.5
Individual health and disability................	27.7	28.7	88.7	183.0	208.6
Total..................	$4,794.3	$4,679.9	$4,628.6	$4,453.8	$4,030.7

<FN>
(1) Decrease in 1993 premiums reflects increased refunds on retrospectively rated policies due to favorable experience.
(2) Includes managed health care.
</TABLE>

Competition

The markets for Health and Life products are highly competitive. In addition to competition among insurance companies, competition in the health field arises from organizations such as Blue Cross and Blue Shield, from various specialty service providers, from

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local and regional HMOs and other types of medical and dental provider organizations, from integrated health care delivery organizations and, in certain coverages, from the federal and state governments. Additionally, in recent years, many large employers have moved to totally self-insured and self-administered benefit plans. Competition largely is based upon product features and prices and, in the case of managed health care products, upon the quality of services provided, the geographic scope of the provider networks and the medical specialties available in such networks. Based on 1992 written premiums, Aetna is one of the largest insurance company providers of group health and life benefits in the United States.

Method of Distribution

Group products are sold principally through salaried field representatives and home office marketing personnel who often work with independent consultants and brokers who assist in the production and servicing of business.

Individual life insurance products are marketed primarily by independent agents and brokers who also may sell insurance products for other companies. Certain life insurance products are sold by agents and brokers who are registered representatives of selected broker-dealers.

Reserves

For group life products, policy reserve liabilities are established as premiums are received to reflect the present value of expected future obligations net of the present value of expected future premiums. Reserves for most of these products reflect retrospective experience rating except for the smaller group insurance cases which currently are not retrospectively experience rated. Policy reserves for group paid-up life insurance generally reflect long-term fixed obligations and are computed on the basis of assumed or guaranteed yield and benefit payments. Assumptions are based on Aetna's experience, which is periodically reviewed against published industry data. For group health products, reserves reflect estimates of the ultimate cost of claims including (i) claims that have been reported but not settled, and (ii) claims that have been incurred but have not yet been reported. Group health and life claim reserves are based on factors derived from past experience.

Reserves for universal life products are equal to cumulative premiums less charges plus credited interest thereon. Reserves for all other fixed individual life and health contracts are computed on the basis of assumed investment yield, mortality, morbidity and expenses (including a margin for adverse deviation), which generally vary by plan, year of issue and policy duration. Reserve interest rates as of December 31, 1993 ranged from 2.25% to 11.25%. Investment yield is based on the company's experience. Mortality, morbidity and withdrawal rate assumptions also are based on the experience of the company, and in addition, are periodically reviewed against both industry standards and experience.

Reinsurance

Aetna utilizes a variety of reinsurance agreements with non-affiliated insurers to share insurance risks on group health and life business as directed by the insured and to control its exposure to large losses. Generally, these agreements are established on a case-by-case basis to reflect the circumstances

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of specific group insurance risks.

The company retains no more than $10.0 million of risk per individual life policy. Amounts in excess of the retention limit are reinsured with unaffiliated companies.

For additional information on reinsurance, see Note 15 of Notes to Financial Statements in the Annual Report.

Group Life Insurance In Force and Other Statistical Data

The following table summarizes changes in group life insurance in force before deductions for reinsurance ceded to other companies for the years indicated:

<TABLE>

<CAPTION>

(amounts in millions except number of policies and contracts in force)

<S>	1993 <C>	1992 <C>	1991 <C>	1990 <C>	1989 <C>
Sales and additions.........	$ 22,781	$ 30,131	$ 37,876	$ 51,900	$ 46,655
Terminations (1):					
Lapses	$ 22,991	$ 26,087	$ 17,522	$ 15,707	$ 13,057
All other terminations....	6,864	2,235	3,036	23,476	1,577
Total..................	$ 29,855	$ 28,322	$ 20,558	$ 39,183	$ 14,634
In force, end of year.......	$299,996	$307,070	$305,261	$287,943	$275,226
Number of policies and contracts in force, end of year (2):					
Group life contracts......	24,440	24,496	25,737	26,061	27,167
Group conversion policies (3)............	38,431	39,567	40,370	41,207	41,716

<FN>

(1) The increases in 1993, 1992 and 1990 terminations resulted primarily from the non-renewal and termination of certain large contracts in each year.
(2) Due to the wide range of coverages and size of groups covered, statistics are not provided for average size of policies in force.
(3) Reflects conversion privileges exercised by insureds under group life policies to replace those policies with individual life policies.

</TABLE>

Individual Life Insurance In Force and Other Statistical Data

The following table summarizes changes in individual life insurance in force before deductions for reinsurance ceded to other companies for the years indicated(1):

<TABLE>

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<CAPTION>
(amounts in millions, except number of policies and average size of policies in force)

<S>	1993 <C>	1992 <C>	1991 <C>	1990 <C>	1989 <C>
Sales and additions:					
Permanent:					
Non-participating.......	$ 6,540	$ 5,980	$ 4,885	$ 4,913	$ 5,113
Participating...........	-	-	-	1	1
Term:					
Non-participating.......	974	775	685	495	420
Participating...........	1,852	762	1,221	1,921	2,354
Total..................	$ 9,366	$ 7,517	$ 6,791	$ 7,330	$ 7,888
Terminations:					
Surrenders and conversions	$ 1,763	$ 2,000	$ 1,969	$ 1,922	$ 1,523
Lapses....................	2,622	2,841	3,056	3,082	3,190
Other	1,183	624	556	543	417
Total..................	$ 5,568	$ 5,465	$ 5,581	$ 5,547	$ 5,130
In force, end of year:					
Permanent.................	$ 38,096	$ 35,943	$ 33,499	$ 31,609	$ 30,401
Term......................	11,901	10,256	10,648	11,328	10,753
Total..................	$ 49,997	$ 46,199	$ 44,147	$ 42,937	$ 41,154
Number of policies in force, end of year:					
Non-participating.........	802,295	748,486	708,229	684,301	661,947
Participating.............	127,319	135,440	146,308	157,309	165,000
Total..................	929,614	883,926	854,537	841,610	826,947
Average size of policies in force, end of year:					
Non-participating.........	$ 51,703	$ 50,953	$ 49,779	$ 48,925	$ 47,926
Participating.............	66,887	59,528	60,775	60,124	57,151

<FN>

(1) The amounts presented above include business written by Aetna Life Insurance Company of America, the results of which are included in the International segment.

</TABLE>

2. Financial Services

Principal Products

Business units in the Financial Services segment ("Financial Services") market a variety of retirement and other savings and investment products (including pension and annuity products) and services to businesses, government units, associations, collectively bargained welfare trusts, hospitals, educational institutions and individuals.

Financial Services units offer pension, annuity and other investment products to employers and individuals for retirement

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and savings plan funding and disbursement. Some of these products provide a variety of investment guarantees, funding and benefit payment distribution options and other services. (For additional information regarding the products offered by Financial Services, see Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") - Financial Services in the Annual Report).

In January 1994, the company announced its decision to discontinue the sale of its fully guaranteed large case pension products and recorded an $825 million after-tax charge in 1993 for the anticipated future losses on such products. The company will honor all obligations under existing fully guaranteed, large case pension contracts. Such obligations are expected to run off over approximately 30 years. (For additional information, see MD&A - Financial Services in the Annual Report.)

Individual annuity contracts typically impose a surrender penalty on policyholder balances withdrawn in the first 10 years of the contract life. The period of time and level of the penalty vary by product. Existing tax penalties on annuity distributions prior to age 59-1/2 provide an additional disincentive to premature surrenders of annuity balances.

The majority of those products which utilize Separate Accounts provide contractholders with a vehicle for investments under which the contractholders assume the investment risks as well as the benefit of favorable performance. Separate Accounts offered include accounts that invest in real estate, mortgages, international investments, mutual funds, and a variety of other equity and fixed income investments. Aetna earns a management fee on these Separate Accounts or on the mutual funds in which certain of the Separate Accounts invest. Various investment advisory services also are offered through a number of wholly owned subsidiaries that are registered investment advisors.

At December 31, assets under management, including Separate Accounts, were $67.1 billion in 1993, $61.8 billion in 1992, $60.7 billion in 1991, $57.7 billion in 1990, and $53.7 billion in 1989.

The following table summarizes pension and annuity premiums for the years indicated:

<TABLE>

<CAPTION>

(millions)	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
Pensions	$ 186.0	$ 204.3	$ 294.3	$ 597.0	$ 1,303.8
Annuities...............	31.9	18.6	11.3	9.2	2.0
Total.................	$ 217.9	$ 222.9	$ 305.6	$ 606.2	$ 1,305.8

</TABLE>

Deposits, which are not included in premiums or revenue under Financial Accounting Standard No. 97 ("FAS 97"), are shown in the

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following table for the years indicated:

<TABLE>

<CAPTION>

(millions)	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
Pensions................	$ 3,207	$ 3,553	$ 4,358	$ 5,716	$ 4,281
Annuities..............	2,540	1,862	1,653	1,422	1,105
Total.................	$ 5,747	$ 5,415	$ 6,011	$ 7,138	$ 5,386

</TABLE>

Competition

In the pension and annuity markets, competition arises from other insurance companies, banks, bank trust departments, mutual funds and other investment managers. Principal competitive factors are cost, service, level of investment performance and the perceived financial strength of the investment manager. (For additional information, see MD&A - Liquidity and Capital Resources in the 1993 Annual Report.) Measured by assets under management at December 31, 1992, Aetna is the 19th largest manager of pension assets in the United States.

Method of Distribution

Group pension products are sold principally through salaried field representatives and home office marketing personnel, who often work with independent consultants and brokers who assist in the production and servicing of business. Annuity products are distributed primarily through dedicated annuity agents selling only Aetna annuity products.

Reserves

The loss on discontinuance of fully guaranteed large case pension products ($825 million as of the December 31, 1993 measurement date) represents the present value of anticipated net cash flow shortfalls as the liabilities are run off. Such net cash flow shortfalls include anticipated losses from negative interest margins (i.e., the amount by which interest credited to holders of such contracts exceeds interest earned on investment assets supporting the contracts), future capital losses, and operating expenses and other costs expected to be incurred as the liabilities are run off.

In addition to the reserve described above, the company maintains reserves for guaranteed investment contracts equal to the amount on deposit for such contracts plus credited interest thereon. Reserves for annuity contracts reflect the present value of benefits based on actuarial assumptions established at the time of contract purchase. Such assumptions are based on Aetna's experience, which is periodically reviewed against published industry data. Reserves for experience rated contracts reflect cumulative deposits, less withdrawals and charges, plus credited interest thereon, less net realized capital gains/losses (which the company seeks to recover through credited rates).

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3. Commercial Property-Casualty Insurance and Services

Principal Products

The business units in the Commercial Property-Casualty Insurance and Services segment ("Commercial Property-Casualty") provide most types of property-casualty insurance, bonds, and insurance-related services for businesses, government units and associations.

Commercial coverages accounted for 67% of Aetna's 1993 property-casualty net written premiums. These coverages are sold for risks of all sizes and include fire and allied lines, multiple peril, marine, workers' compensation, general liability (including product liability), commercial automobile, certain professional liability, and fidelity and surety bonds. In addition, Aetna offers various services to businesses that choose to self-insure certain exposures. Aetna also reinsures various property and liability risks, primarily through agreements with non-affiliated insurers, on both a treaty and facultative basis.

Approximately 82% of Aetna's 1993 commercial business was voluntary. The remainder was written by various assigned risk plans, facilities and pools of which Aetna is a member. These organizations are formed to meet statutory requirements relating to the writing of certain types of commercial risk or to spread particularly large loss exposures among insurers pursuant to a prearranged allocation formula. Participation is mandatory, and underwriting decisions are made by such facilities independent of their membership.

For a significant portion of the commercial property-casualty business, Aetna uses advisory or compulsory rate structures and, in some instances, forms that were developed by agencies and bureaus in which insurance companies are authorized to participate through state regulation. However, in recent years, Aetna has emphasized the development of independent coverages designed for sale to specific market segments.

The following table sets forth the premium revenue, underwriting results and net investment income, fees and other income and net realized capital gains of Commercial Property-Casualty for the years indicated:

<TABLE>
<CAPTION>

(dollar amounts in millions)	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
Statutory:					
Net written premiums.....	$ 3,026.3	$ 3,339.3	$ 3,569.3	$ 3,745.9	$ 3,789.8
Premiums earned..........	$ 3,114.6	$ 3,258.2	$ 3,628.1	$ 3,777.8	$ 3,991.6
Loss ratios..............	96.3%	98.2%	84.9%	84.2%	83.4%
Expense ratios...........	33.7	31.7	30.2	28.5	26.8
Combined ratios:					

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(before policyholder dividends)............	130.0%	129.9%	115.1%	112.7%	110.2%
(after policyholder dividends)............	130.9%	131.0%	116.7%	114.3%	112.3%
(after policyholder dividends, adjusted for discounting) (1)...	117.9%	131.0%	116.7%	114.3%	112.3%
GAAP(2):					
Net written premiums.....	$ 3,026.3	$ 3,339.3	$ 3,569.3	$ 3,745.9	$ 3,789.8
Premiums earned..........	$ 3,121.2	$ 3,204.1	$ 3,616.1	$ 3,782.2	$ 3,999.3
Adjusted underwriting loss (pretax)...........	$ (914.4)	$(1,072.2)	$ (590.2)	$ (530.6)	$ (467.0)
Net investment income, fees and other income and net realized capital gains...........	$ 1,017.1	$ 1,067.4	$ 984.6	$ 982.1	$ 959.7
Loss ratios..............	96.1%	99.9%	85.2%	84.1%	83.2%
Expense ratios...........	33.3	31.2	29.9	28.6	27.8
Combined Ratios:					
(before policyholder dividends)............	129.4%	131.1%	115.1%	112.7%	111.0%
(after policyholder dividends)............	130.3%	132.1%	116.7%	114.3%	113.1%
(after policyholder dividends, adjusted for discounting) (1).......	117.3%	132.1%	116.7%	114.3%	113.1%

<FN>

(1) The 1993 combined ratios, after policyholder dividends, have been adjusted for the cumulative effect benefit of discounting of workers' compensation life table indemnity reserves ($250.0 million, after-tax).

(2) Generally Accepted Accounting Principles.

</TABLE>

Property-casualty underwriting profitability generally is expressed in terms of combined ratios. When the combined ratio is under 100%, underwriting results are considered profitable; when the ratio is over 100%, underwriting results are considered unprofitable. The combined ratio is the sum of (i) the percentage of earned premiums that is paid or reserved for losses and related loss adjustment expenses (the "loss ratio"), (ii) the percentage of earned premiums that is paid or reserved for dividends to policyholders, and (iii) the percentage of written premiums that

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is paid or reserved for sales commissions, premium taxes, administrative and other underwriting expenses (the "expense ratio"). The combined ratio does not reflect net investment income, fees and other income, net realized capital gains/losses or federal income taxes. The statutory combined ratio does not reflect adjustments to underwriting results in accordance with GAAP.

Adjusted underwriting income/loss reflects GAAP adjustments (primarily deferred policy acquisition costs and pre-1992 salvage and subrogation) to underwriting results.

The following table sets forth for major domestic Commercial Property-Casualty coverages for the years indicated (a) the percentage of Commercial Property-Casualty statutory net written premiums (NWP) and (b) statutory combined ratios before policyholders' dividends:

PERCENTAGE DISTRIBUTION OF STATUTORY NET WRITTEN PREMIUMS AND COMBINED RATIOS

<TABLE>

<CAPTION>

	1993		1992		1991		1990		1989	
	NWP	COMBINED RATIO	NWP	COMBINED RATIO	NWP	COMBINED RATIO	NWP	COMBINED RATIO	NWP	COMBINED RATIO
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Auto liability:										
Bodily injury.......	10.1%	98.2	9.2%	112.7	8.5%	127.1	8.4%	123.4	7.0%	133.0
Property damage.....	4.4	66.7	4.2	76.5	4.0	91.6	4.0	86.7	3.5	80.9
Auto physical damage..	4.1	87.4	4.0	87.8	4.1	84.7	4.0	87.7	3.9	76.2
Fidelity and surety...	5.5	93.2	4.4	92.2	4.9	99.4	4.9	100.2	5.4	87.2
Fire and allied lines.	5.2	125.1	3.7	131.0	4.0	135.2	3.7	91.4	3.4	122.8
General liability.....	17.5	152.9	18.4	169.4	17.0	119.0	18.0	108.0	21.1	123.3
Marine................	2.5	99.5	2.0	93.4	1.9	104.7	1.8	98.6	1.7	95.7
Multiple peril........	25.6	115.8	22.1	115.4	19.8	110.0	19.2	108.1	18.8	97.9
Workers' compensation.	26.7	171.3	30.6	137.9	34.5	119.9	34.6	125.7	33.0	116.7
Other (1).............	(1.6)	(45.9)	1.4	265.1	1.3	103.2	1.4	122.3	2.2	93.2
Total before policyholders' dividends..........	100.0%	130.0	100.0%	129.9	100.0%	115.1	100.0%	112.7	100.0%	110.2
Total after policyholders' dividends..........		130.9		131.0		116.7		114.3		112.3
Total after policyholders' dividends, adjusted for discounting (2)		117.9		131.0		116.7		114.3		112.3

<FN>

(1) Net written premiums in 1993 reflect a refund of $115 million related to a Texas Catastrophe Insurance Association reinsurance contract.

(2) The 1993 combined ratios, after policyholder dividends, have been adjusted for the cumulative effect benefit of discounting of workers' compensation life table indemnity reserves ($250.0 million, after-tax).

</TABLE>

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The following table summarizes Commercial Property-Casualty statutory net written premiums for the years indicated:

(millions)	1993	1992	1991	1990	1989
Auto liability:					
Bodily injury...............	$ 306.4	$ 306.2	$ 303.5	$ 314.0	$ 265.2
Property damage.............	132.3	138.6	141.4	151.0	131.5
Auto physical damage.........	124.2	132.4	146.0	149.9	147.6
Fidelity and surety..........	166.8	146.9	174.4	184.9	206.0
Fire and allied lines........	156.3	122.9	141.9	139.3	129.0
General liability............	529.8	616.1	607.0	673.8	799.4
Marine.......................	75.7	68.3	66.7	67.0	63.4
Multiple peril...............	776.1	738.0	707.4	717.4	714.7
Workers' compensation........	807.5	1,020.4	1,230.3	1,297.1	1,251.5
Other (1)....................	(48.8)	49.5	50.7	51.5	81.5
Total.....................	$3,026.3	$3,339.3	$3,569.3	$3,745.9	$3,789.8

(1) Net written premiums in 1993 reflect a refund of $115 million related to a Texas Catastrophe Insurance Association reinsurance contract.

The following table sets forth Aetna's percentage distributions of Commercial Property-Casualty direct written premiums in various jurisdictions for the years indicated:

GEOGRAPHIC DISTRIBUTION OF DIRECT WRITTEN PREMIUMS

	1993	1992	1991	1990	1989
California.............	10.9%	11.4%	11.3%	11.3%	10.5%
Connecticut............	4.6	4.9	4.8	4.9	5.8
Florida................	4.0	3.7	4.1	4.7	5.1
Georgia................	2.1	2.1	2.7	2.7	2.6
Illinois...............	3.4	3.3	3.3	3.2	3.1
Louisiana..............	1.4	2.7	3.0	2.5	2.4
Massachusetts..........	7.6	6.7	6.8	6.6	6.0
Michigan...............	1.9	2.2	2.0	2.0	2.2
Missouri...............	1.9	2.1	2.0	1.6	1.6
New Jersey.............	4.5	4.2	4.2	3.8	3.5
New York...............	13.1	12.7	12.2	12.0	12.0
North Carolina.........	3.6	3.2	3.3	3.2	3.2
Ohio...................	2.1	1.8	1.7	2.0	1.7
Pennsylvania...........	5.4	5.5	5.3	5.0	4.9
Rhode Island...........	1.6	2.1	1.8	1.9	1.9
Tennessee..............	2.5	2.2	2.3	1.8	1.8
Texas..................	3.2	3.4	4.6	5.2	6.9
Virginia...............	2.9	2.9	2.7	3.7	3.8
All other(1)...........	23.3	22.9	21.9	21.9	21.0
Total...............	100.0%	100.0%	100.0%	100.0%	100.0%

(1) All other jurisdictions, none of which accounted for more than 2% in any year.

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Competition

Commercial property-casualty insurance is highly competitive in the areas of price, service and agent relationships. There are approximately 3,900 property-casualty insurance companies in the United States. Approximately 900 of these operate in all or most states and write the vast majority of the business. In addition, an increasing amount of commercial risks are covered by purchaser self-insurance, risk-purchasing groups, risk-retention groups and captive companies. Based on 1992 written premiums, Aetna is one of the largest underwriters of commercial property-casualty coverages in the United States.

Method of Distribution

Aetna's commercial property-casualty coverages are sold through approximately 4,400 independent agents and brokers supervised and serviced by 41 field offices.

Reserves

See Reserves Related to Property-Casualty Operations on pages 18 through 21.

Reinsurance

Approximately one-half of the property-casualty reinsurance ceded by Aetna arises in connection with its servicing relationships with various pools (frequently involuntary pools). Aetna services or writes a portion of the pool's individual policies, handling all premium and loss transactions. These "service" premiums and losses are then 100% ceded (net of an expense reimbursement) to the pools, whose members are jointly liable to Aetna as a servicer.

In addition to the above, Aetna utilizes a variety of reinsurance agreements, primarily with non-affiliated insurers, to control its exposure to large property-casualty losses. These agreements, most of which are renegotiated annually as to coverage, limits and price, are structured either on a treaty basis (where all risks meeting prescribed criteria are automatically covered) or on a facultative basis (where the circumstances of specific individual insurance risks are reflected). The amount of risk retained by Aetna depends on the underwriter's evaluation of the specific account, subject to maximum limits based on risk characteristics and the type of coverage. The principal catastrophe reinsurance agreement currently in force covers approximately 81% of specified property losses between $150 million and $325 million.

For additional information on reinsurance, see MD&A - Property-Casualty Reserves and Note 15 of Notes to Financial Statements in the Annual Report.

Aetna has internal property-casualty reinsurance arrangements under which the risks and premiums of virtually all coverages written by the company's property-casualty subsidiaries are redistributed among those subsidiaries on a percentage basis. The percentages are adjusted from time to time to reflect the relative underwriting capacities and other capital needs of participants in the reinsurance agreement.

4. Personal Property-Casualty

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Principal Products

The business units in the Personal Property-Casualty segment ("Personal Property-Casualty") provide primarily personal automobile insurance and homeowners insurance. Personal coverages accounted for 33% of Aetna's 1993 property-casualty net written premiums.

The following table sets forth the premium revenue, underwriting results and net investment income, other income and net realized capital gains/losses of the personal property-casualty operations for the years indicated:

(dollar amounts in millions)	1993	1992	1991	1990	1989
Statutory:					
Net written premiums..	$1,490.1	$1,577.0	$2,241.3	$2,544.9	$2,759.5
Premiums earned.......	$1,541.0	$1,788.7	$2,344.9	$2,625.4	$2,752.9
Loss ratios...........	76.6	82.0	81.9	82.0	87.6
Expense ratios........	36.3	35.9	31.5	30.2	30.8
Combined ratios(1)....	112.9	117.9	113.4	112.2	118.4
GAAP:					
Net written premiums..	$1,438.4	$1,577.0	$2,241.3	$2,544.9	$2,759.5
Premiums earned.......	$1,489.3	$1,788.7	$2,344.9	$2,625.4	$2,752.9
Adjusted underwriting loss (pretax) (1,2)..	$ (154.7)	$ (270.4)	$ (376.5)	$ (314.5)	$ (505.6)
Net investment income, other income and net realized capital gains/losses.........	$ 184.7	$ 292.2	$ 323.8	$ 357.7	$ 345.8
Loss ratios...........	76.8	82.0	85.4	82.0	87.5
Expense ratios........	34.7	37.6	32.1	31.0	30.8
Combined ratios.......	111.5	119.6	117.5	113.0	118.3

(1) See discussion related to combined ratios and adjusted underwriting loss on page 13.
(2) Includes a charge of $83.6 million in 1991 related to the company's withdrawal from the Massachusetts personal automobile insurance market pursuant to an agreement with the Massachusetts Division of Insurance.

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Approximately 86% of Aetna's 1993 personal property-casualty business was voluntary. The remainder was written by various assigned risk plans, facilities and pools of which Aetna is a member. These organizations are formed to meet statutory requirements relating to certain types of property-casualty risk or to spread particularly large loss exposures among insurers pursuant to prearranged allocation formulas. Participation is mandatory, and underwriting decisions are made by such facilities independent of their membership.

The following table sets forth for major personal property-casualty coverages for the years indicated (a) the percentage of total personal property-casualty statutory net written premiums (NWP) and (b) the statutory combined ratios:

<TABLE>
<CAPTION>

PERCENTAGE DISTRIBUTION OF STATUTORY NET WRITTEN PREMIUMS AND COMBINED RATIOS

	1993		1992		1991		1990		1989	
	NWP	COMBINED RATIO	NWP	COMBINED RATIO	NWP	COMBINED RATIO	NWP	COMBINED RATIO	NWP	COMBINED RATIO
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Auto liability:										
Bodily injury......	33.1%	131.7	34.0%	135.1	33.8%	135.2	31.9%	134.2	30.5%	135.4
Property damage....	10.9	72.7	11.6	84.5	12.4	106.9	11.7	109.6	11.7	122.4
Auto physical damage	19.5	93.8	21.5	97.3	24.1	91.7	25.6	94.9	26.8	98.1
Homeowners..........	27.6	124.1	24.6	132.7	22.7	112.3	23.7	107.9	23.9	120.6
Other...............	8.9	99.5	8.3	104.3	7.0	105.3	7.1	97.8	7.1	111.6
Total...........	100.0%	112.9	100.0%	117.9	100.0%	113.4	100.0%	112.2	100.0%	118.4

</TABLE>

The following table summarizes personal property-casualty statutory net written premiums for the years indicated:

<TABLE>
<CAPTION>

(millions)	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
Auto liability:					
Bodily injury.....	$ 492.5	$ 535.4	$ 757.5	$ 812.0	$ 840.6
Property damage...	162.9	183.4	278.7	297.0	323.5
Auto physical damage	290.1	339.6	540.2	650.3	739.9
Homeowners..........	411.7	388.5	508.4	603.6	659.4
Other...............	132.9	130.1	156.5	182.0	196.1
Total...........	$1,490.1	$1,577.0	$2,241.3	$2,544.9	$2,759.5

</TABLE>

The following table sets forth Aetna's percentage distributions of Personal Property-Casualty direct written premiums in various jurisdictions for the years indicated:

<TABLE>

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<CAPTION>

GEOGRAPHIC DISTRIBUTION OF DIRECT WRITTEN PREMIUMS

	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
California(1).............	4.6%	5.4%	5.2%	6.0%	6.4%
Connecticut...............	8.9	8.8	8.2	7.8	7.7
Florida...................	6.6	5.0	4.2	4.0	4.1
Massachusetts(2)..........	2.4	9.4	11.4	10.7	9.9
New Jersey................	6.5	4.9	3.5	2.9	2.4
New York..................	30.2	28.6	25.8	23.3	21.2
North Carolina............	2.8	2.4	2.6	3.2	3.5
Pennsylvania..............	13.8	11.8	10.4	9.5	9.5
Texas.....................	9.4	8.5	8.7	8.1	8.6
Virginia..................	2.2	2.3	2.4	2.8	2.7
All other(3)..............	12.6	12.9	17.6	21.7	24.0
Total..................	100.0%	100.0%	100.0%	100.0%	100.0%

<FN>

(1) In 1993, the company withdrew from the California personal automobile insurance market.
(2) In early 1992, the company reached an agreement with the Massachusetts Division of Insurance and the Commonwealth Automobile Reinsurers ("CAR") under which Aetna withdrew from the Massachusetts personal automobile insurance market. Beginning in 1992, all Massachusetts premium revenue is ceded to CAR.
(3) All other jurisdictions, none of which accounted for more than 2% in any year.

</TABLE>

Reserves

See Reserves Related to Property-Casualty Operations on pages 18 through 21.

Competition

Personal property-casualty insurance is highly competitive in the areas of price, service, agent relationships and method of distribution (i.e., use of independent agents, captive agents and/or employees). Currently, there are over 2,400 property-casualty companies in the United States that offer one or more individual products similar to those marketed by Aetna. Measured by 1992 premium volume, Aetna is the 11th largest underwriter of personal property-casualty products in the United States. State Farm and Allstate have significant market share in the personal property-casualty market.

Method of Distribution

Aetna's personal property-casualty products are marketed by independent agents and brokers who may sell insurance products for other companies.

Reinsurance

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See Reinsurance on page 15.

5. Reserves Related to Property-Casualty Operations

Aetna establishes reserve liabilities designed to reflect estimates of the ultimate cost of claims (including claim adjustment expenses). Such liabilities for workers' compensation life table indemnity claims are discounted. Estimating the ultimate cost of claims is a complex and uncertain process that relies on actuarial and statistical methods of analysis. The company's reserves include: (i) claims that have been reported but not settled ("case" reserves), and (ii) claim costs that have been incurred but have not yet been reported ("IBNR" reserves). The establishment of case reserves is dependent upon, among other things, the extent to which coverage was provided, the extent of injury or damage, and, in the case of a contested claim, an estimate of the likely outcome of the adjudication process (to the extent such outcome is estimable). IBNR reserves, established to reflect events and occurrences that are not known to the company but, based on actuarial and historical data (adjusted for the effects of current social, economic and legal developments, trends and factors), are likely to result in claims, also include provision for development on case reserves. As claims are reported and valued by the company, IBNR reserves are reduced by the amount of the reported claim cost. IBNR reserves also are adjusted as the estimates of losses for a given accident year develop. The length of time for which the cost of claims must be estimated varies depending on the coverage and type of claim involved. Estimates become more difficult to make (and are therefore more subject to change) as the length of time increases. Actual claim costs are dependent upon a number of complex factors including social and economic trends and changes in doctrines of legal liability and damage awards.

Reserves for property-casualty coverage are recomputed periodically using a variety of actuarial and statistical techniques for producing current estimates of actual claim costs, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claim costs is implicit since reliance is placed on both actual historical data that reflect past inflation and on other factors which are judged to be appropriate modifiers of past experience. Adjustments to reserves are reflected in the net income of the period in which such adjustments are made.

Aetna also establishes unearned premium reserves that are calculated on a pro rata basis and reserves for additional premiums or refunds on retrospectively rated policies based on experience. This means that when a loss which will produce an additional premium payment is incurred on a retrospectively rated policy, the premium is recorded at the same time. Likewise when loss experience is favorable, reserves for premium refunds are established.

During the fourth quarter of 1993, the company added $574 million (pretax, before discount) to prior accident year loss reserves for workers' compensation claims. This increase resulted from a recently completed study of the company's workers' compensation reserves which indicated that workers' compensation claims have a longer duration than previously estimated. Concurrent with the addition to workers' compensation reserves, the company implemented a change in accounting to discount reserves for workers' compensation life table indemnity claims consistent with industry practice. This discounting resulted in a reduction of $634 million (pretax) to loss reserves for workers' compensation

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claims in 1993.

For additional information on property-casualty reserves, including reserves for asbestos and environmental-related claims, see MD&A-Property Casualty Reserves in the Annual Report.

The following represents changes in aggregate reserves, net of reinsurance, for the combined property-casualty experience (1,2):

(millions)	1993	1992	1991
Unpaid claims and claim adjustment expenses at beginning of year........	$11,747	$11,407	$11,064
Incurred claims and claim adjustment expenses:			
Provision for insured events of the current year..................	3,724	4,407	5,019
Increases in provision for insured events of prior years.............	60(3)	466	45
Total incurred claims and claim adjustment expenses..................	3,784	4,873	5,064
Payments:			
Claims and claim adjustment expenses attributable to insured events of the current year..................	1,204	1,560	1,641
Claims and claim adjustment expenses attributable to insured events of prior years.......................	2,889	2,973	3,080
Total payments.......................	4,093	4,533	4,721
Total unpaid claims and claim adjustment expenses at end of the year............................	$11,438	$11,747	$11,407

(1) Accident and health business is excluded.
(2) Includes International.
(3) Includes the cumulative effect adjustment related to the change in accounting to report workers' compensation life table indemnity claims on a discounted basis.

The following table reconciles, as of year end, reserves determined in accordance with accounting principles and practices prescribed or permitted by insurance regulatory authorities ("statutory basis reserves") to reserves determined in accordance with generally accepted accounting principles ("GAAP basis reserves"), net of reinsurance for the combined property-casualty

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unpaid claims and claim adjustment expense experience (1):

<TABLE>
<CAPTION>

(millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Statutory unpaid claims and claim adjustment expenses	$11,253	$11,541	$11,391
Adjustments:			
Salvage and subrogation.(2)	-	-	(147)
Subsidiary operations (3)	185	206	163
GAAP unpaid claims and claim adjustment expenses	$11,438	$11,747	$11,407

<FN>

(1) Accident and health business is excluded.
(2) In 1992, the NAIC adopted a new accounting principle to allow salvage and subrogation to be offset against loss reserves, which is consistent with GAAP. For 1993 and 1992, salvage and subrogation is deducted from statutory unpaid claims and claim adjustment expenses.
(3) These operations are accounted for on an equity basis for statutory purposes.

</TABLE>

The following reserve runoff table represents Aetna's combined property-casualty loss and loss expense experience. Each column shows, for the year indicated:

the reserve held at year end;

cumulative data for payments made in each subsequent year for that reserve year;

liability reestimates made in each subsequent year for that reserve year;

the redundancy (deficiency) represented by the difference between the original reserve held at the end of that year and the reestimated liability as of the end of 1993; and

the change in redundancy (deficiency) from the end of each reserve year shown to the end of each subsequent reserve year.

The majority of increases to prior accident year reserves were for losses and related expenses for asbestos and other product liability risks attributable to policies written prior to 1978 and for workers' compensation claims.

The table represents historical data; it would not be appropriate to use such data to project the company's future reserving activity or its future performance generally.

<TABLE>

<CAPTION>

Year Ended	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993 (1)

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(Millions)

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Liability for unpaid claims and claim adjustment expenses......	$5,650	$5,948	$6,560	$7,503	$8,708	$9,843	$10,557	$11,064	$11,407	$11,747	$11,438
Paid (cumulative) as of:											
End of year.............	0	0	0	0	0	0	0	0	0	0	0
One year later...........	1,741	1,844	2,067	2,180	2,552	3,134	3,069	3,080	2,973	2,889	
Two years later..........	2,806	3,055	3,372	3,727	4,547	4,955	4,994	5,133	5,116		
Three years later........	3,634	3,936	4,436	5,179	5,797	6,250	6,404	6,735			
Four years later.........	4,221	4,669	5,504	6,065	6,682	7,212	7,578				
Five years later.........	4,730	5,493	6,118	6,692	7,354	8,048					
Six years later..........	5,386	5,942	6,571	7,197	7,991						
Seven years later........	5,747	6,290	6,955	7,705							
Eight years later........	6,012	6,597	7,375								
Nine years later.........	6,264	6,959									
Ten years later..........	6,581										
Liability reestimated as of:											
End of year..............	5,650	5,948	6,560	7,503	8,708	9,843	10,557	11,064	11,407	11,747	11,438
One year later...........	5,659	6,013	6,778	7,746	9,022	10,015	10,644	11,109	11,873	11,807	
Two years later..........	5,730	6,272	7,056	8,188	9,312	10,203	10,791	11,737	12,100		
Three years later........	5,943	6,531	7,536	8,539	9,547	10,457	11,376	12,050			
Four years later.........	6,130	6,926	7,910	8,813	9,808	10,985	11,617				
Five years later.........	6,461	7,291	8,156	9,084	10,319	11,207					
Six years later..........	6,791	7,515	8,422	9,577	10,498						
Seven years later........	6,985	7,778	8,907	9,772							
Eight years later........	7,235	8,250	9,124								
Nine years later.........	7,691	8,472									
Ten years later..........	7,918										
Redundancy (Deficiency)....	(2,268)	(2,524)	(2,564)	(2,269)	(1,790)	(1,364)	(1,060)	(986)	(693)	(60)	0
Change in redundancy (deficiency)............	N/A	(256)	(40)	295	479	426	304	74	293	633	60
Gross liability, end of year (2)..........										$15,979	$15,846
Reinsurance recoverable....										4,232	4,408
Net liability, end of year.............										$11,747	$11,438
Gross reestimated liability-latest (2).....										$16,358	
Reestimated recoverable-latest.......										4,551	
Net reestimated liability-latest.........										$11,807	
Gross cumulative deficiency										$ (379)	

<FN>

(1) Includes the cumulative effect adjustment related to the change in accounting to report workers' compensation life table indemnity claims on a discounted basis.

(2) Information presented gross in 1993 and 1992 due to the adoption of FAS No. 113, Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts,

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retroactive to December 31, 1992. Adoption of FAS No. 113 had no impact on the 1993 net loss.

</TABLE>

6. International

The International segment ("International"), through subsidiaries and joint venture operations, sells primarily life insurance and financial services products in non-U.S. markets including Canada, Malaysia, Taiwan, Chile, Mexico, the United Kingdom, Hong Kong, Korea and New Zealand. International operations are subject to regulation in the various jurisdictions in which they do business. In most of the geographic areas and markets in which International has operations, the competition is extensive. Methods of distribution vary by country and by product, and include direct sales, sales through agents and brokers, and sales through joint ventures.

On June 30, 1993, the company completed the sale of its U.K. life and investment management operations. The company realized an after-tax capital loss of $12 million on the sale as well as $37 million of tax benefits from cumulative operating losses of the subsidiary not previously available for tax benefits.

The company completed the sale of its 43% interest in La Estrella S.A. de Seguros, a Spanish insurance company, to Banco Hispano Americano in May 1991. The company realized a net capital gain of $33 million (after-tax) on the sale.

Operations outside the U.S. have added risks such as nationalization, expropriation, and the potential for restrictive capital regulations. Given the particular countries in which International has operations, and the current size and nature of those operations, management does not believe such risks are material to the company.

The following table sets forth International's premium revenue, net investment income, other income and net realized capital gains/losses and life insurance in force, before deductions for reinsurance ceded to other companies:

<TABLE>
<CAPTION>

(millions)	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
Premiums..........................	$ 952.2	$ 898.3	$ 549.4	$ 455.5	$ 343.9
Net investment income, other income and net realized capital gains/losses.....................	$ 383.1	$ 398.2	$ 397.2	$ 265.8	$ 268.9
Life insurance in force, end of year.........................	$ 44,186	$ 37,172	$ 30,083	$ 21,238	$ 16,771

</TABLE>

Premium growth in 1992 included $128 million from the second quarter consolidation of a previously unconsolidated subsidiary as a result of an increase in the company's ownership percentage.

7. Investments

The investment income and realized capital gains and losses from

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the investment portfolios of the company's insurance subsidiaries contribute to the results of the insurance operations described above. Investment strategies and portfolios are designed to reflect the liability profiles, competitive requirements and tax characteristics of the company's different products. The distribution of maturities is monitored, and security purchases and sales are executed with the objective of having adequate funds available to satisfy the company's maturing liabilities. The company also utilizes futures and forward contracts and swap agreements in order to manage investment returns and to align maturities, interest rates, currency rates and funds availability with its obligations.

See MD&A - Investments in the Annual Report for a further discussion of investments.

a. Investments Related to Life, Health, Annuity and Pension Operations

Consistent with the nature of the contract obligations involved in the company's group and individual life, health and disability, annuity and pension operations, the majority of the general account assets attributable to such operations have been invested in intermediate and long-term, fixed income obligations such as treasury obligations, mortgage-backed securities, corporate debt securities and mortgage loans.

For information concerning the valuation of investments, see Notes 1, 5, and 6 of Notes to Financial Statements in the Annual Report.

The following table sets forth the distribution of invested assets, cash and cash equivalents and accrued investment income as of the end of the years indicated (1):

<TABLE>

<CAPTION>

(millions)	1993 (2,3)	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
Debt securities:					
Bonds:					
United States Government and government agencies and authorities..................	$ 4,800.8	$ 2,318.7	$ 1,443.1	$ 585.7	$ 427.5
States, municipalities and political subdivisions.......	157.8	171.7	247.6	123.4	557.0
Foreign(4).....................	2,538.5	846.5	1,410.6	1,526.9	1,655.5
Public utilities...............	2,046.1	1,615.3	2,079.9	2,518.3	2,734.6
Financial......................	3,643.0	2,188.6	2,477.3	2,985.7	3,352.5
Transportation/Capital goods...	1,950.8	1,728.6	2,285.2	2,650.9	2,623.4
Mortgage-backed securities.....	8,784.6	10,117.4	8,208.3	7,132.1	5,582.2
Food and fiber.................	708.5	652.5	750.4	857.7	635.1
Natural resources and services	842.0	600.4	738.5	800.0	822.4
All other corporate bonds......	3,033.6	3,037.5	2,816.1	2,765.1	2,443.4
Total bonds..................	28,505.7	23,277.2	22,457.0	21,945.8	20,833.6
Redeemable preferred stocks......	1.3	1.8	3.3	1.6	1.9
Total debt securities........	28,507.0	23,279.0	22,460.3	21,947.4	20,835.5
Equity securities:					
Common stocks..................	210.5	108.8	101.1	73.2	82.3
Non-redeemable preferred stocks	101.0	107.8	158.3	147.4	158.2
Total equity securities......	311.5	216.6	259.4	220.6	240.5

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Short-term investments...........	413.5	838.7	73.3	883.1	201.0
Mortgage loans...................	12,331.2	15,203.0	17,507.0	19,499.2	19,598.7
Real estate......................	944.1	1,116.3	1,022.2	728.7	655.2
Policy loans.....................	448.3	427.4	414.2	404.1	389.3
Other............................	242.3	319.9	229.4	593.8	690.8
Total investments............	$43,197.9	$41,400.9	$41,965.8	$44,276.9	$42,611.0
Cash and cash equivalents..........	$ 1,232.5	$ 1,516.3	$ 2,231.3	$ 1,037.8	$ 1,394.6
Accrued investment income..........	$ 529.7	$ 523.6	$ 575.8	$ 630.4	$ 646.6

<FN>

(1) Excludes International and Separate Accounts.
(2) The majority of debt securities are carried at fair value in 1993 due to the adoption of FAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, at December 31, 1993.
(3) Includes $14.7 billion of assets supporting discontinued products.
(4) "Foreign" includes foreign governments, foreign political subdivisions, foreign public utilities and all other bonds of foreign issuers.

</TABLE>

Mortgage-backed securities at December 31, 1993, 1992 and 1991 included the following categories of collateralized mortgage obligations (1):
<TABLE>
<CAPTION>
(millions)

<S>	Amortized Cost, net of valuation reserves <C>	Fair Value <C>	Yield (2) <C>
1993			
Sequentials....................	$1,788.4	$1,890.9	10.3%
Planned Amortization Class.....	3,347.7	3,562.2	8.8
Interest Only..................	45.0	45.7	13.1
Principal Only.................	73.8	110.5	19.6
Z-Tranches.....................	276.8	319.6	10.2
Other..........................	66.1	65.4	6.9
Total........................	$5,597.8	$5,994.3	9.5
1992			
Sequentials....................	$2,090.5	$2,213.6	10.2%
Planned Amortization Class.....	2,689.6	2,847.2	9.0
Interest Only..................	287.3	236.3	5.3
Principal Only.................	242.7	273.3	10.4
Z-Tranches.....................	661.6	714.5	10.4
Other..........................	204.9	205.1	7.9
Total........................	$6,176.6	$6,490.0	9.4
1991			

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Sequentials....................	$1,589.0	$1,747.9	9.9%
Planned Amortization Class.....	2,507.0	2,728.3	9.5
Interest Only..................	69.1	61.5	10.5
Principal Only.................	312.6	357.4	7.6
Z-Tranches.....................	289.6	326.4	10.1
Other..........................	125.1	133.7	6.2
Total........................	$4,892.4	$5,355.2	9.5

<FN>
(1) Excludes Separate Accounts.
(2) Based on fair value at year-end.
</TABLE>

The following table summarizes investment results of the company's life, health, annuity and pension operations (1):
<TABLE>
<CAPTION>
(dollar amounts in millions)

<S>	Net Investment Income (2) <C>	Earned Net Investment Income Rate (3) <C>	Net Realized Capital Gains (Losses) (4) <C>	Change in Net Unrealized Capital Gains and Losses (5) <C>
For the year:				
1993..............	$3,653.0	8.8%	$ (40.8)	$ 281.8
1992..............	3,835.9	8.9	(111.7)	(26.9)
1991..............	4,202.7	9.7	(373.0)	79.9
1990..............	4,258.9	9.9	(171.8)	(29.3)
1989..............	4,114.4	10.0	9.3	42.9

<FN>
(1) Excludes International and Separate Accounts.
(2) Net investment income excludes net realized capital gains and losses and is after deduction of investment expenses, but before deduction of federal income taxes.
(3) The Earned Net Investment Income Rate for any given year is equal to (a) net investment income divided by (b) the average of (i) cash, invested assets and investment income due and accrued less borrowed money at the beginning of the year and (ii) cash, invested assets and investment income due and accrued less borrowed money at the end of the year, less net investment income. Debt securities are reflected primarily at amortized cost for purposes of this calculation. Investments in affiliates have been eliminated for purposes of this calculation.
(4) Net realized capital gains (losses) are before federal income taxes and after gains and losses allocable to experience rated pension contractholders. Intercompany transactions between life, health, annuity and pension operations and property-casualty operations have not been eliminated.
(5) Net unrealized capital gains (losses) are before federal income taxes and exclude changes in unrealized capital gains (losses) related to experience rated contractholders and discontinued products. Intercompany transactions between life, health, annuity and pension operations and property-casualty operations have not been eliminated.
</TABLE>

b. Investments Related to Property-Casualty Operations

The investment strategies for assets related to personal and commercial property-casualty operations are designed to maximize yield with appropriate liquidity and preservation of principal, and to permit periodic adjustment of the portfolio mix, in order to reflect changes in underwriting results and thus maximize after-tax income. Common stocks are held with the primary objective of achieving portfolio appreciation through capital gains and income. The size of common stock holdings is controlled in relation to surplus levels.

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For information concerning the valuation of investments, see Notes 1, 5, and 6 of Notes to Financial Statements in the Annual Report.

The following table sets forth the distribution of invested assets, cash and cash equivalents and accrued investment income as of the end of the years indicated (1):

<TABLE>

<CAPTION>

(millions)	1993 (2)	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
Debt Securities:					
Bonds:					
United States Government and government agencies and authorities...............	$ 3,341.9	$ 895.7	$ 828.2	$ 622.9	$ 485.2
States, municipalities and political subdivisions........	2,086.9	2,210.0	2,953.1	4,114.4	4,128.3
Foreign(3)......................	757.2	533.0	597.8	431.4	420.3
Public utilities................	717.3	676.3	455.9	293.3	300.5
Financial.......................	1,280.0	708.6	946.3	768.1	964.4
Transportation/Capital goods....	215.9	290.3	256.2	225.1	200.8
Mortgage-backed securities......	1,453.5	3,029.5	2,561.7	2,009.9	2,043.6
Food and fiber..................	218.3	213.9	169.8	122.3	116.0
Natural resources and services..	279.6	334.3	268.6	166.6	188.8
All other corporate bonds.......	636.8	602.9	287.0	217.3	289.5
Total bonds.................	10,987.4	9,494.5	9,324.6	8,971.3	9,137.4
Redeemable preferred stocks.....	92.3	162.8	140.5	166.0	178.9
Total debt securities.......	11,079.7	9,657.3	9,465.1	9,137.3	9,316.3
Equity securities:					
Common stocks....................	1,169.5	1,015.0	645.9	484.2	854.1
Non-redeemable preferred stocks...	7.2	7.8	14.4	21.0	15.9
Total equity securities.....	1,176.7	1,022.8	660.3	505.2	870.0
Short-term investments.............	235.8	506.8	479.2	720.1	31.9
Mortgage loans.....................	1,834.1	2,126.0	2,303.8	2,629.7	2,512.9
Real estate........................	314.8	344.6	317.0	240.3	290.1
Other..............................	295.7	258.9	490.0	331.8	381.9
Total investments...........	$14,936.8	$13,916.4	$13,715.4	$13,564.4	$13,403.1
Cash and cash equivalents..........	$ (11.0)	$ 597.1	$ 382.4	$ 471.3	$ 781.2
Accrued investment income..........	$ 206.8	$ 192.7	$ 201.6	$ 209.2	$ 215.6

<FN>

(1) Excludes International and investments in affiliates.
(2) The majority of debt securities are carried at fair value in 1993 due to the adoption of FAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, at December 31, 1993.
(3) "Foreign" includes foreign governments, foreign political subdivisions, foreign public utilities and all other bonds of foreign issuers.

</TABLE>

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Mortgage-backed securities at December 31, 1993, 1992 and 1991 included the following categories of collateralized mortgage obligations (1):

<TABLE>
<CAPTION>

(millions)

<S>	Amortized Cost, net of valuation reserves <C>	Fair Value <C>	Yield (2) <C>
1993			
Sequentials....................	$ 102.4	$ 102.4	6.7%
Planned Amortization Class.....	211.6	213.0	6.8
Principal Only.................	53.3	54.7	6.5
Z-Tranches.....................	7.0	7.0	4.8
Other..........................	10.3	10.2	8.9
Total........................	$ 384.6	$ 387.3	6.8
1992			
Sequentials....................	$ 468.9	$ 488.4	7.9%
Planned Amortization Class.....	874.7	909.7	7.9
Principal Only.................	40.5	46.4	1.0
Z-Tranches.....................	11.1	11.5	6.8
Other..........................	80.1	80.9	-
Total........................	$1,475.3	$1,536.9	7.7
1991			
Sequentials....................	$ 100.6	$ 106.9	8.8%
Planned Amortization Class.....	1,385.2	1,473.8	9.1
Principal Only.................	30.2	34.8	4.2
Other..........................	24.2	24.8	7.9
Total........................	$1,540.2	$1,640.3	9.0

<FN>

(1) Excludes International.

(2) Based on fair value at year-end.

</TABLE>

The following table summarizes investment results of the company's property-casualty insurance operations (1):

<TABLE>
<CAPTION>

(dollar amounts in millions)

	Net Investment Income (2)	Earned Net Investment Income Rate (3)	Net Realized Capital Gains (Losses) (4)	Change in Net Unrealized Capital Gains and Losses (4)

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<S> <C> <C> <C> <C>

For the year:				
1993...............	$ 959.0	7.3%	$ 149.2	$ 207.6
1992...............	946.1	7.2	217.4	200.6
1991...............	1,057.9	8.3	36.2	118.3
1990...............	1,136.0	8.8	53.8	(129.8)
1989...............	1,038.6	8.0	211.6	186.8

<FN>
(1) Excludes International.
(2) Net investment income excludes net realized capital gains and losses and is after deduction of investment expenses, but before deduction of federal income taxes.
(3) The Earned Net Investment Income Rate for any given year is equal to (a) net investment income divided by (b) the average of (i) cash, invested assets and investment income due and accrued less borrowed money at the beginning of the year and (ii) cash, invested assets and investment income due and accrued less borrowed money at the end of the year, less net investment income. Debt securities are reflected primarily at amortized cost for purposes of this calculation. Investments in affiliates have been eliminated for purposes of this calculation.
(4) Net realized and unrealized capital gains (losses) are before federal income taxes and exclude changes in unrealized capital gains (losses) related to experience rated contractholders. Intercompany transactions between life, health, annuity and pension operations and property-casualty operations have not been eliminated.
</TABLE>

8. Other Matters

a. Regulation

General

Aetna's insurance businesses are subject to comprehensive, detailed regulation throughout the United States and the foreign jurisdictions in which they do business. The laws of the various jurisdictions establish supervisory agencies with broad authority to regulate, among other things, the granting of licenses to transact business, premium rates for certain coverages, trade practices, agent licensing, policy forms, underwriting and claims practices, reserve adequacy, insurer solvency, the maximum interest rates that can be charged on life insurance policy loans, and the minimum rates that must be provided for accumulation of surrender value. Many also regulate investment activities on the basis of quality, distribution and other quantitative criteria. Further, many jurisdictions compel participation in, and regulate composition of, various residual market mechanisms. Aetna's operations and accounts are subject to examination at regular intervals by domestic and other insurance regulators.

Although the federal government does not directly regulate the business of insurance, many federal laws do affect that business. Existing or recently proposed federal laws that may significantly affect or would affect, if passed, the insurance business cover such matters as employee benefits (including regulation of federally qualified HMOs), controls on medical care costs, medical entitlement programs (e.g., Medicare), environmental regulation and liability, product liability, civil justice procedural reform, earthquake insurance, removal of barriers preventing banks from engaging in the insurance and mutual fund businesses, repeal of some portions of the McCarran-Ferguson exemption of the business of insurance from federal antitrust laws, the taxation of insurance companies (see Notes 1 and 10 of Notes to Financial Statements in the Annual Report), and the tax treatment of insurance products.

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Health Care

In addition to regulations applicable to insurance companies generally (described above), Aetna's managed health care products are subject to varying levels of state insurance, health maintenance organization ("HMO") and/or health department regulation. Among other things, these regulations address health care network composition, new product offerings, product and benefit contracts and the extent to which insurance companies may provide incentives to insureds to use services from "preferred" health care service providers or pay contractual and non-contractual health care providers unequally for equivalent services. Some jurisdictions also regulate the extent to which managed health care plans may offer their enrollees the option of receiving health care services from non-contracting providers. Additionally, these plans are subject to state, and in some cases federal, regulation concerning solvency and other operational requirements.

Both the Clinton Administration and a number of states have proposed significant health care reform legislation. (For additional discussion, see MD&A - Health and Life Insurance and Services in the Annual Report.)

Insurance and Insurance Holding Company Laws

Several states, including Connecticut, regulate affiliated groups of insurers such as Aetna under insurance holding company statutes. Under such laws, intercorporate asset transfers and dividend payments from insurance subsidiaries may require prior notice to or approval of the insurance regulators, depending on the size of such transfers and payments relative to the financial position of the affiliate making the transfer. These laws also regulate changes in control, as do Connecticut corporate laws (which also apply to insurance corporations). See Note 8 of Notes to Financial Statements in the Annual Report.

As a licensed Connecticut-domiciled insurer, the company is subject to Connecticut insurance laws. These laws, among other things, enable insurers to redeem their stock from any shareholder who fails, in the good faith determination of the insurer's board of directors, to (i) meet the qualifications prescribed under Connecticut law for licensure or (ii) to secure the regulatory approvals required under Connecticut law for ownership of such stock.

Securities Laws

The Securities and Exchange Commission ("SEC") and, to a lesser extent, the states regulate the sales and investment management activities of broker-dealer and investment advisory subsidiaries of the company. The SEC also regulates some of its pension, annuity, life insurance and other investment and retirement products. Additionally, certain Separate Accounts and mutual funds of Aetna Life Insurance and Annuity Company are subject to SEC regulation under the Investment Company Act of 1940. As a stock company, Aetna also is subject to extensive reporting obligations under the Securities Exchange Act of 1934.

Property-Casualty

Over the past several years, the company's insurance businesses, particularly personal automobile and workers' compensation, have been the target of various regulatory and legislative initiatives that management believes have limited the basis upon which the company conducts its activities. Such initiatives have, among other things, sought to (1) freeze or reduce rates that may be charged for certain insurance products, (2) force the company to

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issue and renew insurance in markets where the company cannot achieve an acceptable rate of return, and (3) restructure residual or involuntary markets. Residual or involuntary markets are established to provide coverage to insureds unable to obtain policies in the private marketplace. As state-mandated rates are frequently inadequate, these markets are in effect often subsidized by the insurance industry. More recently, attempts have been made to apply these initiatives to the property insurance lines as a means of addressing the availability of property insurance in certain urban and shorefront locations.

Insurance Company Guaranty Fund Assessments

Under insurance guaranty fund laws existing in all states, insurers doing business in those states can be assessed (up to prescribed limits) for certain obligations of insolvent insurance companies to policyholders and claimants. The after-tax charges to earnings for guaranty fund obligations for the years ended December 31, 1993, 1992 and 1991 were $17 million, $49 million, and $23 million, respectively. The increase in the 1992 provision is principally related to insolvencies of certain large insurance companies. The amounts ultimately assessed may differ from the amounts charged to earnings because such assessments may not be made for several years and will depend upon the final outcome of regulatory proceedings.

While the company has historically recovered more than half of guaranty fund assessments through statutorily permitted premium tax offsets and policy surcharges, significant increases in assessments could jeopardize future efforts to recover such assessments.

The company has actively supported improved insurer solvency regulation, including measures that would facilitate earlier identification of troubled insurers, and amendments to guaranty fund laws that would reduce the costs of such insolvencies to solvent insurers such as Aetna.

Proposition 103

In March 1992, the California Insurance Commissioner ("Commissioner") issued a notice of hearing to the company requiring that it show cause why it should not be ordered to pay refunds with interest pursuant to Proposition 103. Proposition 103 is a voter initiative adopted in November 1988 which requires, among other things, certain premium rollbacks or refunds by insurance companies. The Commissioner alleged that the company's refund obligation was $110 million, plus 10% interest from May 1989 (or $51 million as of December 31, 1993).

On January 13, 1994, the company entered into a stipulation with the California Department of Insurance ("Department") under which the company agreed to make refunds of $31 million, including interest, with respect to certain California policies issued or renewed between November 8, 1988 and November 7, 1989. The Department has agreed that this refund constitutes the company's complete and entire rollback and refund obligation. Given applicable reserves, the agreement with the Department will not materially affect the company's earned premium revenue or net income.

See MD&A - Regulatory Environment in the Annual Report for additional discussion of regulatory matters.

b. NAIC IRIS Ratios

The NAIC "IRIS" ratios cover 12 categories of financial data with

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defined acceptable ranges for each category. The ratios are intended to provide insurance regulators "early warnings" as to when a given company might warrant special attention. An insurance company may fall out of the acceptable range for one or more ratios and such variances may result from specific transactions that are in themselves immaterial or eliminated at the consolidated level. In 1992, two of Aetna Life and Casualty Company's significant subsidiaries had more than two IRIS ratios that were outside of NAIC acceptable ranges, as discussed below.

Aetna Life Insurance Company ("ALIC") fell outside acceptable ranges in 1992 for: (i) the Net Change in Capital and Surplus Ratio which is calculated by dividing the change in capital and surplus between the prior and the current year (net of any capital and surplus paid in) by the prior year capital and surplus; (ii) the Adequacy of Investment Income Ratio which compares investment income to credited interest; (iii) the Change in Product Mix Ratio which measures changes in the percentage of total premiums by product line; and (iv) the Change in Reserving Ratio which is designed for an open growing block of business. During 1992, significant capital was contributed by Aetna Life and Casualty Company to ALIC. The regulators were satisfied, after analysis, that ALIC did not warrant special attention.

In 1992, The Aetna Casualty and Surety Company ("AC&S") fell outside of acceptable ranges for: (i) the Two-year Overall Operating Ratio, which is a combination of a two-year combined ratio minus a two-year investment income ratio; (ii) the Change in Surplus which measures the improvement or deterioration in a company's financial condition during the year; and (iii) the Ratio of Liabilities to Liquid Assets which measures the liquidity of a company. During 1992, AC&S sold its wholly owned subsidiary, American Re-Insurance Company. Proceeds from this sale were dividended to Aetna Life and Casualty Company. This one-time event caused certain of the ratios described above to fall outside of acceptable ranges. The regulators were satisfied, after analysis, that AC&S did not warrant special attention.

Management expects that certain of the company's significant subsidiaries will have more than two IRIS ratios outside of NAIC acceptable ranges for 1993.

c. Ratios of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends

The following table sets forth Aetna's ratio of earnings to fixed charges and ratio of earnings to combined fixed charges and preferred stock dividends for the years ended December 31:

<TABLE>
<CAPTION>

(millions)	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
Ratio of Earnings to Fixed Charges	(a)	.42 (b)	2.13	3.03	4.13
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends	(a)	.42 (b)	2.13	3.03	4.05

<FN>
(a) Aetna reported a pretax loss from continuing operations in 1993 which was inadequate to cover fixed charges by $1.1 billion.
(b) Earnings were inadequate to cover fixed charges by $112.8 million in 1992.
</TABLE>

For purposes of computing both the ratio of earnings to fixed charges and the ratio of earnings to combined fixed charges and preferred stock dividends, "earnings" represent consolidated earnings from continuing operations before income taxes, cumulative effect adjustments and extraordinary items plus fixed charges and minority

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interest. "Fixed charges" consist of interest (and the portion of rental expense deemed representative of the interest factor). Preferred stock dividends, which are not deductible for income tax purposes, have been increased to a taxable equivalent basis. This adjustment has been calculated by using the effective tax rate of the applicable year. All shares of Aetna's preferred stock were redeemed in 1989 and, as a result, for the years ended December 31, 1993, 1992, 1991 and 1990 the ratios of earnings to combined fixed charges and preferred stock dividends were the same as the ratios of earnings to fixed charges.

d. Miscellaneous

Aetna had approximately 42,600 domestic employees at December 31, 1993.

Management believes that the company's computer facilities, systems and related procedures are adequate to meet its business needs. The company's data processing systems and backup and security policies, practices and procedures are regularly evaluated by the company's management and its internal auditors and are modified as considered necessary.

Portions of Aetna's insurance business are seasonal in nature. Reported claims under group health and certain property-casualty products are generally higher in the first quarter. Sales, particularly of individual life products, are generally lowest in the first quarter and highest in the fourth quarter.

No customer accounted for 10% or more of Aetna's consolidated revenues in 1993. In addition, no segment of Aetna's business is dependent upon a single customer or a few customers, the loss of which would have a significant effect on the segment. See Note 14 of Notes to Financial Statements regarding segment information in the Annual Report.

The loss of business from any one, or a few, independent brokers or agents would not have a material adverse effect on the company or any of its segments. In general, the company is not contractually obligated or committed to accept a fixed portion of business submitted by any of its property-casualty agents or brokers. The company generally reviews all of its policy applications, both new and renewal, for approval and acceptance. There are cases where the company has delegated limited underwriting authority to select agents generally for smaller business for specific classes of risks. The risks accepted by the company under these conditions are reviewed by company underwriters. This authority generally can be rescinded at any time at the discretion of the company and without prior notice to the agents.

Item 2. Properties.

The home office of Aetna, owned by Aetna Life Insurance Company, is a building complex located at 151 Farmington Avenue, Hartford, Connecticut, with approximately 1.6 million square feet. The company also owns or leases other space in the greater Hartford area as well as various field locations throughout the country. The company expects to vacate certain of these facilities in 1994 (please see MD&A - Overview in the Annual Report).

The foregoing does not include numerous investment properties held by Aetna in its general and separate accounts.

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Item 3. Legal Proceedings.

In Re: Stepak v. Aetna Life and Casualty Company et al.

On October 22, 1990, a shareholder filed a lawsuit in United States District Court for the District of Connecticut ("District Court"). The suit, which was filed on behalf of a class of company shareholders, named as defendants Aetna Life and Casualty Company ("Aetna") and certain present and former Aetna officers and directors.

The suit alleges that the defendants fraudulently and in violation of federal securities laws failed, among other things, to adequately disclose alleged deterioration in the value of mortgage loan and real estate investment portfolios and that the plaintiff, acting in reliance upon such allegedly misleading public statements, purchased Aetna common stock at artificially inflated prices. The suit seeks certification of the class and unspecified compensatory and punitive damages.

In November 1990, the plaintiff filed an amended complaint. The defendants moved to have the amended complaint dismissed. The plaintiff subsequently filed a second amended complaint, and in August 1991 the District Court denied the defendants' motion to dismiss this complaint. In the interim, the plaintiff dropped all but two of the original individual defendants. Subsequently, a class was conditionally certified composed of purchasers of Aetna common stock during the period from February 16, 1989 through November 13, 1990, with some exceptions.

Aetna has answered the complaint, denying all substantive averments, and discovery is substantially complete. Aetna believes that the suit is neither supported as a matter of fact nor as a matter of law and, with the other defendants, will continue to contest vigorously the litigation.

In Re: Standard Financial Indemnity Corporation et al.
v. The Aetna Casualty and Surety Company et al.

In 1989, the Standard Financial Indemnity Corporation ("SFIC") filed an antitrust suit in Texas state court against The Aetna Casualty and Surety Company ("Aetna Casualty") and all other insurers acting as servicing carriers for the Texas workers' compensation assigned risk pool (collectively, "defendants"). The complaint alleged that the plaintiff's application to become a servicing carrier had been wrongfully denied pursuant to a conspiracy among the servicing carriers. In February 1990, Preferred Employers' Insurance Company ("Preferred") joined the suit as a plaintiff and made an additional claim alleging that the servicing carriers had intentionally overpaid claims in order to raise prices and to drive workers' compensation customers into the assigned risk pool.

The defendants' motion to dismiss the original suit brought by SFIC, which Preferred had later joined as a plaintiff, was granted in March 1990. SFIC appealed this ruling and on May 19, 1993, the Court of Appeal, Third District of Texas ("Court of Appeal") reversed and remanded the matter to the trial court. Preferred did not appeal the initial dismissal of the original suit and, therefore, is no longer a party to the litigation. On March 12, 1992, the Texas Commissioner of Insurance placed SFIC into receivership. On August 25, 1993, the Court of Appeal denied defendant's motion for rehearing. On September 24, 1993, defendants filed an application for writ of error with the Supreme Court of Texas. A settlement for an amount not material to the company has been reached with SFIC's receiver and has become final.

In Re: Attorneys General Antitrust Litigation

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The description of this litigation is contained in Note 16 of Notes to Financial Statements in the Annual Report and is incorporated herein by reference.

Other Litigation

Aetna is continuously involved in numerous other lawsuits arising, for the most part, in the ordinary course of its business operations either as a liability insurer defending third-party claims brought against its insureds or as an insurer defending coverage claims brought against itself, including lawsuits related to issues of policy coverage and judicial interpretation.

One such area of coverage litigation involves legal liability for asbestos and environmental-related claims. These lawsuits and other factors make reserving for asbestos and environmental-related claims subject to significant uncertainties. See MD&A - Property-Casualty Reserves in the Annual Report.

While the ultimate outcome of the litigation described herein cannot be determined at this time, management does not believe it likely that such litigation, net of reserves established therefor and giving effect to reinsurance, will result in judgments for amounts material to the financial condition of the company, although it may affect results of operations in future periods. Litigation related to asbestos and environmental claims is subject to significant uncertainties; therefore management is unable to determine whether the effects on operations in future periods will be material.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

EXECUTIVE OFFICERS OF AETNA LIFE AND CASUALTY COMPANY*

The Chairman of Aetna Life and Casualty Company is elected and all other executive officers listed below are appointed by the Board of Directors of the company at its Annual Meeting each year to hold office until the next Annual Meeting of the Board or until their successors are elected or appointed. None of these officers have family relationships with any other executive officer or Director.

<TABLE>

<CAPTION>

Name of Officer	Principal Position	Age	Business Experience During Past Five Years
<S>	<C>	<C>	<C>
Ronald E. Compton	Chairman and President	61	(1)
Zoe Baird	Senior Vice President and General Counsel	41	(2)
Gary G. Benanav	Executive Vice President, Property/Casualty**	48	(3)
Mary Ann Champlin	Senior Vice President, Human Resources	46	(4)
Daniel P. Kearney	Executive Vice President, Investments/Financial Services**	54	(5)

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Patrick W. Kenny	Group Executive, Finance and Administration	51	(6)
Elizabeth R. Krupnick	Senior Vice President, Corporate Affairs	44	(7)
James W. McLane	Executive Vice President, Health/Group Life**	55	(8)
Vanda B. McMurtry	Senior Vice President, Federal Government Relations	44	(9)
Robert E. Broatch	Senior Vice President, Finance and Corporate Controller	45	(10)
John D. Loewenberg	Senior Vice President, Aetna Information Technology	53	(11)
Brian E. Scott	Vice President and Senior Corporate Actuary	57	(12)

<FN>

* As of March 1, 1994

** Executive Vice Presidents, in conjunction with certain other senior officers, are responsible for assisting the Chairman in setting policy and overall direction for the company. In addition, each Executive Vice President is responsible for overseeing key initiatives and business decisions of the following specified lines of business: Mr. Benanav -- international, personal and commercial property-casualty insurance; Mr. Kearney -- investments and large case pensions, individual life insurance, annuities and mutual funds, and small case pensions; and Mr. McLane -- group health insurance, including managed care operations, and group life insurance.

</TABLE>

(1)
Mr. Compton has served as Chairman since March 1, 1992. He is also President, a position he has held since July 1988.

(2)
Ms. Baird has served in her current position since April 1992. From July 1990 to April 1992 she served as Vice President and General Counsel. From 1986 to July 1990 she was with General Electric Company, Fairfield, Connecticut, most recently as Counselor and Staff Executive.

(3)
Mr. Benanav has served in his current position since December 1993. From April 1992 to December 1993 he served as Group Executive responsible for International, individual life insurance, annuities, mutual funds, and small case pensions. From April 1990 through April 1992, he served as Senior Vice President, International Insurance. From August 1989 until April 1990, he served as Vice President, International Insurance Division. From June 1986 to August 1989 he served as Vice President - Finance and Treasurer.

(4)
Ms. Champlin has served in her current position since November 1992. From February 1991 through November 1992 she served as Vice President, Aetna Human Resources. From June 1989 through January 1991 she served as Assistant Vice President, Corporate Management,

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Office of the Chairman. From August 1988 to May 1989 she served as Director, Corporate Management, Office of the Chairman.

(5)
Mr. Kearney has served in his current position since December 1993. From February 1991 to December 1993 he served as Group Executive responsible for investments and large case pensions. From 1990 to February 1991 he served as the principal of Daniel P. Kearney, Inc. From 1989 to 1990 he served as President and Chief Executive Officer of the Oversight Board of the Resolution Trust Corporation. From 1988 to 1989 he served as a principal of Aldrich, Eastman and Waltch, Inc. (a pension fund advisor).

(6)
Mr. Kenny has served in his current position since March 1992. From January 1988 through February 1992, he served as Senior Vice President, Finance.

(7)
Ms. Krupnick has served in her current position since November 1992. From October 1989 through November 1992, she served as Vice President, Corporate Affairs. From January 1988 to October 1989 she served as Assistant Vice President, Corporate Affairs.

(8)
Mr. McLane has served in his current position since December 1993. From April 1992 to December 1993, he served as Group Executive responsible for group health and life insurance including managed care operations. From February 1991 through April 1992 he served as Chief Executive Officer, Aetna Health Plans; from 1985 through 1991 he served as Senior Vice President, Global Insurance Division, Citicorp.

(9)
Mr. McMurtry has served in his current position since November 1992. From February 1989 through November 1992 he served as Staff Director and Chief Counsel, Committee on Finance, United States Senate. From January 1986 through February 1989 he served as Legislative Director for Lloyd M. Bentsen Jr., United States Senate.

(10)
Mr. Broatch has served in his current position since December 1993. From May 1988 to December 1993, he served as Vice President and Corporate Controller.

(11)
Mr. Loewenberg has served in his current position since March 1989. From September 1987 to March 1989 he served as Senior Vice President and Chief Administrative Officer, Agency Group, Capital Holding Corporation.

(12)
Mr. Scott has served in his current position since November 1991. From April 1991 until November 1991, he served as Vice President, Standard Commercial Accounts. From October 1988 through April 1991, he served as Senior Vice President, Standard Markets Department, Commercial Insurance Division.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

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Aetna Life and Casualty Company's common stock is listed on the New York and Pacific Stock Exchanges, with unlisted trading privileges on other regional exchanges. Its symbol is AET. The common stock also is listed on the Swiss Stock Exchanges at Basel, Geneva and Zurich. Call and put options on the common stock are traded on the American Stock Exchange. As of February 25, 1994, there were 27,452 record holders of the common stock.

The dividends declared and the high and low sales prices with respect to Aetna Life and Casualty Company's common stock for each quarterly period for the past two years are incorporated herein by reference from "Quarterly Data" in the Annual Report.

Information regarding restrictions on the company's present and future ability to pay dividends is incorporated herein by reference from Note 8 of Notes to Financial Statements in the Annual Report.

Item 6. Selected Financial Data.

The information contained in "Selected Financial Data" in the Annual Report is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Annual Report is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data.

The 1993 Consolidated Financial Statements and the report of the registrant's independent auditors and the unaudited information set forth under the caption "Quarterly Data" is incorporated herein by reference to the Annual Report.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Information concerning Executive Officers is included in Part I pursuant to General Instruction G to Form 10-K.

Information concerning Directors and concerning compliance with Section 16 (a) of the Securities Exchange Act of 1934 is incorporated herein by reference to the Proxy Statement.

Item 11. Executive Compensation.

The information under the caption "Executive Compensation" is incorporated herein by reference to the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information under the caption "Security Ownership of Certain Beneficial Owners, Directors, Nominees and Executive Officers" is incorporated herein by reference to the Proxy Statement.

Item 13. Certain Relationships and Related Transactions.

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The information under the caption "Certain Transactions and Relationships" is incorporated herein by reference to the Proxy Statement.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) The following documents are filed as part of this report:

1. Financial statements:

The Consolidated Financial Statements and the report of the registrant's independent auditors are incorporated herein by reference to the Annual Report.

2. Financial statement schedules:

The supporting schedules of the consolidated entity are included in this Item 14. See Index to Financial Statement Schedules on page 41.

3. Exhibits: *

(3) Articles of Incorporation and By-Laws.

Certificate of Incorporation of Aetna Life and Casualty Company, incorporated herein by reference to the registrant's 1992 Form 10-K, filed on March 17, 1993.

By-Laws of Aetna Life and Casualty Company.

(4) Instruments defining the rights of security holders, including indentures.

Conformed copy of Indenture, dated as of October 15, 1977 between Aetna Life and Casualty Company and Morgan Guaranty Trust Company of New York, Trustee, incorporated herein by reference to the registrant's 1992 Form 10-K, filed on March 17, 1993 (the "1992 Form 10-K").

Conformed copy of Indenture, dated as of October 15, 1986 between Aetna Life and Casualty Company and The First National Bank of Boston, Trustee, incorporated herein by reference to the 1992 Form 10-K.

Conformed copy of Indenture, dated as of August 1, 1993, between Aetna Life and Casualty Company and State Street Bank and Trust Company of Connecticut, National Association, as Trustee, incorporated herein by reference to the registrant's Registration Statement on Form S-3 (File No. 33-50427).

Rights Agreement dated as of October 27, 1989, between Aetna Life and Casualty Company and First Chicago Trust Company of New York incorporated herein by reference to the 1992 Form 10-K.

Summary of Rights to Purchase Preferred Stock, incorporated herein by reference to the 1992 Form 10-K.

(10) Material contracts.

The 1984 and 1979 Stock Option Plans of Aetna Life and Casualty Company and amendments thereto, incorporated herein by reference to the 1992 Form 10-K.

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Aetna Life and Casualty Company's Supplemental Incentive Savings Plan, incorporated herein by reference to the 1992 Form 10-K.

Aetna Life and Casualty Company's Supplemental Pension Benefit Plan, incorporated herein by reference to the 1992 Form 10-K.

Aetna Life and Casualty Company's Performance Unit Plan, incorporated herein by reference to the 1992 Form 10-K.

Aetna Life and Casualty Company's 1986 Management Incentive Plan, as amended effective February 25, 1994.

The Aetna Life and Casualty Directors' Deferred Compensation Plan, incorporated herein by reference to the 1992 Form 10-K.

Letter Agreement, dated December 18, 1993, between Aetna Life and Casualty Company and David A. Kocher.

Aetna Life and Casualty Company Non-Employee Director Deferred Stock Plan, incorporated herein by reference to the 1992 Form 10-K.

Description of certain arrangements not embodied in formal documents, as described with respect to Directors' fees and benefits, and under the caption "Executive Compensation," are incorporated herein by reference to the Proxy Statement.

(11) Statement re computation of per share earnings.

Incorporated herein by reference to Note 1 of Notes to Financial Statements in the company's 1993 Annual Report.

(12) Statement re computation of ratios.

Statement re: computation of ratio of earnings to fixed charges.

Statement re: computation of ratio of earnings to combined fixed charges and preferred stock dividends.

(13) Annual Report to security holders.

Selected Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, Consolidated Financial Statements and the report of the registrant's independent auditors, and unaudited Quarterly Data from the Annual Report.

(18) Letter re change in accounting principles

Letter from Independent Auditors regarding the preferability of the change in accounting principle for reporting reserves for workers' compensation life table indemnity claims to a discounted basis.

(21) Subsidiaries of the registrant.

A listing of subsidiaries of Aetna Life and Casualty Company.

(23) Consents of experts and counsel.

Consent of Independent Auditors to Incorporation by Reference in the Registration Statements on Form S-3 and Form S-8.

(28) Information from Reports Furnished to State Insurance Regulatory Authorities.

1993 Consolidated Schedule P of Annual Statements provided to state regulatory authorities. **

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(b) Reports on Form 8-K

None.

* Exhibits other than those listed are omitted because they are not required or are not applicable. Copies of exhibits are available without charge by writing to the Office of the Corporate Secretary, Aetna Life and Casualty Company, 151 Farmington Avenue, Hartford, Connecticut 06156.

** Filed under cover of Form SE.

INDEX TO FINANCIAL STATEMENT SCHEDULES

AETNA LIFE AND CASUALTY COMPANY AND SUBSIDIARIES

		Page
Independent Auditors' Report		42
I	Summary of Investments - Other than Investments in Affiliates as of December 31, 1993	43
III	Condensed Financial Information of the Registrant as of December 31, 1993 and 1992 and for the years ended December 31, 1993, 1992 and 1991	44
V	Supplementary Insurance Information as of and for the years ended December 31, 1993, 1992 and 1991	50
VIII	Valuation and Qualifying Accounts and Reserves for the years ended December 31, 1993, 1992 and 1991	53
IX	Short-term Borrowings for the years ended December 31, 1993, 1992 and 1991	54
X	Supplemental Information Concerning Property-Casualty Operations for the years ended December 31, 1993, 1992 and 1991	55

Schedules other than those listed above are omitted because they are not required or are not applicable, or the required information is shown in the Financial Statements or Notes thereto in the company's 1993 Annual Report. Columns omitted from schedules filed have been omitted because the information is not applicable.

Certain reclassifications have been made to 1992 and 1991 financial information to conform to 1993 presentation.

INDEPENDENT AUDITORS' REPORT

The Shareholders and Board of Directors

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Aetna Life and Casualty Company:

Under date of February 8, 1994, we reported on the consolidated balance sheets of Aetna Life and Casualty Company and Subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1993, as contained in the 1993 annual report to shareholders. These consolidated financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the year 1993. In connection with our audits of the aforementioned consolidated financial statements, we also have audited the related financial statement schedules as listed in the accompanying index. These financial statement schedules are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, in 1993 the company changed its methods of accounting for certain investments in debt and equity securities, reinsurance of short-duration and long-duration contracts, postemployment benefits, workers' compensation life table indemnity reserves and retrospectively rated reinsurance contracts. In 1992, the company changed its methods of accounting for income taxes and postretirement benefits other than pensions.

By KPMG PEAT MARWICK
(Signature)

KPMG PEAT MARWICK

Hartford, Connecticut
February 8, 1994

AETNA LIFE AND CASUALTY COMPANY AND SUBSIDIARIES

SCHEDULE I

Summary of Investments - Other than Investments in Affiliates

As of December 31, 1993

<TABLE>

<CAPTION>

Type of Investment	Cost	Value*	Amount at which shown in the balance sheet
(Millions)			
<S>	<C>	<C>	<C>
Debt securities:			

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Bonds:			
United States Government and government agencies and authorities............	$ 8,038.9	$ 8,180.4	$ 8,180.4
States, municipalities and political subdivisions......	2,439.4	2,517.0	2,516.8
Foreign(1)....................	3,686.1	3,863.3	3,847.2
Public utilities..............	2,777.4	2,937.4	2,923.0
Financial.....................	4,913.5	5,159.6	5,125.9
Transportation/Capital goods..	1,975.9	2,225.2	2,203.7
Mortgage-backed securities....	9,656.1	10,325.7	10,325.7
Food and fiber................	873.7	937.2	926.8
Natural resources and services	1,118.0	1,195.9	1,176.8
All other corporate bonds.....	4,012.7	4,230.3	4,199.3
Total bonds.................	39,491.7	41,572.0	41,425.6
Redeemable preferred stocks.....	118.7	118.9	118.9
Total debt securities.......	39,610.4	$41,690.9	41,544.5
Equity securities:			
Common stocks:			
Public utilities..............	119.1	$ 123.9	123.9
Banks, trust and insurance companies...................	83.3	167.3	167.3
Industrial, miscellaneous and all other...............	936.5	1,255.3	1,255.3
Total common stocks.........	1,138.9	1,546.5	1,546.5
Non-redeemable preferred stocks........................	99.2	112.4	112.4
Total equity securities.....	1,238.1	$ 1,658.9	1,658.9
Short-term investments............	669.9		669.9
Mortgage loans....................	14,839.2		14,839.2
Real estate.......................	1,315.8		1,315.8
Policy loans......................	490.7		490.7
Other.............................	703.4(2)		936.8(3)
Total investments...........	$58,867.5		$61,455.8

<FN>

* See Notes 1 and 5 of Notes to Financial Statements in the company's 1993 Annual Report.

(1) The term "foreign" includes foreign governments, foreign political subdivisions, foreign public utilities and all other bonds of foreign issuers.

(2) Excludes investments in affiliates of $233.4 million.

(3) Includes investments in affiliates of $233.4 million.

</TABLE>

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AETNA LIFE AND CASUALTY COMPANY AND SUBSIDIARIES

SCHEDULE III

Condensed Financial Information

AETNA LIFE AND CASUALTY COMPANY

Statements of Income

<TABLE>

<CAPTION>

For the years ended December 31,	1993	1992	1991
<S>	<C>	<C>	<C>
(Millions)			
Premiums..............................	$ 1.3	$ .9	$ -
Net investment income..................	(7.9)	(18.2)	(1.4)
Net realized capital gains (losses)....	(22.1)	5.7	.8
Total revenue..................	(28.7)	(11.6)	(.6)
Current and future benefits...........	.8	.2	-
Operating expenses....................	43.1	30.3	37.4
Severance and facilities charge........	50.3	22.1	-
Interest expense......................	70.1	76.9	93.8
Total benefits and expenses	164.3	129.5	131.2
Insurance operating losses before federal income taxes and equity in earnings of affiliates..........	(193.0)	(141.1)	(131.8)
Federal income tax benefits:			
Current...........................	(53.4)	(35.5)	(37.3)
Deferred..........................	(45.6)	(15.7)	(65.8)
Equity in earnings (losses) of affiliates	(521.3)	84.6	395.1
Income (loss) from continuing operations before extraordinary item and cumulative effect adjustments...	(615.3)	(5.3)	366.4
Discontinued operations, net of tax:			
Income from operations...............	-	86.8	138.8
Gain on sale.........................	27.0	38.1	-
Cumulative effect adjustments........	-	48.9	-
Income (loss) before extraordinary item and cumulative effect adjustments for continuing operations................	(588.3)	168.5	505.2
Extraordinary loss on debenture redemption, net of tax................	(4.7)	-	-
Cumulative effect adjustments for continuing operations.................	227.1 (1)	(112.5)(2)	-
Net Income (Loss)......................	$(365.9)	$ 56.0	$ 505.2

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<FN>

(1) The amount of the cumulative effect adjustment applicable to affiliates is $276.3 million.

(2) The amount of the cumulative effect adjustment applicable to affiliates is $285.4 million.

See Notes to Condensed Financial Statements.

</TABLE>

AETNA LIFE AND CASUALTY COMPANY AND SUBSIDIARIES

SCHEDULE III

Condensed Financial Information

AETNA LIFE AND CASUALTY COMPANY

Balance Sheets

<TABLE>

<CAPTION>

As of December 31, (Millions, except share data)	1993	1992
ASSETS		
Investments:		
Equity securities, at market (cost $5.6 and $4.4)	$ 1.6	$ .7
Short-term investments	83.3	83.1
Other	10.5	10.1
Investments in affiliates:		
Insurance and financial services companies	7,916.4	7,838.7
International insurance and financial services companies	636.4	578.7
Total investments	8,648.2	8,511.3
Cash and cash equivalents	5.8	88.2
Premiums due and other receivables	2.5	3.2
Due from affiliates	165.5	168.4
Accrued investment income	1.3	1.6
Deferred federal income taxes	263.8	221.3
Other assets	39.4	29.1
Total assets	$9,126.5	$ 9,023.1
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Insurance reserve liabilities	$ .5	$ .4
Dividends payable to shareholders	77.4	76.1
Long-term debt	1,057.6	798.6
Other liabilities	154.6	100.7
Liability for postretirement benefits other than pensions	638.9	617.3
Due to affiliates	149.0	167.7
Federal income taxes payable	5.4	24.0

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Total liabilities................	2,083.4	1,784.8
Shareholders' Equity:		
Class A Voting Preferred Stock (no par value; 10,000,000 shares authorized; no shares issued or outstanding)	-	-
Class B Voting Preferred Stock (no par value; 15,000,000 shares authorized; no shares issued or outstanding)	-	-
Class C Non-voting Preferred Stock (no par value; 15,000,000 shares authorized; no shares issued or outstanding)	-	-
Common stock (No par value; 250,000,000 shares authorized; 114,939,275 issued; and 112,200,567 and 110,270,482 outstanding).........................	1,422.0	1,417.7
Net unrealized capital gains...........	648.2	259.6
Retained earnings......................	5,103.3	5,777.9
Treasury stock, at cost................	(130.4)	(216.9)
Total shareholders' equity.........	7,043.1	7,238.3
Total............................	$9,126.5	$ 9,023.1

<FN>
See Notes to Condensed Financial Statements.
</TABLE>

AETNA LIFE AND CASUALTY COMPANY AND SUBSIDIARIES

SCHEDULE III

Condensed Financial Information

AETNA LIFE AND CASUALTY COMPANY

Statements of Shareholders' Equity

<TABLE>

<CAPTION>

Three years ended December 31, 1993 (Millions, except share data)	Total	Common Stock	Net Unrealized Capital Gains	Retained Earnings	Treasury Stock
<S>	<C>	<C>	<C>	<C>	<C>
Balances at December 31, 1990	$ 7,072.4	$ 1,420.6	$ 49.7	$ 5,824.5	$ (222.4)
Net income............................	505.2			505.2	
Net change in unrealized capital gains and losses...........................	116.2		116.2		
Common stock acquired during year (76,800 shares)......................	(6.3)				(6.3)
Common stock issued for benefit plans (28,796 shares)......................	1.2				1.2
Loss on issuance of treasury stock......	(.5)	(.5)			
Common stock dividends declared.........	(303.7)			(303.7)	
Balances at December 31, 1991	7,384.5	1,420.1	165.9	6,026.0	(227.5)

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Net income............................	56.0			56.0	
Net change in unrealized capital gains and losses...........................	93.7		93.7		
Common stock issued for benefit plans (205,848 shares).....................	10.6				10.6
Loss on issuance of treasury stock......	(2.4)	(2.4)			
Common stock dividends declared:........	(304.1)			(304.1)	
Balances at December 31, 1992	7,238.3	1,417.7	259.6	5,777.9	(216.9)
Net income............................	(365.9)			(365.9)	
Net change in unrealized capital gains and losses...........................	388.6		388.6		
Common stock issued for benefit plans (1,930,085 shares)....................	86.5				86.5
Loss on issuance of treasury stock......	4.3	4.3			
Common stock dividends declared.........	(308.7)			(308.7)	
Balances at December 31, 1993	$ 7,043.1	$ 1,422.0	$ 648.2(1)	$ 5,103.3	$ (130.4)

<FN>

See Notes to Condensed Financial Statements.

(1) Unrealized capital gains and losses at December 31, 1993 exclude unrealized capital gains of $396.2 million attributable to assets supporting discontinued products and unrealized capital gains of $466.3 million attributable to assets supporting experience rated contracts.

</TABLE>

AETNA LIFE AND CASUALTY COMPANY AND SUBSIDIARIES

SCHEDULE III

Condensed Financial Information

AETNA LIFE AND CASUALTY COMPANY

Statements of Cash Flows

<TABLE>
<CAPTION>

For the years ended December 31, (Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Cash Flows from Operating Activities:			
Net income(loss)............................	$(365.9)	$ 56.0	$ 505.2
Adjustments to reconcile net income (loss) to net cash (used for) provided by operating activities:			
Cumulative effect adjustments..............	(227.1)	112.5	-
Extraordinary loss on debenture redemption..	4.7	-	-
Discontinued operations....................	(27.0)	(86.8)	(72.7)
Cumulative effect of discontinued operations	-	(48.9)	-
Decrease (increase) in premiums due and other receivables.........................	5.0	(41.7)	(46.3)
Decrease (increase) in accrued investment income.................................	0.3	(3.1)	(2.7)
Depreciation and amortization..............	-	0.1	0.1
(Decrease) increase in federal income taxes	(58.6)	73.3	45.4
Net (decrease) increase in other assets and other liabilities....................	38.3	110.2	(210.6)
Increase in insurance reserve liabilities...............................	0.1	0.3	30.8
Equity in (earnings) losses of affiliates...	521.3	(84.6)	(395.1)

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Gain on sale of subsidiaries	(15.0)	(38.1)	-
Net realized capital (gains) losses	22.1	(5.7)	(0.8)
Amortization of net investment discounts	(0.2)	(0.2)	-
Other, net	(118.2)	65.8	6.8
Net cash (used for) provided by operating activities	(220.2)	109.1	(139.9)
Cash Flows from Investing Activities:			
Proceeds from sales of:			
Debt securities	-	-	14.2
Investment repayments of:			
Debt securities	-	-	0.1
Cost of investments in:			
Debt securities	-	-	(7.8)
Equity securities	(26.3)	(2.9)	(20.9)
Mortgage loans	-	-	(0.2)
Real estate	(0.5)	(1.8)	(0.5)
Proceeds from disposal of subsidiaries	93.1	-	-
Increase in short-term investments	(0.2)	(58.8)	(213.2)
Decrease (Increase) in property plant & equipment	0.1	(0.1)	-
Investment in and advances from subsidiaries	(631.3)	220.4	(256.2)
Dividends received from affiliates	302.1	250.0	706.4
Net transfers resulting from change in reinsurance arrangement	-	-	102.7
Other, net	365.9	(72.8)	114.0
Net cash provided by investing activities	102.9	334.0	438.6
Cash Flows from Financing Activities:			
Issuance of long-term debt	600.0	-	-
Stock issued under benefit plans	90.8	8.2	.7
Repayment of long-term debt	(347.2)	(69.9)	-
Dividends paid to shareholders	(308.7)	(304.1)	(303.7)
Treasury stock acquired	-	-	(6.3)
Net cash provided by (used for) financing activities	34.9	(365.8)	(309.3)
Net (decrease) increase in cash and cash equivalents	(82.4)	77.3	(10.6)
Cash and cash equivalents, beginning of year	88.2	10.9	21.5
Cash and cash equivalents, end of year	$ 5.8	$ 88.2	$ 10.9
Supplemental disclosure of cash flow information:			
Interest paid	$ 64.2	$ 83.2	$ 94.2
Income taxes received, net	$ (56.7)	$ (40.6)	$ (149.3)

<FN>
See Notes to Condensed Financial Statements.
</TABLE>

AETNA LIFE AND CASUALTY COMPANY AND SUBSIDIARIES

SCHEDULE III

Condensed Financial Information

AETNA LIFE AND CASUALTY COMPANY

Notes to Condensed Financial Statements

The accompanying condensed financial statements should be read in conjunction with the Consolidated Financial Statements and Notes

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thereto in the company's 1993 Annual Report. Certain reclassifications have been made to 1992 and 1991 financial information to conform to 1993 presentation.

1. Long-Term Debt

(millions)	1993	1992
Long-term debt:		
Eurodollar Notes, 9 1/2% due 1995..	$ 100.4	$ 100.6
Notes, 8 5/8% due 1998............	99.8	99.7
Notes, 6 3/8% due 2003............	198.7	-
Debentures, 8 1/8% due 2007........	-	200.0
Debentures, 6 3/4% due 2013........	198.3	-
Eurodollar Notes, 7 3/4% due 2016..	63.5	200.1
Debentures, 8% due 2017...........	198.6	198.2
Debentures, 7 1/4% due 2023........	198.3	-
	$1,057.6	$ 798.6

See Note 9 to the Consolidated Financial Statements in the Annual Report for a description of the long-term debt and aggregate maturities for 1994 to 1998 and thereafter.

2. Dividends

The amounts of cash dividends paid to Aetna Life and Casualty Company by insurance affiliates for the years ended December 31, 1993, 1992 and 1991 were as follows:

(millions)	1993	1992	1991
Consolidated subsidiaries.....	$302.1	$250.0	$706.2
50% or less owned accounted for by the equity method....	-	-	.2
	$302.1	$250.0	$706.4

See Note 8 to the Consolidated Financial Statements in the Annual Report for a description of dividend restrictions from the consolidated insurance subsidiaries to the company.

3. Accounting Changes

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See Note 1 to the Consolidated Financial Statements in the Annual Report for a description of accounting changes.

4. Discontinued Products

See Note 2 to the Consolidated Financial Statements in the Annual Report for a description of discontinued products.

5. Sales of Subsidiaries

See Note 3 to the Consolidated Financial Statements in the Annual Report for a description of the sales of subsidiaries.

6. Severance and Facilities Charge

See Note 4 to the Consolidated Financial Statements in the Annual Report for a description of the severance and facilities charges.

7. Federal and Foreign Income Taxes

See Note 10 to the Consolidated Financial Statements in the Annual Report for a description of federal and foreign income taxes.

8. Litigation

See Note 16 to the Consolidated Financial Statements in the Annual Report for a description of the Attorneys General Antitrust litigation.

AETNA LIFE AND CASUALTY COMPANY AND SUBSIDIARIES

SCHEDULE V

Supplementary Insurance Information

As of and for the year ended December 31, 1993

<TABLE>

<CAPTION>

Segment	Deferred policy acquisition costs	Future policy benefits	Unpaid claims and claim expenses	Unearned premiums	Policyholders' funds left with the company	Premium revenue
(Millions)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Health and Life Insurance and Services	$ 653.6	$ 4,884.2	$ 1,242.1 (1)	$ 129.7	$ 1,450.4	$ 4,794.3
Financial Services	462.3	10,749.1	2.5	-	24,772.5	217.9
Commercial Property-Casualty Insurance and Services	206.7	-	13,030.2	741.3	51.2	3,121.2
Personal Property-Casualty	122.9	-	2,346.7	587.3	-	1,489.3
International	421.5	1,964.3	490.7	43.9	1,318.1	952.2
Total	$ 1,867.0	$17,597.6	$17,112.2	$ 1,502.2	$27,592.2	$10,574.9

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Segment	Net investment income (2)	Other income (including realized capital gains and losses)	Current and future benefits	Amortization of deferred policy acquisition costs	Other operating expenses	Premiums written(3)
(Millions)						
Health and Life Insurance and Services	$ 593.1	$ 1,089.9	$ 4,247.9	$ 21.2	$ 1,758.5	$ 67.0
Financial Services	3,049.9	225.0	3,040.4	17.3	441.2	-
Commercial Property-Casualty Insurance and Services	762.6	254.5	3,031.4	337.4	1,033.7	3,026.3
Personal Property-Casualty	194.6	(9.9)	1,144.4	308.8	245.3	1,438.4
International	318.8	64.3	927.8	51.7	388.1	114.1
Total	$ 4,919.0	$ 1,623.8	$12,391.9	$ 736.4	$ 3,866.8	$ 4,645.8

<FN>
(1) Includes minimal property-casualty business.
(2) The allocation of net investment income is based upon the investment year method or specific identification of certain portfolios within specific segments.
(3) Excludes life insurance business pursuant to Regulation S-X.

</TABLE>

AETNA LIFE AND CASUALTY COMPANY AND SUBSIDIARIES

SCHEDULE V

Supplementary Insurance Information

As of and for the year ended December 31, 1992

<TABLE>

<CAPTION>

Segment	Deferred policy acquisition costs	Future policy benefits	Unpaid claims and claim expenses	Unearned premiums	Policyholders' funds left with the company	Premium revenue
(Millions)						
Health and Life Insurance and Services	$ 602.5	$ 4,804.6	$ 1,108.0(1)	$ 107.6	$ 815.0	$ 4,679.9
Financial Services	417.9	9,347.4	1.8	-	24,927.3	222.9
Commercial Property-Casualty Insurance and Services	201.4	.2	13,655.8	710.2	61.0	3,204.1
Personal Property-Casualty	127.2	-	2,107.0	621.5	-	1,788.7
International	357.0	1,838.2	249.6	48.9	1,466.9	898.3
Total	$ 1,706.0	$15,990.4	$17,122.2	$ 1,488.2	$27,270.2	$10,793.9

Other income (including

Amortization of

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Segment	Net investment income (2)	realized capital gains and losses)	Current and future benefits	deferred policy acquisition costs	Other operating expenses	Premiums written(3)
(Millions)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Health and Life Insurance and Services	$ 597.1	$ 1,026.2	$ 4,046.6	$ 19.3	$ 1,816.7	$ 59.8
Financial Services	3,170.3	151.9	3,265.5	13.4	327.9	-
Commercial Property-Casualty Insurance and Services	762.6	304.8	3,242.1	376.3	1,083.1	3,339.3
Personal Property-Casualty	251.2	41.0	1,466.1	349.6	337.6	1,577.0
International	287.8	110.4	828.6	41.6	404.2	72.3
Total	$ 5,069.0	$ 1,634.3	$12,848.9	$ 800.2	$ 3,969.5	$ 5,048.4

<FN>

(1) Includes minimal property-casualty business.
(2) The allocation of net investment income is based upon the investment year method or specific identification of certain portfolios within specific segments.
(3) Excludes life insurance business pursuant to Regulation S-X.

</TABLE>

AETNA LIFE AND CASUALTY COMPANY AND SUBSIDIARIES

SCHEDULE V

Supplementary Insurance Information

As of and for the year ended December 31, 1991

<TABLE>

<CAPTION>

(Millions)

Segment	Deferred policy acquisition costs	Future policy benefits	Unpaid claims and claim expenses	Unearned premiums	Policyholders' funds left with the company	Premium revenue
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Health and Life Insurance and Services	$ 573.8	$ 4,573.5	$ 1,188.7(1)	$ 49.1	$ 992.1	$ 4,628.6
Financial Services	380.9	9,577.4	1.6	-	27,087.9	305.6
Commercial Property-Casualty Insurance and Services	220.5	1.1	9,017.1	284.4	69.5	3,616.1
Personal Property-Casualty	177.1	-	2,271.2	833.1	-	2,344.9
International	170.8	1,198.6	171.5	28.0	1,424.9	549.4
Total	$ 1,523.1	$15,350.6	$12,650.1	$ 1,194.6	$29,574.4	$11,444.6

	Net	Other income (including realized	Current	Amortization of deferred policy	Other

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Segment	investment income (2)	capital gains and losses)	and future benefits	acquisition costs	operating expenses	Premiums written(3)
Health and Life Insurance and Services...............	$ 639.1	$ 848.7	$ 3,948.7	$ 68.2	$ 1,604.2	$ 50.3
Financial Services..........	3,539.1	(134.6)	3,723.1	22.9	240.5	-
Commercial Property-Casualty Insurance and Services.....	788.1	196.5	3,148.4	409.0	990.5	3,569.3
Personal Property-Casualty	292.5	31.3	2,001.5	513.8	243.9	2,241.3
International...............	255.7	141.5	608.1	14.2	262.0	82.5
Total..................	$ 5,514.5	$ 1,083.4	$13,429.8	$ 1,028.1	$ 3,341.1	$ 5,943.4

(1) Includes minimal property-casualty business.
(2) The allocation of net investment income is based upon the investment year method or specific identification of certain portfolios within specific segments.
(3) Excludes life insurance business pursuant to Regulation S-X.

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AETNA LIFE AND CASUALTY COMPANY AND SUBSIDIARIES

SCHEDULE VIII

Valuation and Qualifying Accounts and Reserves

For the years ended December 31,
(Millions)

	Balance at beginning of period	Additions: Charged to costs and expenses (1)	Additions: Charged to other accounts-describe (2)	Deductions-describe (3)	Balance at end of period
1993					
Asset valuation reserves:					
Fixed maturities..........	$ 105.2	$ 14.5	$ 12.5	$ (29.4)	$ 102.8
Mortgage loans............	1,065.6	421.7	176.5	(355.5)	1,308.3
Equity securities.........	12.5	.8	-	(2.7)	10.6
Real estate(4)............	68.8	176.7	79.3	(57.1)	267.7
Other.....................	6.0	-	-	-	6.0
	$ 1,258.1	$ 613.7	$ 268.3	$ (444.7)	$ 1,695.4

1992

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Asset valuation reserves:					
Fixed maturities..........	$ 145.7	$ (9.0)	$ (3.1)	$ (28.4)	$ 105.2
Mortgage loans............	767.6	366.5	115.4	(183.9)	1,065.6
Equity securities.........	8.0	4.5	-	-	12.5
Real estate(4)............	-	53.6	22.6	(7.4)	68.8
Other.....................	131.6	-	-	(125.6)(5)	6.0(5)
	$ 1,052.9	$ 415.6	$ 134.9	$ (345.3)	$ 1,258.1
1991					
Asset valuation reserves:					
Fixed maturities..........	$ 156.2	$ 23.9	$ 7.8	$ (42.2)	$ 145.7
Mortgage loans............	311.5	467.1	163.9	(174.9)	767.6
Equity securities.........	6.7	1.3	-	-	8.0
Other.....................	131.6	-	-	-	131.6(5)
	$ 606.0	$ 492.3	$ 171.7	$ (217.1)	$ 1,052.9

<FN>

(1) Charged to net realized capital gains (losses) in the Consolidated Statements of Income.
(2) Reflects additions to reserves related to assets supporting experience rated contracts for which a corresponding reduction was included in Policyholders' Funds Left with the Company in the Consolidated Balance Sheets.
(3) Reduction in reserves is primarily a result of related asset write-downs (including foreclosures of real estate) and sales.
(4) As a result of adopting the American Institute of Certified Public Accountants' Statement of Position 92-3 retroactive to January 1, 1992, a valuation allowance was established to reflect declines in certain real estate values which had previously been reflected as write-downs.
(5) Primarily related to oil and gas properties. The oil and gas investments are recorded as other investments in the Consolidated Balance Sheets. During 1992, the majority of the oil and gas properties were sold.

</TABLE>

AETNA LIFE AND CASUALTY COMPANY AND SUBSIDIARIES

SCHEDULE IX

Short-Term Borrowings

<TABLE>

<CAPTION>

For the years ended December 31,
(Millions)

Category of aggregate short-term borrowings	Balance at end of period	Weighted average interest rate	Maximum amount outstanding during the period	Average amount outstanding during the period*	Weighted average rate on amount outstanding during the period*

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<S> <C> <C> <C> <C> <C>

1993					
Commercial paper..........	$ 8.4	7.0%	$560.1	$150.4	3.6%
Bank notes................	-	-	7.5	7.5	6.0
Other.....................	27.3	0.4	385.1	57.7	2.5
1992					
Commercial paper..........	$ 22.5	6.0%	$539.0	$263.9	3.7%
Bank notes................	-	-	7.5	7.5	6.3
Other.....................	2.1	8.8	2.1	1.7	8.8
1991					
Commercial paper..........	$ 4.3	10.0%	$635.5	$389.8	6.0%
Bank notes................	-	-	7.5	7.5	8.5
Other.....................	1.8	8.4	1.9	1.8	8.4

<FN>

* Method of computation - daily weighted average based upon respective time outstanding and the amount of borrowings.

</TABLE>

AETNA LIFE AND CASUALTY COMPANY AND SUBSIDIARIES

SCHEDULE X

Supplemental Information Concerning
Property-Casualty Operations

<TABLE>

<CAPTION>

For the years ended December 31,
(Millions)

	Affiliation with registrant	Deferred policy acquisition costs(1)	Reserves for unpaid claims and claim adjustment expenses(2)	Discount deducted from reserves for unpaid claims and claim adjustment expenses	Unearned premiums(1)	Earned premiums(1)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1993	Consolidated property-casualty entities	$ 330	$11,438	$ 634 (3)	$ 1,329	$ 4,611
1992	Consolidated property-casualty entities	$ 329	$11,747	$ -	$ 1,042	$ 4,993
1991	Consolidated property-casualty entities	$ 398	$11,407	$ -	$ 1,118	$ 5,961

Claims and claim Paid

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	Affiliation with registrant	Net investment and other income(1)	adjustment expenses incurred related to: Current year(2)	Prior years(2)	Amortization of deferred policy acquisition costs(1)	claims and claim adjustment expenses(1)	Premiums written(1)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1993	Consolidated property-casualty entities	$ 1,202	$ 3,724	$ 60	$ 646	$ 4,093	$ 4,465
1992	Consolidated property-casualty entities	$ 1,360	$ 4,407	$ 466	$ 726	$ 4,533	$ 4,916
1991	Consolidated property-casualty entities	$ 1,308	$ 5,019	$ 45	$ 923	$ 4,721	$ 5,811

<FN>

(1) Excludes International.

(2) Net of reinsurance and discounting.

(3) Reserves for workers' compensation life table indemnity claims are discounted at 5% for voluntary business and 3.5% for involuntary business.

</TABLE>

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 18, 1994

AETNA LIFE AND CASUALTY COMPANY
(Registrant)

By
ROBERT E. BROATCH
____
(Signature)
Robert E. Broatch
Senior Vice President, Finance and Corporate Controller

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 18, 1994.

Signature	Title
RONALD E. COMPTON ________________________ Ronald E. Compton	Chairman, President and Director (Principal Executive Officer)
WALLACE BARNES ________________________	

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Wallace Barnes Director

JOHN F. DONAHUE

____
John F. Donahue Director

WILLIAM H. DONALDSON

____
William H. Donaldson Director

BARBARA HACKMAN FRANKLIN

____
Barbara Hackman Franklin Director

EARL G. GRAVES

____
Earl G. Graves Director

GERALD GREENWALD

____
Gerald Greenwald Director

MICHAEL H. JORDAN

____
Michael H. Jordan Director

JACK D. KUEHLER

____
Jack D. Kuehler Director

FRANK R. O'KEEFE JR.

____
Frank R. O'Keefe Jr. Director

DAVID M. RODERICK

____
David M. Roderick Director

PATRICK W. KENNY

____
Patrick W. Kenny Group Executive, Finance and Administration (Principal Financial Officer)

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1

Item 6. Selected Financial Data.

<TABLE>
<CAPTION>

(Millions, except per share data)	1993 (1)	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
Revenue:					
Premiums:					
Health and Life Insurance and Services	$ 4,794.3	$ 4,679.9	$ 4,628.6	$ 4,453.8	$ 4,030.7
Financial Services	217.9	222.9	305.6	606.2	1,305.8
Commercial Property-Casualty Insurance and Services	3,121.2	3,204.1	3,616.1	3,782.2	3,999.3
Personal Property-Casualty	1,489.3	1,788.7	2,344.9	2,625.4	2,752.9
International	952.2	898.3	549.4	455.5	343.9
Total premiums	10,574.9	10,793.9	11,444.6	11,923.1	12,432.6
Net Investment Income, Fees and Other Income, and Net Realized Capital Gains and Losses:					
Health and Life Insurance and Services	1,683.0	1,623.3	1,487.8	1,454.0	1,247.5
Financial Services	3,274.9	3,322.2	3,404.5	3,716.5	3,717.9
Commercial Property-Casualty Insurance and Services	1,017.1	1,067.4	984.6	982.1	959.7
Personal Property-Casualty	184.7	292.2	323.8	357.7	345.8
International	383.1	398.2	397.2	265.8	268.9
Federated Investors	-	-	-	-	240.3
Total net investment income, fees and other income, and net realized capital gains and losses	6,542.8	6,703.3	6,597.9	6,776.1	6,780.1
Total Revenue	$ 17,117.7	$ 17,497.2	$ 18,042.5	$ 18,699.2	$ 19,212.7
Income (Loss) from Continuing Operations before Extraordinary Item and Cumulative Effect Adjustments:					
Health and Life Insurance and Services	$ 288.1	$ 280.6	$ 386.0	$ 280.3	$ 241.7
Financial Services (2)	(808.8)	(17.2)	(156.9)	28.4	106.9
Commercial Property-Casualty Insurance and Services	(115.9)	(245.4)	139.5	199.5	232.0
Personal Property-Casualty	(3.3)	(36.2)	(28.6)	24.8	(104.6)
International	24.6	12.9	26.4	(52.4)	(17.2)
Federated Investors	-	-	-	-	54.0
Income (Loss) from Continuing Operations before Extraordinary Item and Cumulative Effect Adjustments (2)	(615.3)	(5.3)	366.4	480.6	512.8
Income from Discontinued Operations	27.0	173.8	138.8	133.5	126.6
Cumulative Effect Adjustments (3)	227.1	(112.5)	-	-	-
Net Income (Loss) (2,3)	$ (365.9)	$ 56.0	$ 505.2	$ 614.1	$ 676.4
Net Realized Capital Gains (Losses), Net of Tax (included above)	59.0	78.6	(187.4)	(79.2)	111.7
Total Assets (4)	100,036.7	94,519.6	91,987.6	89,300.7	87,099.0
Total Long-Term Debt	1,160.0	955.6	1,019.6	1,010.3	1,037.7
Redeemable Preferred Stock, Net of Treasury	-	-	-	-	-
Shareholders' Equity	7,043.1	7,238.3	7,384.5	7,072.4	6,936.7

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Per Common Share Data:					
Income (Loss) from Continuing Operations before Extraordinary Item and Cumulative Effect Adjustments	$ (5.54)	$ (.05)	$ 3.33	$ 4.32	$ 4.56
Income from Discontinued Operations	.24	1.58	1.26	1.20	1.13
Cumulative Effect Adjustments for Continuing Operations	2.05	(1.02)	-	-	-
Net Income (Loss)	(3.29)	.51	4.59	5.52	6.02
Dividends Declared	2.76	2.76	2.76	2.76	2.76
Shareholders' Equity	62.77	65.64	67.09	64.23	61.94
Market Price at Year End	60.38	46.50	44.00	39.00	56.50

See Notes to Financial Statements.
<FN>
(1) In August 1993, the Omnibus Budget Reconciliation Act of 1993 (OBRA) was enacted which resulted in an increase in the federal corporate tax rate from 34% to 35%. The enactment of OBRA resulted in a net benefit of $21.8 million to continuing operations before extraordinary item and cumulative effect adjustments. The net benefit resulted from an increase in the company's deferred tax asset partially offset by an increase in current taxes.
(2) The 1993 results include a loss on discontinuance of the company's fully guaranteed large case pension products of $825.0 million.
(3) The 1993 net loss includes a cumulative effect charge of $.7 million and a cumulative effect benefit of $26.3 million as a result of the cumulative effects related to changes in accounting for certain investments in debt and equity securities and retrospectively rated reinsurance contracts, respectively. The 1993 net loss also includes a charge of $48.5 million and a benefit of $250.0 million as a result of the cumulative effects related to changes in accounting for postemployment benefits and workers' compensation life table indemnity reserves, respectively.
(4) Total assets in 1993 include $15.0 billion of assets attributable to discontinued products.
</TABLE>

Item 6. Selected Financial Data. (continued)

<TABLE>
<CAPTION>

(Millions, except per share data)	1988	1987	1986	1985	1984	1983
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue:						
Premiums:						
Health and Life Insurance and Services	$ 3,029.4	$ 2,829.8	$ 3,136.5	$ 2,794.5	$ 2,966.2	$ 3,355.2
Financial Services	882.7	1,770.5	1,140.3	414.7	193.7	128.5
Commercial Property-Casualty Insurance and Services	4,077.2	3,955.4	3,618.1	2,767.9	2,291.6	2,055.4
Personal Property-Casualty	2,669.0	2,449.6	2,156.5	1,879.6	1,694.8	1,643.1
International	425.5	461.7	369.8	404.8	414.9	359.6
Total premiums	11,083.8	11,467.0	10,421.2	8,261.5	7,561.2	7,541.8
Net Investment Income, Fees and Other Income, and Net Realized Capital Gains and Losses:						
Health and Life Insurance and Services	985.8	884.3	886.0	893.3	713.0	659.9
Financial Services	3,471.8	3,162.7	3,203.9	2,899.3	2,511.6	1,491.5
Commercial Property-Casualty Insurance and Services	829.1	817.8	671.6	533.5	402.1	329.9
Personal Property-Casualty	301.7	273.5	229.4	238.8	172.4	149.3
International	253.0	282.8	208.4	139.0	159.6	165.3
Federated Investors	193.5	209.2	180.6	149.3	109.1	115.8
Total net investment income, fees and other income, and net realized capital gains and losses	6,034.9	5,630.3	5,379.9	4,853.2	4,067.8	2,911.7
Total Revenue	$17,118.7	$17,097.3	$15,801.1	$13,114.7	$11,629.0	$10,453.5

Income (Loss) from Continuing Operations

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before Extraordinary Item and Cumulative Effect Adjustments:						
Health and Life Insurance and Services	$ 133.8	$ 150.2	$ 258.0	$ 291.7	$ 250.5	$ 224.8
Financial Services	100.5	48.6	168.5	104.2	74.3	106.8
Commercial Property-Casualty Insurance and Services	205.8	318.3	147.9	20.9	(122.5)	(31.8)
Personal Property-Casualty	80.5	137.0	63.9	44.0	3.3	29.6
International	(17.8)	23.5	34.4	(36.3)	13.9	29.7
Federated Investors	54.6	58.3	49.4	38.7	23.3	22.1
Income from Continuing Operations before Extraordinary Item and Cumulative Effect Adjustments	557.4	735.9	722.1	463.2	242.8	381.2
Income (Loss) from Discontinued Operations	142.1	130.9	138.3	(101.9)	(130.2)	(37.0)
Cumulative Effect Adjustments	-	-	-	-	-	-
Net Income (Loss)	$ 713.3	$ 915.3	$ 1,015.6	$ 365.3	$ 112.6	$ 344.2
Net Realized Capital Gains (Losses), Net of Tax (included above)	32.0	4.0	97.6	59.5	(36.0)	40.4
Total Assets	81,344.6	75,724.1	69,360.1	60,096.0	52,604.3	49,110.7
Total Long-Term Debt	1,093.8	930.9	654.4	527.9	484.2	485.7
Redeemable Preferred Stock, Net of Treasury	118.6	177.1	200.0	75.0	-	-
Shareholders' Equity	6,453.8	6,015.7	5,633.4	4,745.9	4,112.3	4,375.7
Per Common Share Data:						
Income from Continuing Operations Before Extraordinary Item and Cumulative Effect Adjustments	$ 4.87	$ 6.33	$ 6.25	$ 4.14	$ 2.20	$ 3.63
Income (Loss) from Discontinued Operations	1.26	1.15	1.24	(.95)	(1.31)	(.37)
Cumulative Effect Adjustments for Continuing Operations	-	-	-	-	-	-
Net Income (Loss)	6.25	7.91	8.87	3.23	.89	3.26
Dividends Declared	2.76	2.76	2.64	2.64	2.64	2.64
Shareholders' Equity	57.50	52.95	48.58	41.19	39.14	41.96
Market Price at Year End	47.25	45.25	56.38	53.50	36.50	36.00

See Notes to Financial Statements.
</TABLE>

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.*

Consolidated Results of Operations: Operating Summary

<TABLE>
<CAPTION>

(Millions, except per share data)	1993	1992	1991
<S>	<C>	<C>	<C>
Premiums....................................	$ 10,574.9	$ 10,793.9	$ 11,444.6
Net investment income........................	4,919.0	5,069.0	5,514.5
Fees and other income........................	1,534.0	1,519.4	1,365.5
Net realized capital gains (losses)...........	89.8	114.9	(282.1)

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Total revenue............................	17,117.7	17,497.2	18,042.5
Current and future benefits..................	12,391.9	12,848.9	13,429.8
Operating expenses...........................	3,558.8	3,824.5	3,341.1
Amortization of deferred policy acquisition costs.........................	736.4	800.2	1,028.1
Loss on discontinuance of products............	1,270.0	-	-
Severance and facilities charge..............	308.0	145.0	-
Total benefits and expenses..............	18,265.1	17,618.6	17,799.0
Income (Loss) from continuing operations before income taxes, extraordinary item and cumulative effect adjustments.........	(1,147.4)	(121.4)	243.5
Income tax benefits..........................	(532.1)	(116.1)	(122.9)
Income (Loss) from continuing operations before extraordinary item and cumulative effect adjustments........................	(615.3)	(5.3)	366.4
Discontinued operations, net of tax..........	27.0	173.8	138.8
Income (loss) before extraordinary item and cumulative effect adjustments.............	(588.3)	168.5	505.2
Extraordinary loss on debenture redemption, net of tax..............................	(4.7)	-	-
Cumulative effect adjustments, net of tax.....	227.1	(112.5)	-
Net income (loss)	$ (365.9)	$ 56.0	$ 505.2
Net realized capital gains (losses), net of tax (included above)	$ 59.0	$ 78.6	$ (187.4)
Per common share data:			
Income (Loss) from continuing operations before extraordinary item and cumulative effect adjustments..........	$ (5.54)	$ (.05)	$ 3.33
Income from discontinued operations, net of tax............................	.24	1.58	1.26
Extraordinary loss on debenture redemption	(.04)	-	-
Cumulative effect adjustments............	2.05	(1.02)	-
Net income (loss).....................	$ (3.29)	$ .51	$ 4.59
Dividends declared.......................	$ 2.76	$ 2.76	$ 2.76
Shareholders' equity	62.77	65.64	67.09
Sources of earnings (losses):			
Health and Life Insurance and Services......	$ 288.1	$ 280.6	$ 386.0
Financial Services..........................	(808.8)	(17.2)	(156.9)
Commercial Property-Casualty Insurance and Services...................	(115.9)	(245.4)	139.5
Personal Property-Casualty..................	(3.3)	(36.2)	(28.6)
International...............................	24.6	12.9	26.4
Total from continuing operations........	(615.3)	(5.3)	366.4
Discontinued operations.....................	27.0	173.8	138.8
Extraordinary loss on debenture redemption..	(4.7)	-	-
Cumulative effect adjustments...............	227.1	(112.5)	-
Net income (loss)	$ (365.9)	$ 56.0	$ 505.2

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* This Management's Discussion and Analysis is as of February 8, 1994.

</TABLE>

Overview

Aetna's 1993 net loss was $366 million, compared with net income of $56 million and $505 million in 1992 and 1991, respectively. The 1993 net loss included income from discontinued operations of $27 million (compared with $174 million in 1992 and $139 million in 1991) and a net benefit of $227 million for cumulative effect adjustments for accounting changes (compared with a net charge of $113 million for such adjustments in 1992). (Please see "Cumulative Effect Adjustments" on page 6.)

Summary Segment Results

The following summary of segment results is based upon results of continuing operations, excluding capital gains and losses and excluding the 1993 and 1992 severance and facilities charges.

Health and Life Insurance and Services:

Results improved in 1993, reflecting reductions in operating expenses in both the group health and life and individual life businesses. However, 1993 results also reflected an increasing level of managed care expenses to meet current and future needs. Improved health maintenance organization ("HMO") earnings also are reflected in 1993 results.

Financial Services:

Results in 1993 included an after-tax charge for anticipated future losses of $825 million related to the discontinuance of the company's fully guaranteed large case pension products. Excluding the loss on discontinuance, results in 1993 improved, primarily due to increased annuity earnings and non-recurring investment gains on futures contracts. However, the large case pension business continued to be negatively impacted by adverse conditions in commercial real estate markets and lower interest rates. (Please see "Net Realized Capital Gains and Losses" on page 6.)

Commercial Property-Casualty Insurance and Services:

Results in 1993 were negatively impacted by increased charges for additions to loss and loss expense reserves for prior accident years, including significant charges for workers' compensation reserves. Excluding the increase in workers' compensation reserves, results improved significantly, reflecting lower operating expenses, improved underwriting, a tax benefit associated with a change in federal income tax rates and lower catastrophe losses. Results in 1992 included a $30 million after-tax charge related to an Olympia & York financial guarantee.

Personal Property-Casualty:

Improved results in 1993 reflected a reduction in operating expenses and lower catastrophe losses, partially offset by lower net investment income. Results in 1993 also benefited from favorable loss trends.

International:

Improved 1993 results reflected continued improvement in Pacific Rim operations and earnings from the company's increased investment in a Mexican insurance operation, partially offset by weaker earnings in Canada. Earnings in 1993 also included an after-tax capital loss of $12 million realized on the sale of the U.K. life and investment management operations, a $37 million tax benefit from prior year operating losses on those operations and after-tax charges of $29 million for additions

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to loss and loss expense reserves for prior accident years in the U.K. reinsurance operations.

Results of Continuing Operations -- 1993 vs. 1992

The loss from continuing operations (before results of discontinued operations, the extraordinary item and cumulative effect adjustments) was $615 million in 1993, compared with a loss from continuing operations of $5 million in 1992. The following factors complicate the comparison of 1993 and 1992 results:

- - In January 1994, the company announced its decision to discontinue the sale of its fully guaranteed large case pension products. Results in 1993 included an after-tax charge for anticipated future losses on these products of $825 million.

- - Results in 1993 included a fourth quarter pretax addition to workers' compensation reserves for prior accident years of $574 million ($259 million increase, after-tax, after the current year effect of discounting). The 1992 reserve additions for prior accident years included significant charges for asbestos bodily injury and environmental liability claims.

- - Results in 1993 and 1992 included after-tax severance and facilities charges of $200 million and $96 million, respectively.

- - Catastrophe losses (after-tax) were $85 million in 1993 compared with $118 million in 1992. Catastrophe losses in 1992 were primarily due to Hurricane Andrew and Winter Storm Beth.

- - Results in 1992 included an after-tax charge of $30 million related to an Olympia & York financial guarantee.

- - The enactment of the Omnibus Budget Reconciliation Act of 1993 ("OBRA") resulted in an increase of $27 million in the company's deferred tax asset. Federal income tax expense for 1993 included a corresponding deferred benefit of $27 million, offset by an increase in current taxes of $6 million.

- - Results in 1993 included net after-tax realized capital gains of $59 million (compared with $79 million in 1992) which included significant realized capital gains, primarily from the sale of bonds, partially offset by charges for additions to reserves for mortgage loans and real estate.

Income from continuing operations in 1993 also reflected after-tax reductions in operating expenses over 1992 of $173 million.

Results of Continuing Operations -- 1992 vs. 1991

The loss from continuing operations in 1992 was $5 million, compared with income from continuing operations of $366 million in 1991. Results in 1992 were adversely affected by increased charges for additions to property-casualty reserves for prior accident years (including fourth quarter charges of $180 million for asbestos bodily injury and environmental liability claims), an after-tax reorganization charge of $96 million, charges for the current year effects of changes in accounting, increased catastrophe losses and an after-tax charge of $30 million related to an Olympia & York financial guarantee.

However, 1992 results of continuing operations compared with 1991 benefited from an increase in net realized capital gains, primarily due to gains on sales of bonds and equity securities and lower charges for additions to reserves for mortgage loans and real estate, and improved International results. The 1991 results included a $50 million benefit resulting from a reversal of previously established tax reserves based

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on a favorable court decision and an after-tax charge of $55 million related to the company's withdrawal from the Massachusetts personal automobile insurance market.

Results of Discontinued Operations

Discontinued operations reflect the results of Reinsurance and Related Services provided through the company's formerly wholly owned subsidiary, American Re-Insurance Company ("Am Re"), which was sold effective September 30, 1992. Income from discontinued operations was $27 million in 1993, $174 million in 1992 and $139 million in 1991. The 1993 income resulted from the redemption of preferred stock received in connection with the sale of Am Re. Included in 1992 earnings from discontinued operations is a net benefit of $49 million for cumulative effect adjustments from accounting changes and a gain of $38 million realized on the sale of Am Re.

Cumulative Effect Adjustments

Net income in 1993 and 1992 included the following cumulative effect adjustments, net of tax:

(Millions)	1993	1992
Discounting of workers' compensation life table indemnity claims	$ 250.0	$ -
Change in accounting for postemployment benefits (primarily accrual of long-term disability benefits)	(48.5)	-
Change in accounting for retrospectively rated reinsurance contracts	26.3	-
Change in accounting for debt and equity securities	(.7)	-
Change in accounting for postretirement benefits other than pensions	-	(385.0)
Change in accounting for income taxes	-	272.5
Net cumulative effect benefit (charge)	$ 227.1	$ (112.5)

There were no cumulative effect adjustments reflected in 1991 net income. (Please see Notes 1, 5, 10 and 13 of Notes to Financial Statements.)

Net Realized Capital Gains and Losses

Net realized after-tax capital gains (losses) included in the results of continuing operations were as follows:

(Millions)	1993	1992	1991
Net realized capital gains from sales (primarily of bonds and equity securities)	$ 486.5	$ 355.8	$ 182.3
Realized capital losses from real estate write-downs and additions to reserves for mortgage loans and real estate	(417.6)	(280.2)	(353.1)

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Realized capital gains (losses) from additions to reserves for debt and equity securities	(9.9)	3.0	(16.6)
Net realized after-tax capital gains (losses)	$ 59.0	$ 78.6	$(187.4)

</TABLE>

Net realized capital gains from sales, as presented above, included a $12 million loss in 1993 on the sale of the U.K. life and investment management operations, a $50 million gain in 1992 from the sale of a portion of the company's equity interest in MBIA Inc. (principally a municipal bond insurance company) and a $33 million gain in 1991 from the sale of the company's equity interest in La Estrella, S.A., a Spanish insurance company.

Adverse conditions in commercial real estate markets have negatively impacted earnings in each of the last three years. However, the company also has reduced its exposure to commercial real estate markets in recent years. The company has reduced the mortgage loan and equity real estate portfolios, after reserves and write-downs, by $6.0 billion since the end of 1991, bringing mortgage loans and real estate as a percentage of general account invested assets from 38% in 1991 to 26% at December 31, 1993. It is management's continuing objective, real estate and capital market conditions permitting, to reduce over the next several years the size of the mortgage loan and real estate portfolios relative to total invested general account assets. Although extensions and refinancings of existing mortgage loans may delay achieving this objective, management intends to aggressively pursue plans to maximize returns and reduce portfolio levels through loan restructurings and sales of foreclosed real estate.

Income Taxes

In August 1993, OBRA was enacted, increasing the federal corporate tax rate from 34% to 35% retroactive to January 1, 1993. Future net income of the company will be adversely impacted by the increased tax rate.

Effective January 1, 1992, the company adopted Financial Accounting Standard ("FAS") No. 109, Accounting for Income Taxes, which requires the recognition of deferred tax benefits to the extent it is more likely than not that such benefits will be realized. In accordance with this statement, the company recognized income tax benefits of $532 million and $116 million in 1993 and 1992, respectively. Additionally, the company had a deferred tax asset of approximately $1.3 billion at December 31, 1993 and management believes it is more likely than not that the company will realize the benefit of this deferred tax asset. While there are no assurances that this benefit will be realized, the company expects sufficient taxable income in the future (requires $3.6 billion of future taxable income) based on its historical taxable income (average of approximately $200 million from continuing operations over the past three years excluding non-recurring charges). (Please see Note 10 of Notes to Financial Statements.)

Income tax benefits of $123 million in 1991 (of which $50 million resulted from the reversal of previously established tax reserves based on a favorable court decision) were calculated using the deferred method of accounting for income taxes. Income taxes in 1991 were not restated for the retroactive effect of adopting FAS No. 109.

The Revenue Reconciliation Act of 1990 increased federal tax payments for insurance companies in part by including in taxable income estimated recoverables from property-casualty salvage and subrogation claims. However, a portion of the income related to such estimated recoverables

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as of January 1, 1990 was not taxed ("fresh start"). This resulted in $18 million of "fresh start" tax benefits for the company in 1991. Net income in 1991 also included $42 million of tax benefits from the "fresh start" provisions of the Tax Reform Act of 1986. Due to the company's adoption of FAS No. 109 retroactive to January 1, 1992, "fresh start" benefits are no longer treated as a reduction of tax expense.

Per Common Share

The loss from continuing operations per common share before extraordinary item and cumulative effect adjustments was $5.54 in 1993, compared with a loss from continuing operations per common share before cumulative effect adjustments of $.05 in 1992 and income from continuing operations per common share of $3.33 in 1991. The net loss per common share was $3.29 in 1993, compared with net income per common share of $.51 in 1992 and $4.59 in 1991. Return on shareholders' equity was (5.1)% in 1993, compared with .8% in 1992 and 7.0% in 1991. The weighted average number of common shares outstanding was 111.1 million in 1993 and 110.1 million in each of 1992 and 1991. Shareholders' equity was $62.77 per common share at the end of 1993, down from $65.64 at the end of 1992 and $67.09 at the end of 1991.

Revenue

Total revenue decreased 2% in 1993, primarily as a result of lower premiums and net investment income. Premium income decreased 2% primarily reflecting decreased volume resulting from the company's withdrawal from certain workers' compensation and personal automobile insurance markets and continued price competition in the commercial and personal property-casualty businesses. Net investment income decreased 3% in 1993 primarily due to lower investment yields and lost investment income on non-performing mortgage loans.

Severance and Facilities Charge

In recent years, management has placed a strong focus on reducing costs in order to improve the competitive position of the company's businesses. In 1994, the company will take additional steps to further reduce its costs. As a result of these planned actions, the company announced, in January 1994, a $200 million after-tax severance and facilities charge to 1993 earnings. This charge relates primarily to severance costs associated with the planned elimination of approximately 4,000 positions and abandonment of certain facilities. The cost reduction measures are expected to be substantially completed in 1994 and are expected to produce annual after-tax savings in excess of $200 million by 1995, including savings resulting from a modification of the company's postretirement health care plan. The cost reduction measures are not expected to significantly impact cash flows in 1994.

Actions associated with the 1992 restructuring charge have been implemented as planned and the expected savings have been achieved.

Health and Life Insurance and Services

<TABLE>
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Operating Summary (Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Premiums	$ 4,794.3	$ 4,679.9	$ 4,628.6
Net investment income	593.1	597.1	639.1
Fees and other income	1,082.1	1,027.1	882.0

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Net realized capital gains(losses)	7.8	(.9)	(33.3)
Total revenue	6,477.3	6,303.2	6,116.4
Current and future benefits	4,247.9	4,046.6	3,948.7
Operating expenses	1,670.0	1,762.6	1,604.2
Amortization of deferred policy acquisition costs	21.2	19.3	68.2
Severance and facilities charge	88.5	54.1	-
Income before taxes	449.7	420.6	495.3
Income taxes	161.6	140.0	109.3
Income before cumulative effect adjustments	$ 288.1	$ 280.6	$ 386.0
Net realized capital gains (losses), net of tax (included above)	$ 1.1	$ .9	$ (21.2)
Universal life deposits not included in premiums above (1)	$ 268.7	$ 260.5	$ 239.7

<FN>
(1) Under FAS No. 97, universal life deposits are not included in premiums or revenue.
</TABLE>

The Health and Life Insurance and Services segment ("Health and Life") includes units marketing a wide range of group health and life insurance products and services, including managed health care products, to employers and employer-sponsored groups. Individual life insurance product results also are included in Health and Life.

Health and Life income before cumulative effect adjustments (excluding the 1993 and 1992 after-tax severance and facilities charges of $58 million and $36 million, respectively) increased $29 million, or 9% in 1993, following a $70 million, or 18%, decrease in 1992. Results in 1993 benefited from a reduction in operating expenses. Despite the overall reduction in operating expenses, managed care-related expenses continued to increase in 1993 to meet both current and future needs. Results in 1993 also reflected increased HMO earnings.

The $70 million decrease in earnings from 1991 to 1992 was partially due to a decrease in after-tax investment income from $407 million in 1991 to $382 million in 1992, primarily due to lower investment yields and reduced cash flows. Results in 1992 also included an after-tax charge of $19 million related to postretirement benefits other than pensions and by costs related to continued development of managed care operations. Favorable medical experience on several contracts partially offset the decline in earnings. Earnings in 1991 included a $50 million benefit resulting from a reversal of previously established tax reserves based on a favorable court decision.

Health and Life premiums grew 2% in 1993 and 1% in 1992, primarily as a result of new business sales and price increases on existing business that were offset in part by policy lapses and conversions of insured lives to non-insured plans. (As noted below, revenue from non-insured plans is reflected in "fees and other income.")

Group Insurance

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Continuing concern over the rising costs of health care and the need for quality assurance have resulted in a continuation of a market shift away from traditional forms of health benefit coverage to a variety of "managed care" products. Managed care products, which may be sold on a stand-alone basis or in combination with traditional indemnity products, vary from traditional indemnity products primarily through the use of health care networks (physicians and hospitals) and of medical management procedures designed to enhance the quality and reduce the cost of medical services provided.

The company offers a broad spectrum of traditional indemnity and managed care group products. The latter include preferred provider ("PPO") arrangements, which offer enhanced coverage benefits for services received from participating providers; point-of-service ("POS") plans, which typically combine PPO-style benefit designs with stronger utilization management; and HMOs, which arrange for non-emergency services exclusively through the HMO's network of providers. The company's health care network physicians and hospitals have traditionally been independent contractors. In 1993, the company began to develop and manage primary care physician practices as a means of increasing network access and overall product integration.

At year-end 1993, Aetna operated various types of managed care networks in approximately 211 Standard Metropolitan Statistical Areas. The number of members covered under all arrangements, including traditional health plans, at December 31 were:

<TABLE>
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(Millions)	1993 (1)	1992	1991
<S>	<C>	<C>	<C>
Traditional health plans	9.6	9.5	9.7
PPOs and POS plans	4.0	2.2	2.0
HMOs	1.4	1.3	1.3

<FN>

(1) During 1993, the company implemented a more comprehensive membership reporting system. This change in membership counting resulted in a .8 million increase in traditional health plan membership and a 1.0 million increase in PPO and POS membership as of December 31, 1993. HMO membership was not affected by the change. Prior year membership has not been restated for this change.

</TABLE>

Revenue produced by health care operations is reflected in "premiums" or in "fees and other income" depending upon the extent to which risk is assumed by the company or by the customer. Plans may be insured, in whole or in part, or may be entirely funded by the customer ("self-funded"). Insured plans generally involve the assumption of all or a portion of health care cost and utilization risk by the company. HMO plans typically involve full risk assumption by the HMO. Self-funded plans do not involve the assumption of significant insurance or credit risk by the company and thus typically generate lower earnings than comparable insured plans.

Individual Life

The individual life business was a strong contributor to earnings in each of 1993, 1992 and 1991. Individual life earnings in 1993 were $48 million, or $17 million higher than in 1992, reflecting increased investment income and a reduction in operating expenses. Individual life earnings in 1992 were

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about level with 1991.

Outlook

The shift from traditional health plans to various managed care programs is expected to continue, thus necessitating continuing investment by the company in its managed care operations. Subject to the considerations discussed below, management expects the Health and Life segment to be a continued source of substantial earnings.

Health care costs have continued to rise because of increased costs of medical services and increased usage of those services. The level of Health and Life earnings will continue to depend, to a large degree, on Aetna's ability to price its products appropriately in light of rising health care costs, and to restrain rising costs for Aetna's customers through effective network and medical management procedures.

Enactment of comprehensive health care reform legislation at the federal level remains a key priority of both the Clinton Administration and many members of Congress. Leading proposals already under consideration, including the Administration's bill, tend to focus on "managed competition" among private health care plans, although these proposals differ in important details. The company generally supports federal initiatives that (i) expand access to and control costs of health care through expanded reliance on managed care and (ii) preserve a strong private sector role in the financing and delivery of health care. Substantial Congressional debate on health care reform is expected during 1994 and perhaps beyond.

During recent legislative sessions, a few states enacted significant health care reform measures intended to increase access to health coverage and control costs of health care. Specific features of these initiatives vary, but in general they seek to promote competition for membership among managed care plans, principally through the creation of cooperative purchasing mechanisms for small groups.

The company continues to support state reforms that seek to expand access to coverage for small employers, stabilize rates for such coverage or encourage the use of managed care, provided that all competitors are subject to consistent standards and are provided sufficient flexibility to manage pricing and risk on a prospective basis. Management believes that the company generally is well positioned to compete under state initiatives which are based on the principles of managed competition. The growing diversity of state regulation has increased administrative complexity associated with the company's health businesses, however, and certain proposed state reform measures (notably those which would hinder the growth of managed care in those states in which the company has, or is establishing a significant presence) may, if enacted, adversely affect the company's health operations in those states.

Management currently is not able to predict the outcome of the various federal and state legislative initiatives discussed above, or what effect the resulting legislation, if any, will have on the company's health businesses.

Financial Services

<TABLE>
<CAPTION>

Operating Summary (Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Premiums	$ 217.9	$ 222.9	$ 305.6
Net investment income	3,049.9	3,170.3	3,539.1
Fees and other income	224.2	184.6	171.5
Net realized capital gains(losses)	.8	(32.7)	(306.1)

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Total revenue	3,492.8	3,545.1	3,710.1
Current and future benefits	3,040.4	3,265.5	3,723.1
Operating expenses	389.0	322.3	240.5
Amortization of deferred policy acquisition costs	17.3	13.4	22.9
Loss on discontinuance of products	1,270.0	-	-
Severance and facilities charge	52.2	5.6	-
Loss before taxes	(1,276.1)	(61.7)	(276.4)
Income tax benefits	(467.3)	(44.5)	(119.5)
Loss before cumulative effect adjustments	$ (808.8)	$ (17.2)	$ (156.9)
Net realized capital losses, net of tax (included above)	$ (.3)	$ (21.4)	$ (201.6)
Net loss attributable to discontinued products, net of tax (included above)	$ (858.4)	${eq \D\ba3()} (109.8)	$ (212.2)
Deposits not included in premiums above:(1)			
Fully guaranteed	$ 869.0	$ 953.8	$ 2,195.2
Experience rated	1,800.8	1,719.3	1,741.1
Non-guaranteed	3,077.1	2,742.1	2,074.9
Total	$ 5,746.9	$ 5,415.2	$ 6,011.2
Assets under management:			
Fully guaranteed	$ 16,336.9	$ 17,246.1	$ 18,438.2
Experience rated	24,296.7	23,407.2	23,634.4
Non-guaranteed	26,494.5	21,163.0	18,609.8
Total	$ 67,128.1	$ 61,816.3	$ 60,682.4

<FN>
(1) Under FAS No. 97, certain deposits are not included in premiums or revenue.
</TABLE>

Business units in the Financial Services segment ("Financial Services") market a variety of retirement and other savings products (including pension and annuity products) and services to businesses, government units, associations, collectively bargained welfare trusts, hospitals, educational institutions and individuals. These products are grouped into "large case" and "small case" categories.

Large case products consist of group annuity and/or investment management arrangements that generally are offered to larger employers. These products generally are tailored for marketing to defined benefit and defined contribution pension plans that qualify under Internal Revenue Code ("IRC") Section 401 for tax deferral. Contracts providing fully guaranteed, partially guaranteed (experience rated) and non-guaranteed investment options have been offered. Non-guaranteed and certain partially guaranteed investment options include insurance company separate accounts and investment advisory arrangements. Large case products are offered primarily by Aetna Life Insurance Company and certain of its affiliated registered investment advisor affiliates.

Small case products include pension products, mutual funds and annuities sold under contracts or to plans that qualify under IRC Sections 401, 403, 408 and 457, and are written primarily by Aetna Life Insurance and Annuity Company ("ALIAC"). ALIAC offers annuity contracts (with fully

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guaranteed, partially guaranteed and non-guaranteed features), generally to smaller employers and to individuals, with a high level of service associated with the investment management. The non-guaranteed investment options offered under these contracts are ALIAC separate accounts that invest in Aetna and outside mutual funds. Aetna mutual funds also are available to individual and institutional investors outside of the ALIAC retirement products.

The company is involved in a multi-year program to improve profitability and enhance shareholder value. As part of that program, management has committed to exiting from businesses or products that underperform, lack potential or otherwise no longer fit the company's long-term strategy. Fully guaranteed large case pension products, consisting of guaranteed investment contracts ("GICs") and single-premium annuities ("SPAs"), have negatively impacted earnings in recent years as a result of depressed conditions in commercial real estate markets and lower interest rates in general. The poor results from this business are expected to continue for the foreseeable future. Accordingly, in January 1994, the company announced its decision to discontinue the sale of its fully guaranteed large case pension products. As a result of this decision, the company recognized an after-tax loss on discontinuance of products of $825 million which is reflected in the 1993 financial statements. This charge reflects anticipated future losses expected to be realized on the run off of this business. (Please see "Discontinued Products" on page 16.)

Total Segment Results

Excluding net realized capital gains and losses, the 1993 and 1992 after-tax severance and facilities charges of $34 million and $4 million, respectively, and the 1993 loss on discontinuance of products, Financial Services results before cumulative effect adjustments increased by $43 million in 1993 and decreased by $37 million in 1992. The improvement in 1993 results was primarily due to increased annuity earnings and non-recurring investment gains on futures contracts. Results in 1992 also reflected strong annuity earnings. However, the large case pension business continued to be negatively impacted in each of the last two years by adverse conditions in commercial real estate markets and lower interest rates.

After-tax net realized capital losses were less than $1 million in 1993, compared with losses of $21 million and $202 million in 1992 and 1991, respectively. Such net realized capital losses excluded net capital losses of $111 million, $43 million and $104 million in 1993, 1992 and 1991, respectively, which were attributable to assets supporting experience rated pension and annuity contracts. Included in net capital losses for 1993, 1992 and 1991 were net gains from bond sales of $185 million, $104 million and $42 million, respectively. Net realized capital losses in 1993, 1992 and 1991 also included $242 million, $185 million and $257 million, respectively, from additions to mortgage loan and real estate reserves and real estate write-downs. (Please see "Mortgage Loan Investments" on page 36 and "Real Estate Investments" on page 41.)

Assets under management at December 31, 1993 of $67 billion (including assets supporting discontinued products of $14.7 billion) were 9% above 1992 levels, following a 2% increase in 1992. The increase in assets under management in 1993 and 1992 was primarily due to strong sales, separate account deposits, and favorable asset retention in the annuity and small case pension businesses.

Continuing Product Lines

The company continues to offer experience rated and non-guaranteed products to its large case pension customers.

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Experience rated large case products require the customer to assume investment and other risks subject, among other things, to certain minimum guarantees. At December 31, 1993, experience rated products included defined contribution products of $7.5 billion ($2.7 billion of which were supported by assets held in the company's separate accounts) and defined benefit products of $9.5 billion ($3.9 billion of which were supported by assets held in the company's separate accounts). Excluding those products which are supported by separate accounts assets, approximately $3.4 billion of the experience rated contracts at December 31, 1993 ($5.3 billion at December 31, 1992) allowed for unscheduled contractholder withdrawals, subject to timing restrictions. Amounts withdrawn by contractholders also are subject to market value adjustments intended to reflect the estimated value of the assets supporting the contract at the time of withdrawal. The extent to which market value adjustments on individual contractholder withdrawals actually reflect such estimated value is dependent upon, among other factors, the difference between assumed and actual realized experience on assets supporting experience rated contracts.

Excluding those products which are supported by separate accounts assets, approximately $5 billion of the large case experience rated pension contracts at December 31, 1993 could be withdrawn at the direction of plan participants without market value adjustment. Such participant directed withdrawals include both withdrawals from the contractholder's plan ("plan withdrawals") and transfers from plan investment options supported by large case pension products ("plan transfers"). Plan withdrawals are generally subject to significant tax and plan constraints. Contractual provisions relating to plan withdrawals and transfers also may limit the effect of such transactions on the company. Participant directed withdrawal activity has declined in recent years.

Experience rated contractholder and participant directed withdrawals were as follows (excluding transfers to other company products) for the years ended December 31:

<TABLE>
<CAPTION>
(Millions)

	1993	1992	1991
<S>	<C>	<C>	<C>
Scheduled contract maturities and benefit payments (1)	$1,049.8	$ 999.5	$ 749.2
Contractholder withdrawals other than scheduled contract maturities and benefit payments (2)	893.2	1,129.7	1,228.2
Participant directed withdrawals	222.5	396.8	426.9

<FN>
(1) Includes payments made upon contract maturity and other amounts distributed in accordance with contract schedules.
(2) Includes withdrawals made in 1992 and 1993 in connection with the fourth quarter 1992 conversion offer (described below).
</TABLE>

Pursuant to the terms of the company's experience rated large case pension contracts, realized capital gains and losses related to assets supporting such contracts are passed through to contractholders, subject, among other things, to certain minimum guarantees, and the effect of such realized capital gains and losses does not impact the company's results.

During 1992, the company offered to holders of certain classes of experience rated contracts the opportunity to modify such contracts ("conversion offer"). The contract amendments provided, with respect to pre-1993 deposits, that the company would increase minimum guaranteed credited rates in return for contractholders relinquishing the right to

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make lump-sum withdrawals and accepting defined payout schedules. The contract modifications reduced the company's exposure to significant fluctuations in unscheduled withdrawals, but also have reduced the company's capacity to pass through future investment losses, should they emerge, to contractholders. Other factors, such as customer withdrawal activity, future losses on investments, including mortgage loans, further experience rated contract modifications, if any, and significant increases in interest rates could further reduce the company's capacity to pass through future investment losses to contractholders (or investment losses currently considered allocable to contractholders) either as a result of triggering minimum guarantee provisions or through exercise of management judgment, thereby adversely affecting the company's future results.

Non-guaranteed large case products provide for full assumption by the customer of investment results. Assets ($19.5 billion at December 31, 1993) supporting non-guaranteed products are held in the company's various separate accounts and are managed by the company for a fee. Separate account investment income and net realized capital gains and losses are allocated to such customers' contracts and are therefore not reflected in the company's consolidated results of operations. Withdrawals are based on the actual market value of the assets in the separate account.

Small case assets under management at December 31, 1993 included $1.6 billion in fully guaranteed funds, $7.3 billion in experience rated funds, and $7.0 billion in non-guaranteed funds. The funds have transfer and withdrawal limitations, and contracts typically impose surrender fees (which decline over the duration of the contract). Any withdrawals from the guaranteed fund prior to maturity include an adjustment intended to reflect the estimated fair value of the assets supporting the contract at the time of withdrawal. Approximately 91% of small case assets under management at December 31, 1993 (compared with 90% at December 31, 1992) allowed for contractholder withdrawal, subject to market value adjustments.

Discontinued Products

In January 1994, the company announced its decision to discontinue the sale of its fully guaranteed large case pension products. The after-tax loss on discontinuance of these products was $825 million as of the December 31, 1993 measurement date. The loss on discontinuance represents the present value of anticipated net cash flow shortfalls as the liabilities are run off. Such net cash flow shortfalls include anticipated losses from negative interest margins (i.e., the amount by which interest credited to holders of such contracts exceeds interest earned on investment assets supporting the contracts), future capital losses, and operating expenses and other costs expected to be incurred as the liabilities are run off. (Please see Note 2 of Notes to Financial Statements.)

The 1993 loss from discontinued products includes a $390 million loss on discontinuance of GICs and a $435 million loss on discontinuance of SPAs. Excluding the loss on discontinuance of products, results in 1993 reflected a negative interest margin of $72 million, excluding $19 million of gains on futures contracts (which are not expected to recur). The negative interest margin was $66 million in each of 1992 and 1991. Results in 1993 also included net realized capital losses of $10 million, compared with net realized capital losses of $41 million and $179 million in 1992 and 1991, respectively.

Discontinued fully guaranteed products provide guarantees on investment return, maturity values, and if applicable, benefit payments. Assets under management supporting GICs and SPAs at December 31, 1993 were $9.1 billion and $5.6 billion, respectively. The interest credited on these contracts at December 31, 1993 ranged from 2.91% to 17.95%, with an

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average rate of 9.48%. As of December 31, 1993 and 1992, none of these contracts allowed for contractholder withdrawal, except in extraordinary circumstances.

Maturity and benefit payments on fully guaranteed pension products were $2.6 billion, $3.6 billion and $4.5 billion in 1993, 1992 and 1991, respectively. Sales of such products in 1993, 1992 and 1991 were $.6 billion, $.5 billion and $1.5 billion, respectively. The company has ceased selling new fully guaranteed large case pension products but will honor all obligations under existing contracts.

At December 31, 1993, scheduled maturities, future benefit payments, and other expected payments of GICs and SPAs, including future interest, were as follows:

(Millions)

	GICs	SPAs
1994	$2,040.1	$ 539.5
1995	2,027.6	533.6
1996	2,296.7	527.9
1997	1,798.9	522.0
1998	1,354.4	516.6
1999-2003	2,258.5	2,506.5
2004-2008	40.7	2,340.1
2009-2013	9.3	2,085.6
2014-2018	10.9	1,752.1
Thereafter	1.1	2,049.7

Management expects that the cash outflows from these products will be funded over approximately the next 25 years by earnings on, sales of, and normal amortization of invested assets. To the extent that such cash flows are insufficient to meet the payments of one of the products, a loan, at then current interest rates, may be made from the other product to meet the cash flow shortfall. Further, the receivables established from the continuing operations may be utilized to meet cash flow shortfalls in one or both products. The anticipated cash flow shortfalls are not expected to affect the company's future earnings as anticipated future losses on this business were considered in establishing the reserve for discontinued products. However, to the extent that actual future losses differ from anticipated future losses, such shortfalls will affect the company's results of operations. Such differences may occur because the calculation of anticipated future losses reflects a number of estimates, including estimates relating to the expected future performance of invested assets supporting discontinued products. Due to these uncertainties, management is unable to determine whether the effect of such shortfalls will be material to the company's future results.

Pursuant to a segmentation plan approved in 1983 by the New York Insurance Department, the combined assets supporting discontinued products were segregated coincident with the receipt of premiums and deposits on the discontinued products. The assets were distinguished, physically, operationally and for financial reporting purposes, from the remaining assets of the company. Invested assets of discontinued products (net of impairment reserves) at December 31, 1993, and the related impairment reserves, were as follows:

(Millions)	Carrying Value	Impairment Reserves (1)

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Debt securities	$ 8,269.0	$ 37.8
Mortgage loans	5,419.1	647.2
Real estate	534.5	298.3 (2)
Short-term and other invested assets	472.5	-
Total	$14,695.1	$ 983.3

(1) Please see "Investments" on pages 34, 38 and 42 for definitions of impairment reserves.
(2) Includes real estate write-downs in addition to impairment reserves.

Debt securities attributable to discontinued products at December 31, 1993 had an average quality rating of AA-.

Included in discontinued products' assets at December 31, 1993 were the following categories of mortgage loans:

(Millions)

	Balance (1)
Problem loans	$ 410.8
Restructured loans	957.4
Potential problem and restructured loans	523.8
Total	$ 1,892.0

(1) Please see "Mortgage Loan Investments" on pages 39 and 40 for a description of problem loans, restructured loans, and potential problem and restructured loans.

Please see "Investments" on pages 32 through 43 for a detailed description of invested assets supporting both continuing and discontinued product lines.

Outlook

A substantial portion of the company's mortgage loan portfolio supports the fully guaranteed and experience rated large case pension business, and realized capital gains and losses and lost investment income in that portfolio had their greatest impact on results of the Financial Services segment. This impact is expected to be less significant in the future because the loss on discontinuance of the fully guaranteed large case pension products is an estimate of all anticipated future losses, including capital losses, on such products. However, capital losses on experience rated large case pension business may increase in the future if the company's capacity to pass through future investment losses to experience rated contractholders is reduced.

The company's ability to retain and grow its continuing large case pension business is affected by consumer confidence in both the company and the insurance industry. Consumer confidence may be influenced by such factors as reduced insurance company ratings (please see "Liquidity and Capital Resources" on page 47) and perceived financial difficulties in the industry. Management believes that a continuation of the substantial competitive pressures in the large case pension market, particularly if further ratings downgrades or other developments reduce consumer confidence, may make it unlikely that new deposits and earnings

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on assets will offset withdrawals and plan benefit payments in this market.

Management expects the company's business to move increasingly toward experience rated separate account and non-guaranteed products as the company seeks to consolidate and enhance its existing investment advisory and asset management services businesses. These businesses service, on a fee basis, pension plan sponsors, small-and medium-sized insurance companies, and other asset pools. Management expects these businesses to provide a growing source of earnings for the company.

ALIAC annuity and small case pension sales and business retention are expected to continue to be strong in 1994. ALIAC invests primarily in United States government securities, mortgage-backed securities (please see "Bond Investments" on page 35) and publicly traded corporate bonds. Therefore, the ALIAC businesses have not experienced the significant capital losses or surrender activity caused by adverse conditions in the commercial real estate markets.

Commercial Property-Casualty Insurance and Services

<TABLE>
<CAPTION>

Operating Summary (Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Premiums	$ 3,121.2	$ 3,204.1	$ 3,616.1
Net investment income	762.6	762.6	788.1
Fees and other income	138.8	176.3	196.2
Net realized capital gains	115.7	128.5	.3
Total revenue	4,138.3	4,271.5	4,600.7
Current and future benefits	3,031.4	3,242.1	3,148.4
Operating expenses	926.1	1,044.3	990.5
Amortization of deferred policy acquisition costs	337.4	376.3	409.0
Severance and facilities charge	107.6	38.8	-
Income (Loss) before taxes	(264.2)	(430.0)	52.8
Income tax benefits(1)	(148.3)	(184.6)	(86.7)
Income (Loss) before cumulative effect adjustments	$ (115.9)	$ (245.4)	$ 139.5
Cumulative effect adjustment for the change in accounting for workers' compensation reserves	$ 250.0	$ -	$ -
Net realized capital gains, net of tax (included above)	$ 74.3	$ 85.0	$ 1.3
Catastrophe losses, net of tax (included above)	$ 36.5	$ 51.5	$ 16.8
Statutory combined loss and expense ratio	130.9%	131.0%	116.7%
Statutory combined loss and expense ratio, adjusted for discounting (2)	117.9%	131.0%	116.7%

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GAAP combined loss and expense ratio	130.3%	132.1%	116.7%
GAAP combined loss and expense ratio, adjusted for discounting (2)	117.3%	132.1%	116.7%

<FN>
(1) Income tax benefits in 1993 and 1992 resulted from the pretax loss and tax-exempt interest income. Income tax benefits in 1991 resulted from tax-exempt interest income and "fresh start" tax benefits.
(2) The 1993 combined loss and expense ratios have been adjusted for the cumulative effect benefit of discounting of workers' compensation life table indemnity reserves ($250.0 million, after-tax).
</TABLE>

The business units in the Commercial Property-Casualty Insurance and Services segment ("Commercial Property-Casualty") provide most types of property-casualty insurance, bonds, and insurance-related services for businesses, government units and associations.

Results before cumulative effect adjustments (excluding the 1993 and 1992 after-tax severance and facilities charges of $70 million and $26 million, respectively) increased by $174 million in 1993, following a $359 million decrease in 1992. Results in 1993 reflected a reduction in operating expenses, improved underwriting, a net tax benefit of $22 million related to the enactment of OBRA (primarily from revaluing the deferred tax asset) and lower catastrophe losses. Partially offsetting the improvement in earnings were increased charges for additions to loss and loss expense reserves for prior accident years, including significant charges for workers' compensation reserves (please see "Property-Casualty Reserves" on page 23).

In addition to significantly increasing workers' compensation reserves in 1993, the company implemented a change in accounting, retroactive to January 1, 1993, to discount reserves for workers' compensation life table indemnity claims. Management believes that this change better reflects the economic value of its obligations and improves the matching of revenues and expenses; additionally, it is consistent with the practice of the company's principal competitors. This change in accounting resulted in an after-tax cumulative effect benefit of $250 million which relates entirely to the Commercial Property-Casualty segment.

The decline in 1992 results was due primarily to significantly increased charges for additions to loss and loss expense reserves for prior accident years, including significant charges for asbestos bodily injury and environmental liability claims. (Please see "Property-Casualty Reserves" on page 23.) Also impacting 1992 results were current year charges totaling $53 million (after-tax) resulting from changes in the methods of accounting for income taxes and postretirement benefits other than pensions, increased catastrophe losses, and an after-tax charge of $30 million related to an Olympia & York financial guarantee. Results in 1992 also reflected lower premium volume, driven by weak economic conditions, continued price competition, and reduced workers' compensation exposure.

After-tax catastrophe losses were $36 million, $51 million and $17 million in 1993, 1992 and 1991, respectively, and were net of reinsurance recoverables of $25 million and $219 million in 1993 and 1992, respectively. Catastrophe losses contributed 1.8 points to the combined ratio in 1993, compared with 2.4 points and less than 1 point to the combined ratios for 1992 and 1991, respectively. Catastrophe losses in 1992 included $31 million (net of reinsurance recoverables of

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$195 million) from Hurricane Andrew and Winter Storm Beth.

During 1993, the company continued to reduce workers' compensation exposure in certain states where that business does not offer the potential to achieve acceptable financial returns. Workers' compensation represented approximately 27% of Commercial Property-Casualty's 1993 earned premiums, compared with 30% in 1992. Total Commercial Property-Casualty earned premiums decreased 3% in 1993, primarily as a result of weak economic conditions, continued price competition, and reduced workers' compensation exposure.

Outlook

Except in isolated markets and lines of business, expectations in recent years among market analysts that prices would significantly increase in the commercial property-casualty lines have proven incorrect. Should existing market conditions continue, earnings will continue to be under pressure. In addition, as a result of the significant amount of reinsured catastrophe losses in recent years, the extent of reinsurance coverage has been limited and the cost of such coverage has risen significantly. Reduced reinsurance coverage and the change in accounting for retrospectively rated reinsurance contracts could lead to greater volatility in earnings in the future. Further, state regulatory pressure restraining workers' compensation rate increases will make it difficult to cover expected growth in loss costs, particularly the medical components of those costs. The Clinton Administration's health reform proposal includes provisions pertaining to workers' compensation medical services. Management is unable to predict how or if its commercial property-casualty business will be impacted by these proposals. Management will continue to pursue workers' compensation claim cost control measures and exposure reduction where appropriate.

The company recently announced that it expects to report losses of $80 million for the segment, net of tax and reinsurance, related to the Los Angeles earthquake and the severe winter weather occurring in January and February of 1994.

Personal Property-Casualty

<TABLE>
<CAPTION>

Operating Summary (Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Premiums	$ 1,489.3	$ 1,788.7	$ 2,344.9
Net investment income	194.6	251.2	292.5
Fees and other income	5.6	30.3	29.0
Net realized capital gains(losses)	(15.5)	10.7	2.3
Total revenue	1,674.0	2,080.9	2,668.7
Current and future benefits	1,144.4	1,466.1	2,001.5
Operating expenses	197.9	291.6	243.9
Amortization of deferred policy acquisition costs	308.8	349.6	513.8
Severance and facilities charge	47.4	46.0	-
Loss before taxes	(24.5)	(72.4)	(90.5)
Income tax benefits (1)	(21.2)	(36.2)	(61.9)
Loss before cumulative effect adjustments	$ (3.3)	$ (36.2)	$ (28.6)
Net realized capital gains (losses), net of tax (included above)	$ (10.7)	$ 6.9	$ 1.8

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Catastrophe losses, net of tax (included above)	$ 48.5	$ 66.7	$ 43.6
Statutory combined loss and expense ratio	112.9%	117.9%	113.4%
GAAP combined loss and expense ratio	111.6%	119.6%	117.5%

<FN>
(1) Income tax benefits in 1993 and 1992 resulted from the pretax loss and tax-exempt interest income. Income tax benefits in 1991 resulted from tax-exempt interest income and "fresh start" tax benefits.
</TABLE>

The business units in the Personal Property-Casualty segment provide primarily personal automobile insurance and homeowners insurance.

Results before cumulative effect adjustments (excluding the 1993 and 1992 after-tax severance and facilities charges of $31 million and $30 million, respectively, and the 1991 after-tax charge of $55 million related to the company's withdrawal from the Massachusetts personal automobile insurance market) improved by $33 million in 1993, following a $32 million decrease in 1992.

The improvement in 1993 results reflects a reduction in operating expenses and lower catastrophe losses partially offset by lower net investment income. The decline in results from 1991 to 1992 was due primarily to increased catastrophe losses in the homeowners business, including $54 million (net of reinsurance recoverables of $99 million) from Hurricane Andrew and Winter Storm Beth, and charges totaling $12 million resulting from the current year effect of accounting changes. Results in 1993 and 1992 benefited from the company's reduction of exposure in the personal automobile insurance market in those states where that business did not offer the potential to achieve acceptable financial returns and from favorable loss trends that resulted in a reduction of loss reserves.

Personal Property-Casualty after-tax catastrophe losses were $49 million, $67 million and $44 million in 1993, 1992 and 1991, respectively, and were net of reinsurance recoverables of $3 million and $111 million for 1993 and 1992, respectively. Catastrophe losses contributed 4.8 points to the combined ratio in 1993, and 5.6 points and 2.8 points in 1992 and 1991, respectively.

Premium revenue was $1.5 billion in 1993, down from $1.8 billion and $2.3 billion in 1992 and 1991, respectively, primarily reflecting the company's efforts to reduce exposure in, and capital committed to, the personal automobile insurance market in those states that do not offer the potential to achieve acceptable returns. Actions taken to reduce personal automobile exposure have had an adverse impact on sales of homeowners insurance. Automobile and homeowners policies in force at December 31 were:

<TABLE>
<CAPTION>
(Millions)

<S>	1993 <C>	1992 <C>	1991 <C>
Automobile	.7	.8	1.3
Homeowners	1.5	1.6	1.9

</TABLE>

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Outlook

Based upon evaluation of conditions in each state, the company has in recent years withdrawn from or reduced exposure to personal automobile insurance in certain states in which management has concluded that it is not in the company's interests to continue selling personal automobile insurance. Management will continue to evaluate market conditions and maintain or increase the company's presence in those states that offer acceptable returns.

The adverse impact on homeowners results of personal automobile insurance withdrawal and reduction actions began to abate during the last half of 1993 as the two lines furthered the establishment of separate identities in the marketplace. This trend is expected to continue in 1994.

As a result of the significant amount of reinsured catastrophe losses in recent years, the extent of reinsurance coverage has been limited and the cost of such coverage has risen significantly. Reduced reinsurance coverage and the change in accounting for retrospectively rated reinsurance contracts could lead to greater volatility in earnings in the future. Management is reviewing its exposure to catastrophes and working toward reducing such exposure in areas or to products where it is concentrated.

The Clinton Administration's health reform proposal includes provisions pertaining to auto insurance medical services. Management is unable to predict how or if its personal property-casualty business will be effected by these proposals.

The company will continue to seek to reduce further the costs associated with processing and servicing personal property-casualty business. Management also will continue to seek to obtain rate increases where appropriate and will continue to challenge in court regulatory or legislative initiatives that deny the company an opportunity to earn a satisfactory return on this business.

The company recently announced that it expects to report losses of $40 million for the segment, net of tax and reinsurance, related to the Los Angeles earthquake and the severe winter weather occurring in January and February of 1994.

Property-Casualty Reserves

<TABLE>
<CAPTION>

(Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Loss and Loss Expense Reserves:			
Commercial Property-Casualty	$ 9,478	$ 9,641	$ 9,136
Personal Property-Casualty	1,960	2,106	2,271
Total (1)	$ 11,438	$ 11,747	$ 11,407

<FN>
(1) Total loss and loss expense reserves, as presented above, are net of reinsurance recoverables of $4.4 billion, $4.2 billion and $4.0 billion at December 31, 1993, 1992 and 1991, respectively.
</TABLE>

Loss and loss expense reserves represent the amounts established to fund the estimated liability for the ultimate cost of claims (including claim adjustment expenses) that have been reported but not settled and claims

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that have been incurred but not yet reported ("IBNR"). The length of time between occurrence and settlement of a claim varies depending on the coverage and type of claim involved. Estimates become more difficult to make (and are therefore more subject to change) as such length of time increases. Actual claim costs are dependent upon a number of complex factors including social and economic trends and changes in doctrines of legal liability and damage awards.

Because the size of the reserves is substantial relative to shareholders' equity and earnings, it is important that reserves be continually monitored and adjusted as more current information becomes available. Accordingly, estimated liabilities for property-casualty coverages are recomputed periodically using a variety of actuarial and statistical techniques.

Loss and loss expense reserves decreased by $309 million and increased by $340 million in 1993 and 1992, respectively. The table below shows the increases attributable to prior accident years, most of which were for losses and related expenses for workers' compensation claims, asbestos and other product liability risks and environmental liability risks attributable to property-casualty policies. An increase in reserves for prior accident years reduces net income for the period in which the adjustment is made.

Additions to Reserves for Prior Accident Years

<TABLE>
<CAPTION>

(Millions)	Commercial Property-Casualty	Personal Property-Casualty	Total
<S>	<C>	<C>	<C>
1993 (1)			
Pretax	$ 79	$ (19)	$ 60
After-tax	51	(12)	39
1992			
Pretax	$ 465	$ 1	$ 466
After-tax	307	1	308
1991			
Pretax	$ 43	$ 2	$ 45
After-tax	28	1	29

<FN>
(1) Reserve additions in 1993 include the effect of discounting workers' compensation life table indemnity reserves.
</TABLE>

Workers' Compensation

During the fourth quarter of 1993, the company added $574 million (pretax, before discount) to prior accident year loss reserves for workers' compensation claims. This increase resulted from a recently completed study of the company's workers' compensation reserves which indicated that workers' compensation claims have a longer duration than previously estimated. Concurrent with the addition to workers' compensation reserves, the company implemented a change in accounting to discount reserves for workers' compensation life table indemnity claims consistent with industry practice. This discounting resulted in a reduction of $634 million (pretax) to loss reserves for workers' compensation claims. (Please see Note 1 of Notes to Financial Statements.)

Asbestos and Environmental-Related Claims

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Reserving for asbestos and environmental-related claims is subject to significant uncertainties (discussed below). Because of these significant uncertainties and the likelihood that they will not be resolved in the near future, management is unable to make a reasonable estimate as to the ultimate amount of losses for all asbestos and environmental-related claims and related litigation expenses. Reserves for asbestos and environmental liabilities are evaluated by management regularly, and, subject to the significant uncertainties discussed below, adjustments are made to such reserves as developing loss patterns and other information appear to warrant.

The company's reinsurance arrangements have been designed to provide a significant amount of protection for all types of casualty losses which may arise, including losses which may arise from asbestos and environmental-related exposures. It is not possible at this time to determine whether reinsurance coverage for asbestos and environmental claims will be exhausted prior to disposing of or otherwise settling all such claims and related lawsuits, primarily because the ultimate amount of payments that the company may make for all asbestos and environmental-related claims and related litigation expenses is unknown. The company has taken reinsurance recoveries into account in its reserve calculations for known asbestos and environmental claims, and for unreported asbestos bodily injury claims where, in many cases, the company reserves for policy limits.

Environmental-Related Claims

There are a large number of environmental-related claims concerning hazardous waste cleanups that have been brought against policyholders of the company. The company generally disputes that there is any insurance coverage for such claims and is vigorously litigating coverage and related issues.

Significant environmental-related claim activity is more recent than asbestos-related claim activity, and there is great uncertainty involved in estimating liabilities related to environmental claims. First, the underlying liabilities of the claimants are extremely difficult to estimate. At any given waste site, the amount of remedial cost that may be allocated to a potentially responsible party ("PRP") depends on a wide variety of factors, including volumetric contribution, relative toxicity, number of years active at the site, extent of impairment to the environment and ability to pay. A PRP may have no liability, may share responsibility with hundreds of others or may bear the cost alone. Second, there are significant uncertainties for the company and the insurance industry relating to whether insurance policies cover such PRP liabilities. For example, courts have reached inconsistent conclusions regarding such scope of coverage issues as: whether insurance coverage exists at all; what policies provide the coverage; whether an insurer has a duty to defend; whether an insured's environmental losses are caused by one or more "occurrence(s)" for purposes of determining applicable policy limits; how pollution exclusions in policies should be applied; and whether cleanup costs are payable as "damages." Further, even if and when the courts rule definitively on the various legal issues, many cases will still present complicated factual questions affecting coverage that will need to be resolved.

The company has made very few indemnity payments to date for environmental claims. Because these payments have not been significant in the aggregate and have varied in amount from claim to claim, management cannot determine whether past claims experience will be representative of future claims experience.

Because of the significant uncertainties discussed above, and the likelihood that these uncertainties will not be resolved in the near future, management is unable to make a reasonable estimate as to the

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ultimate amount or a reasonable range of losses for environmental-related claims.

The company had approximately 4,200 open claims concerning environmental-related liabilities (involving approximately 1,100 policyholders) at December 31, 1993 and approximately 3,200 such claims (involving approximately 1,000 policyholders) at December 31, 1992. Of the claims open at December 31, 1993 and 1992, 81% and 82%, respectively, represented environmental pollution-related cleanup cases (including Superfund claims) against policyholders, 11% and 9%, respectively, represented environmental pollution-related third-party bodily injury and property damage claims against policyholders, and 8% and 9%, respectively, represented coverage disputes between the company and its policyholders that had reached the litigation stage. In 1993, the company opened 2,062 new claims and closed 1,032 claims. In 1992, the company opened 1,186 new claims and closed 662 claims. At December 31, 1993, the company had closed a total of over 4,000 environmental-related claims involving policyholders. For purposes of this paragraph, "claims" are calculated separately for each of the three categories described above and are calculated on a "per policyholder, per site" basis.

The "claims" numbers above reflect cases where policyholders have notified the company of a claim under primary insurance policies issued by the company. In addition, policyholders have placed the company on notice of possible claims that may potentially involve excess general liability policies written by the company. The company generally does not consider these notifications open "claims" (and the claims numbers above do not include these notifications) because under these policies (i) the company does not have a duty to defend the policyholder, and (ii) the policyholders must first exhaust their primary insurance coverage for such claims before they can look to the company for coverage.

In 1992, the company added $202 million (pretax) to reserves for environmental liability claims primarily as a result of the continuing increases in the number of environmental-related claims that had been brought against policyholders of the company and the increased costs of related litigation. The table below reflects paid activity and reserves (primarily claim adjustment expenses, including legal fees) for environmental liability claims (pretax):

<TABLE>
<CAPTION>
(Millions)

Environmental Liability Claims	For the years ended December 31 1993	1992	1991	All periods prior to January 1, 1991
<S>	<C>	<C>	<C>	<C>
Beginning reserve	$ 231	$ 73	$ 34	$ -
Reserve addition for incurred losses (1)	40	202	81	117
Net payments for claims and claim adjustment expense (2,3)	40	44	42	83
Ending reserve (4)	$ 231	$ 231	$ 73	$ 34

<FN>

(1) The reserve additions for incurred losses are net of reinsurance recoverables of $(3) million in 1993 and $11 million in 1992.

(2) Net payments for claims and claim adjustment expense are net of reinsurance recoveries of $2 million in 1993 and $4 million in 1992.

(3) Includes approximately $31 million of legal fees paid in 1993 and

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$35 million paid in each of 1992 and 1991.

(4) The ending reserves for environmental claims, as presented above, are net of reinsurance recoverables of $3 million in 1993 and $7 million in 1992.

</TABLE>

Approximately two-thirds of the reserves at December 31, 1993 and 1992 represents a bulk reserve for legal fees. The remainder of such reserves represents estimated liabilities (including legal fees) for a small number of known claims for which the company believes it can reasonably estimate its liability.

Congress is scheduled to reauthorize the Superfund law in 1994. There is substantial dissatisfaction among insurance and business groups and others with the current law, and general recognition that major reforms should be made as part of the reauthorization, although there is currently no consensus as to the nature or objectives of reform. Insurer and business groups are advocating a variety of reform proposals which focus on the law's cleanup requirements and liability provisions. If enacted, certain of these proposals could reduce the insurance industry's and the company's potential environmental liability exposure related to Superfund, probably in return for new federal taxes on the insurance industry. Although the Clinton Administration has submitted reauthorization legislation to Congress and is working with these insurer and business groups and with Congress to try to bring about a consensus, it is too early to determine whether the law will be reauthorized on schedule, what the substance of the enacted legislation will be, or what the effect of any such reforms will be on the company's potential environmental liability exposure.

Asbestos Bodily Injury Claims

Numerous liability claims for bodily injury have been asserted against major producers of asbestos and asbestos products, some of which are insureds of the company. In order to control transaction costs and provide efficient claim handling, the Center for Claims Resolution ("CCR") was formed in 1988 to handle asbestos-related bodily injury claims on behalf of its member producers. The company participates in CCR by virtue of its existing insurance contracts with certain CCR members and is assessed a fee by CCR for its claim handling services. The company also provides insurance coverage to producers that are not CCR members.

A large number of asbestos bodily injury actions that were pending in pretrial stages in various courts have been consolidated and transferred to single federal or state courts. In 1992, CCR members agreed to settle approximately 8,000 asbestos bodily injury cases which had been consolidated in state court in Maryland. In January 1993, CCR announced a global proposal involving plaintiffs, attorneys, producers and insurers to settle asbestos bodily injury claims over the next 10 years, as well as pending asbestos bodily injury lawsuits against its members. The proposed settlement is subject to, among other things, court approval and acceptance by a minimum number of plaintiffs, and no assurance can be given that all such claims will be settled, or settled on the terms proposed. To date, the CCR proposed settlement has not been approved by the courts.

In 1992, the company added $219 million (pretax) to reserves for asbestos bodily injury claims. Of this increase, $152 million ($100 million after-tax) was added primarily because of the CCR developments described above. These reserves are equal to the applicable policy limits of liability for many of the company's insureds, less payments to date, plus an estimate of the associated future expenses of litigation. In 1993, net payments increased, primarily reflecting increased settlements, including the settlements of certain large claims for which

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reserves had previously been established.

Over the last few years, asbestos bodily injury claims also have been filed by plaintiffs against entities that installed products that contained asbestos and/or produced products that contained asbestos. There is inadequate history from which the company can estimate the ultimate liability it may have with respect to such claims brought against its insureds.

The company's indemnity payments per claim with respect to all asbestos bodily injury claims have varied over time and from case to case, due primarily to wide variations in insureds, policy terms, types of claims, injury and the results of claim settling mechanisms (such as CCR). Management cannot predict whether indemnity payments per claim will increase, decrease or remain the same.

The table below reflects paid activity and reserves, net of reinsurance and other recoveries, for asbestos bodily injury claims (pretax). Legal fees have represented approximately one-half of net payments. At December 31, 1993 and 1992, approximately one-half and one-third, respectively, of reserves represented legal fees.

<TABLE>
<CAPTION>

Asbestos Bodily Injury Claims (Millions)	For the years ended December 31 1993	1992	1991	All periods prior to January 1, 1991
<S>	<C>	<C>	<C>	<C>
Beginning reserve	$ 243	$ 60	$ 25	$ -
Reserve addition for incurred losses (1)	75	219	28	507
Net payments for claims and claim adjustment expense (2)	115	36	(7)	482
Ending reserve (3)	$ 203	$ 243	$ 60	$ 25

<FN>
(1) The reserve additions for incurred losses are net of reinsurance recoverables of $20 million in 1993 and $115 million in 1992.
(2) Net payments for claims and claim adjustment expense are net of reinsurance recoveries of $27 million in 1993 and $51 million in 1992. Asbestos bodily injury claims paid in 1991 were less than reinsurance recovered.
(3) The ending reserves for asbestos bodily injury claims, as presented above, are net of reinsurance recoverables of $45 million in 1993 and $52 million in 1992.
</TABLE>

Asbestos Property Damage Claims

In addition to bodily injury claims, property damage claims have been brought against the company's insureds seeking reimbursement for the expense of replacing insulation material and other building components made of asbestos. It is the company's position that in most cases its product liability policies do not cover this replacement expense. Management cannot predict whether the courts will ultimately support the company's position.

In the limited number of asbestos property damage cases where payments have been made by the company, indemnity payments per claim have varied over time and from case to case primarily because of variations in insurance policies and policy limits, the type of asbestos product material installed and relevant state law. Management cannot predict whether such indemnity payments per claim will increase, decrease or remain the same.

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The table below reflects paid activity (primarily legal fees) and reserves (a significant portion of which represents legal fees) for asbestos property damage claims (pretax):

Asbestos Property Damage Claims (Millions)	For the years ended December 31 1993	1992	1991	All periods prior to January 1, 1991
Beginning reserve	$ 28	$ 21	$ 17	$ -
Reserve addition for incurred losses (1)	14	23	18	72
Net payments for claims and claim adjustment expense (2)	20	16	14	55
Ending reserve (3)	$ 22	$ 28	$ 21	$ 17

(1) The reserve additions for incurred losses are net of reinsurance recoverables of $3 million in 1993 and $6 million in 1992.

(2) Net payments for claims and claim adjustment expense are net of reinsurance recoveries of $2 million in 1992. There were no such reinsurance recoveries in 1993.

(3) The ending reserves for asbestos property damage claims, as presented above, are net of reinsurance recoverables of $7 million in 1993 and $3 million in 1992.

Future results of the company are expected to be affected adversely by losses for asbestos and environmental-related claims and related litigation expenses. Due to the significant uncertainties discussed above, management is unable to determine whether such effect will be material to the company's future results, liquidity and/or capital resources.

International

Operating Summary (Millions)	1993	1992	1991
Premiums	$ 952.2	$ 898.3	$ 549.4
Net investment income	318.8	287.8	255.7
Fees and other income	83.3	101.1	86.8
Net realized capital gains (losses)	(19.0)	9.3	54.7
Total revenue	1,335.3	1,296.5	946.6
Current and future benefits	927.8	828.6	608.1
Operating expenses	375.8	403.7	262.0
Amortization of deferred policy acquisition costs	51.7	41.6	14.2
Severance and facilities charge	12.3	.5	-
Income (Loss) before taxes	(32.3)	22.1	62.3
Income taxes (benefits)	(56.9)	9.2	35.9
Income before cumulative effect adjustments	$ 24.6	$ 12.9	$ 26.4

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Net realized capital gains (losses), net of tax (included above)	$ (5.4)	$ 7.2	$ 32.3

</TABLE>

The International segment, through subsidiaries and joint venture operations, sells primarily life insurance and financial services products in non-U.S. markets including Canada, Malaysia, Taiwan, Chile, Mexico, the United Kingdom, Hong Kong, Korea and New Zealand.

Results before cumulative effect adjustments increased $12 million in 1993, following a $14 million decrease in 1992. Results in 1993 included an after-tax capital loss of $12 million realized on the sale of the U.K. life and investment management operations and a $37 million tax benefit from prior year operating losses on those operations. Results in 1993 also reflected after-tax charges of $29 million for additions to loss and loss expense reserves for prior accident years in the U.K. reinsurance operations. Income before cumulative effect adjustments in 1991 was due primarily to an after-tax capital gain of $33 million on the sale of the company's 43% interest in La Estrella.

Excluding net capital gains and losses and the 1993 after-tax severance and facilities charge of $8 million, International reported income before cumulative effect adjustments of $38 million in 1993, compared with earnings of $6 million in 1992 and a loss of $6 million in 1991. Results in 1993 reflected continued improvement in Pacific Rim operations and earnings from the company's increased investment in a Mexican insurance operation, partially offset by weaker earnings in Canada. The 1992 earnings improvement was due primarily to improved performance in the Pacific Rim and Chile.

Premiums in 1993 were 6% higher than in 1992, following a 64% increase in 1992 premiums as compared with 1991. Premium growth in 1993 was due primarily to a 26% increase in Pacific Rim operations, partially offset by a combined 19% decline in Canadian and United Kingdom operations. Premium growth for International during 1992 was driven primarily by increases in Pacific Rim operations, where premiums were $411 million, compared with $170 million in 1991. Included in Pacific Rim premiums for 1992 was $128 million from the second quarter 1992 consolidation of a previously unconsolidated subsidiary as a result of an increase in the company's ownership percentage.

Outlook

International's strategy is to invest resources in areas outside the U.S. that have the potential for attractive returns, with emphasis on the emerging insurance and financial services markets of newly industrialized countries. These smaller but economically vigorous markets generally have lower cost of entry and higher premium growth rates. This long-term strategy requires significant up-front investment and a willingness to accept negative or low returns in the initial years of such operations.

Operations outside the U.S. have added risks such as nationalization, expropriation, and the potential for restrictive capital regulations. Given the particular countries in which International has operations, and the current size and nature of those operations, management does not believe such risks are material to the company.

Investments

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<TABLE>
<CAPTION>

(Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Invested Assets:			
Life Companies:			
Fully Guaranteed	$ 16,933.1	$ 15,724.5	$ 17,384.4
Experience Rated	18,824.1	17,699.6	18,787.0
Other	7,445.5	8,113.9	5,741.7
Property-Casualty Companies	18,253.1	17,258.5	16,543.8
Total General Account Assets	61,455.8	58,796.5	58,456.9
Separate Accounts (1)	24,704.7	21,721.7	20,188.6
Total, net of impairment reserves	$ 86,160.5	$ 80,518.2	$ 78,645.5
Net investment income (excluding separate accounts)	$ 4,919.0	$ 5,069.0	$ 5,514.5

<FN>
(1) The following discussion excludes separate accounts investments. Separate accounts are discussed on page 15.
</TABLE>

The company's investment strategies and portfolios are intended to match the duration of the related liabilities and provide sufficient cash flow to meet obligations while maintaining a competitive after-tax rate of return. The risks associated with investments supporting experience rated pension and annuity products are assumed by those customers subject to, among other things, certain minimum guarantees. The anticipated future losses associated with investments supporting discontinued products were provided for in the loss on discontinuance of products established at December 31, 1993. Investment-related amounts disclosed in the following investment section relate to the total portfolio (including assets supporting discontinued products and experience rated products) and are before deductions for impairment reserves unless otherwise noted. (Please see Financial Services on page 17 for a separate discussion of the invested assets of discontinued products.)

<TABLE>
<CAPTION>

Invested Assets of Life Companies 12/31/93		Invested Assets of Property-Casualty Companies 12/31/93	
<S>	<C>	<C>	<C>
Bonds	66%	Bonds	71%
Mortgages	28%	Mortgages	14%
Real Estate	2%	Common Stock	7%
Short-Term	1%	Real Estate	2%
Common Stock	1%	Short-Term	2%
Other	2%	Other	4%

</TABLE>

Mortgage loan balances, net of impairment reserves, comprised 24% and 31% of total general account invested assets at December 31, 1993 and 1992, respectively. The mortgage loan portfolio yielded an average cash return of approximately 9% in each of 1993 and 1992. The average loan size for commercial mortgage loans was $6.9 million at December 31, 1993 and 1992. Commercial mortgage loans represented 98% and 99% of the total mortgage loan portfolio at such respective dates.

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Bond Investments

As of December 31, 1993 and 1992, the company's investments in bonds represented 67% and 59% of total general account invested assets and were as follows:

(Millions)

	December 31, 1993			December 31, 1992		
		Supporting Experience Rated Pension and Annuity Contracts			Supporting Experience Rated Pension and Annuity Contracts	
	Total	Amount	% of Total	Total	Amount	% of Total
Total investments in bonds, net of impairment reserves	$41,425.6	$11,739.0	28.3%	$34,643.9	$10,652.3	30.7%
"Below investment grade" securities	1,913.4	449.4	23.5	1,465.0	481.8	32.9
Problem bonds	194.3	26.6	13.7	362.2	80.9	22.3
Potential problem bonds	191.0	65.1	34.1	166.3	61.7	37.1

Of the total bond investments (net of impairment reserves) at December 31, 1993, $8.3 billion supported discontinued products, $11.7 billion supported experience rated products, and $21.4 billion supported remaining company business.

It is management's objective that the bond portfolio be of high quality and be well-diversified by market sector. The bonds in the company's portfolio are generally rated by external rating agencies, and, if not externally rated, are rated by the company on a basis believed to be similar to that used by the rating agencies. The average quality rating of the company's bond portfolio was AA at both December 31, 1993 and December 31, 1992.

Bond Quality Ratings 12/31/93

Rating	%
AAA	54%
AA	12%
A	18%
BBB	11%
BB & Below	5%

Bond Investments by Market Sector 12/31/93

Sector	%
Mortgage-Backed Securities	25%
Corporate	25%
Treasuries/Agencies	22%
Financial	14%
Municipals	6%
Public Utilities	8%

At December 31, 1993 and 1992, 6% and 78%, respectively, of the fixed income investments included in Aetna's bond portfolio were carried at amortized cost. The decline in the percentage of assets carried at amortized cost is due to the company's adoption of FAS No. 115 on December 31, 1993. FAS No. 115 requires that available for sale securities, which had previously been carried at the lower of amortized cost or fair value, be carried at fair value (please see Note 1 of Notes to Financial Statements). The carrying value of investments in prior years was not restated for the adoption of FAS No. 115. At year-end 1993, the estimated market value of investments carried at amortized cost was approximately $146 million greater than their carrying value. Of the difference between market and carrying value, $18 million is related to bond investments supporting experience rated contracts.

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"Below investment grade" securities are defined to be securities that carry a rating below BBB-/Baa3. The fair value of such investments approximated their carrying value at December 31, 1993 and exceeded their carrying value by $47 million at December 31, 1992. At year end 1993 and 1992, $1.2 billion of the below investment grade assets were investments that were purchased at investment grade, but the quality of which has since deteriorated.

To a very limited degree, the company has purchased debt securities related to highly leveraged transactions ("HLTs"). HLTs are defined as financing transactions used for buyouts, acquisitions or recapitalizations of existing businesses that meet specified criteria.

The company held HLT investments of $386 million and $483 million, or less than 1% of the company's total invested assets, at December 31, 1993 and 1992, respectively. These amounts include bonds and investments in leveraged buyout funds. The company has commitments, if called, to fund $107 million of leveraged buyout fund investments over the next five years. The company's investments in HLTs were carried at fair value at December 31, 1993.

The company also participates in venture capital investments and held $38 million and $86 million of such investments at December 31, 1993 and 1992, respectively.

Bond impairment reserves are established to provide for 1) estimated losses on specific bonds and 2) losses that management believes are likely to arise from the overall portfolio excluding that portion of the portfolio supporting experience rated pension and annuity contracts ("general reserve"). As of December 31, bond impairment reserves were as follows:

<TABLE>
<CAPTION>
(Millions)

<S>	1993 <C>	1992 <C>
Allocable to the company	$ 80.7	$ 90.0
Allocable to contractholders	15.0	5.6
Total	$ 95.7 *	$ 95.6

<FN>
* The carrying value of bonds carried at fair value is net of $76.7 million of impairment reserves (included above) at December 31, 1993.

</TABLE>

For the years ended December 31, after-tax bond impairment expense was as follows:

<TABLE>
<CAPTION>
(Millions)

<S>	1993 <C>	1992 <C>	1991 <C>
Allocable to the company	$ 9.4	$ (6.3)	$ 15.8

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Allocable to contractholders*	8.0	(3.2)	5.1

<FN>
* Impairment expense allocable to contractholders does not affect the company's results of operations.
</TABLE>

Management defines problem bonds to be bonds for which payment is in default, bonds of issuers which are currently in bankruptcy or in out-of-court reorganizations, or bonds of issuers for which bankruptcy or reorganization within six months is considered likely.

"Potential problem bonds" are currently performing bonds for which neither payment default nor debt restructuring is anticipated within six months, but whose issuers are experiencing major financial difficulties. Identifying such potential problem bonds requires significant judgment as to likely future market conditions and developments specific to individual bonds. Provision for losses that are likely to arise from potential problem bonds, excluding those potential problem bonds supporting experience rated pension and annuity contracts, is included in the general reserve.

The company does not accrue interest on problem bonds when management believes the likelihood of collection of interest is doubtful. Had such interest been accrued, pretax net investment income would have been higher by approximately $6 million, $20 million and $22 million for the years ended December 31, 1993, 1992 and 1991, respectively. Of such amounts, $1 million, $6 million and $7 million, respectively, would have been related to investments supporting experience rated pension contracts.

Collateralized Mortgage Obligations

At December 31, 1993 and 1992, the carrying value of collateralized mortgage obligations ("CMOs") was $6.3 billion and $7.7 billion, respectively. The principal risks inherent in holding CMOs are prepayment and extension risks related to dramatic decreases and increases in interest rates whereby the CMOs would be subject to repayment of principal earlier or later than originally anticipated.

At December 31, 1993 and 1992, approximately 91% and 80%, respectively, of the company's CMO holdings consisted of sequential and planned amortization class ("PAC") bonds that are subject to less prepayment and extension risk than other CMO instruments. Repayment of principal for both sequential and PAC bonds follows a defined schedule that considers a range of prepayment scenarios. Most sequential and PAC bonds are collateralized by mortgage loans, on which the timely payment of principal and interest is backed by specified government agencies (e.g., GNMA, FNMA, FHLMC). At December 31, 1993 and 1992, 3% and 7%, respectively, of the company's CMO holdings consisted of interest-only strips ("IOs") or principal-only strips ("POs"). IOs receive payments of interest and POs receive payments of principal on the underlying pool of mortgages. The company has mitigated the risks associated with holding IOs and POs by holding positions in both types of instruments such that exposure from significant changes in interest rates is reduced. Z-tranches, which amounted to approximately 5% and 9% of the company's CMO holdings at December 31, 1993 and 1992, respectively, receive principal payments from the underlying mortgage pool only after all other priority classes have been retired.

If due to declining interest rates, principal was to be repaid earlier than originally anticipated, the company could be affected by a decrease in investment income due to the reinvestment of these funds at a lower interest rate. Such prepayments may result in a duration mismatch

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between assets and liabilities which could be corrected as cash from prepayments could be reinvested at an appropriate duration to adjust the mismatch.

Conversely, if due to increasing interest rates, principal was to be repaid slower than originally anticipated, the company could be affected by a decrease in cash flow which reduces the ability to reinvest expected principal repayments at higher interest rates. Such slower payments may result in a duration mismatch between assets and liabilities which could be corrected as available cash flow could be reinvested at an appropriate duration to adjust the mismatch.

Mortgage Loan Investments

At December 31, 1993, the company's mortgage loan investments and related impairment reserves supported the following types of business:

(Millions)	Balance	Impairment Reserves	Balance, Net of Impairment Reserves
Discontinued products	$ 6,066.3	$ 647.2	$ 5,419.1
Experience rated products	5,001.2	268.5	4,732.7
Remaining products	5,080.0	392.6	4,687.4
Total	$16,147.5	$ 1,308.3	$14,839.2

At December 31, 1993 and 1992, the company's mortgage loan balances, net of specific impairment reserves, by property type and geographic region were as follows:

December 31, 1993

(Millions)	Office	Retail	Apartment	Hotel/ Motel	Industrial	Mixed Use	Other	Total
South Atlantic	$ 1,058.3	$ 667.1	$ 412.5	$ 758.6	$ 253.7	$ 238.9	$ 48.0	$ 3,437.1
Middle Atlantic	1,391.7	617.6	227.0	165.1	73.9	118.7	16.9	2,610.9
New England	975.2	511.9	82.9	130.6	46.5	215.5	37.4	2,000.0
South Central	430.1	394.3	236.2	103.0	80.7	-	34.8	1,279.1
North Central	855.1	444.6	193.7	244.9	45.7	92.9	61.3	1,938.2
Pacific and Mountain	1,341.9	668.5	367.2	203.3	502.3	78.0	86.4	3,247.6
Other	101.7	183.8	175.6	20.0	80.4	3.5	161.3	726.3
Total	$ 6,154.0	$ 3,487.8	$ 1,695.1	$ 1,625.5	$ 1,083.2	$ 747.5	$ 446.1	$15,239.2
Less general portfolio loss reserve								400.0
Adjusted total, net of reserves								$14,839.2

December 31, 1992

(Millions)	Office	Retail	Apartment	Hotel/ Motel	Industrial	Mixed Use	Other	Total

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South Atlantic	$ 1,234.4	$ 843.5	$ 608.7	$ 795.6	$ 304.1	$ 249.9	$ 65.5	$ 4,101.7
Middle Atlantic	1,553.0	685.2	339.7	229.1	84.7	132.3	26.2	3,050.2
New England	1,237.7	532.8	84.5	132.8	60.7	216.2	47.4	2,312.1
South Central	494.1	604.2	343.1	146.9	106.0	-	79.3	1,773.6
North Central	953.4	731.0	233.3	288.9	56.1	131.0	73.0	2,466.7
Pacific and Mountain	1,515.0	880.1	527.2	247.4	589.9	79.2	112.9	3,951.7
Other	122.3	204.4	194.2	41.2	93.4	36.3	104.1	795.9
Total	$ 7,109.9	$ 4,481.2	$ 2,330.7	$ 1,881.9	$ 1,294.9	$ 844.9	$ 508.4	$18,451.9
Less general portfolio loss reserve								400.0
Adjusted total, net of reserves								$18,051.9

</TABLE>

In 1990, the company ceased actively investing new money in mortgage loans. When originating its commercial mortgage loan portfolio, the company used guidelines that generally included loan-to-value ratios of 75% or less with stabilized debt service coverage ratios of at least 1.2 times required debt service payments. Property-type and geographic diversification were key considerations in the overall investment evaluation process for determining investment strategy for new loans. Additional collateral, such as letters of credit, master leases or guarantees, were required in certain cases to strengthen the economic terms of the investment. Transactions were evaluated and approved with primary emphasis on the anticipated performance of the underlying property securing the mortgage loan. Construction loans have never been a significant component of the company's mortgage loan portfolio.

In response to competitive pressures beginning in the early 1980s in the large case pension market and in an effort to better match asset and liability maturities, the company increasingly invested in mortgage loans with shorter terms and balloon (or bullet) principal payments due upon maturity. At December 31, 1993 and 1992, approximately 90% and 88%, respectively, of the outstanding principal balance of the portfolio consisted of commercial loans with balloon maturity features. (Please see "Liquidity and Capital Resources" on page 45 for discussion of mortgage loan maturities and extensions.)

The mortgage loan portfolio is monitored closely through the review of loan and property information such as debt service coverage, annual operating statements and property inspection reports. This information is evaluated in light of current economic conditions and other factors such as geographic and property-type loan concentrations. Evaluation of individual mortgage loans, including identification of currently performing loans that, for a variety of reasons, management believes warrant closer monitoring, is part of the company's regular review process designed, among other things, to help determine whether adjustments to mortgage loan impairment reserves appear warranted.

Overbuilding in many real estate markets, generally weak economic conditions, reduced rental rates and overall tight lending practices by banks have led to a severe deterioration in commercial real estate markets in recent years and have had substantial adverse effects on the company's mortgage loan portfolio. Mortgage loan impairment reserves are established to provide for 1) probable estimated losses on specific loans (i.e., "specific reserves") and 2) losses that management believes are likely to arise from the overall portfolio excluding that portion of the portfolio supporting experience rated pension contracts (i.e., "general reserve"). As of December 31, the mortgage loan impairment reserves were as follows:

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<TABLE>
<CAPTION>
(Millions)

	1993			1992		
	Specific Reserves	General Reserve	Total	Specific Reserves	General Reserve	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Allocable to the company *	$ 639.8	$ 400.0	$1,039.8	$ 475.6	$ 400.0	$ 875.6
Allocable to contractholders	268.5	**	268.5	190.0	**	190.0
Total	$ 908.3	$ 400.0	$1,308.3	$ 665.6	$ 400.0	$1,065.6

<FN>
* Includes total reserves of $647.2 million ($406.0 million of specific reserves and $241.2 million of general reserve) allocated to discontinued products at December 31, 1993.
** The general reserve at December 31, 1993 and 1992 excluded reserves for losses of $217 million and $159 million, respectively, that management believes are likely to arise from that portion of the overall portfolio supporting experience rated pension contracts.
</TABLE>

For the years ended December 31, after-tax mortgage loan impairment expense was as follows:

<TABLE>
<CAPTION>
(Millions)

	1993	1992	1991
<S>	<C>	<C>	<C>
Allocable to discontinued products	$152.6	$142.6	$190.3
Allocable to contractholders*	114.7	76.0	108.2
Allocable to remaining products	145.4	98.9	117.9

<FN>
* Impairment expense allocable to contractholders does not affect the company's results of operations.
</TABLE>

Included in the company's total mortgage loan balances at December 31 were the following categories of mortgage loans:

<TABLE>
<CAPTION>
(Millions)

		December 31, 1993			
		Supporting Experience Rated Pension Contracts		Supporting Discontinued Products	
	Total	Amount	% of Total	Amount	% of Total
<S>	<C>	<C>	<C>	<C>	<C>
Problem loans	$1,116.0	$ 387.8	34.7%	$ 410.8	36.8%
Restructured loans	1,858.8	481.1	25.9	957.4	51.5
Potential problem and restructured loans	1,575.6	602.0	38.2	523.8	33.2
Total	$4,550.4				
Impairment reserves	$1,308.3				
Impairment reserves as					

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a percentage of total	28.8%

</TABLE>

<TABLE>
<CAPTION>

(Millions)		December 31, 1992 Supporting Experience Rated Pension Contracts	
	Total	Amount	% of Total
<S>	<C>	<C>	<C>
Problem loans	$1,403.7	$ 460.0	32.8%
Restructured loans	1,568.8	405.5	25.8
Potential problem and restructured loans	1,402.1	472.0	33.7
Total	$4,374.6		
Impairment reserves	$1,065.6		
Impairment reserves as a percentage of total	24.4%		

</TABLE>

Problem mortgage loans are defined to be loans with payments over 60 days past due, loans on properties in the process of foreclosure ($399 million and $410 million at December 31, 1993 and 1992, respectively), loans on properties involved in bankruptcy proceedings and loans on properties subject to redemption.

<TABLE>
<CAPTION>

Problem Mortgage Loans by Property Type 12/31/93		Geographic Distribution of Problem Mortgage Loans 12/31/93	
<S>	<C>	<C>	<C>
Office	54%	South Atlantic	17%
Retail	17%	Pacific & Mountain	26%
Hotel/Motel	7%	Middle Atlantic	12%
Apartment	6%	North Central	18%
Industrial	3%	New England	21%
Mixed Use	9%	South Central	1%
Other	4%	Non-U.S.	5%

</TABLE>

Restructured loans are loans whose original contract terms have been modified to payment terms less than market at the time of restructure and are currently performing pursuant to such modified terms. Loans with extended maturities classified as restructured loans were $779 million and $431 million at December 31, 1993 and 1992, respectively, with the average extension period being five years. Restructured mortgage loans at December 31, 1993 yielded cash returns of approximately 6%.

<TABLE>
<CAPTION>

Restructured Mortgage Loans by Property Type 12/31/93		Geographic Distribution of Restructured Mortgage Loans 12/31/93	
<S>	<C>	<C>	<C>
Office	63%	South Atlantic	28%
Hotel/Motel	14%	Pacific & Mountain	7%
Retail	10%	North Central	17%
Apartment	6%	South Central	12%
Mixed Use	3%	New England	13%

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Industrial	3%	Middle Atlantic	23%
Agriculture	1%		

</TABLE>

Currently performing loans which management believes are likely to become classified as problem or restructured loans in the next 12 months or so are identified through the portfolio review process on the basis of known information about the ability of borrowers to comply with present loan repayment terms. Identifying such "potential problem and restructured loans" requires significant judgment as to likely future market conditions, developments specific to individual properties and borrowers, and the timing of potential defaults. Provision for losses that are likely to arise from such potential problem and restructured loans, excluding those potential problem and restructured loans supporting experience rated pension contracts, is included in the general reserve.

The company does not accrue interest on problem loans or restructured loans when management believes the collection of interest is unlikely. The amount of pretax investment income required by the original terms of such non-accruing problem and restructured loans outstanding at December 31 and the portion thereof actually recorded as income for the year ended December 31 were as follows:

<TABLE>
<CAPTION>
(Millions)

	1993	1992	1991
<S>	<C>	<C>	<C>
Income which would have been recorded under original terms of loans	$ 299.1	$ 312.6	$ 256.2
Income recorded	149.9	168.1	148.2
Lost investment income	$ 149.2	$ 144.5	$ 108.0
Lost investment income allocated to investments supporting discontinued products (included above)	$ 73.8	$ 76.7	$ 54.9
Lost investment income allocated to investments supporting experience rated pension contracts (included above)	$ 41.7	$ 40.2	$ 35.0

</TABLE>

Real Estate Investments

At December 31, 1993 and 1992, Aetna's equity real estate balances, net of write-downs and reserves, were as follows:

<TABLE>
<CAPTION>
(Millions)

	December 31, 1993	
	Supporting Experience Rated Pension Contracts	Supporting Discontinued Products

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	Total	Amount	% of Total	Amount	% of Total
Investment real estate	$ 434.9	$ 36.7	8.4%	$ 98.5	22.6%
Properties held for sale	880.9	243.7	27.7	436.0	49.5
Total equity real estate	$1,315.8	$ 280.4	21.3	$ 534.5	40.6

(Millions)

	December 31, 1992		
		Supporting Experience Rated Pension Contracts	
	Total	Amount	% of Total
Investment real estate	$ 502.2	$ 40.0	8.0%
Properties held for sale	1,094.1	400.0	36.6
Total equity real estate	$1,596.3	$ 440.0	27.6

Property Held for Sale by Property Type 12/31/93		Geographic Distribution of Property Held for Sale 12/31/93	
Office	50%	South Central	23%
Retail	18%	South Atlantic	28%
Hotel/Motel	13%	North Central	17%
Apartment	8%	Pacific & Mountain	16%
Industrial	8%	New England	6%
Other	3%	Non-U.S.	4%
		Middle Atlantic	6%

The company's investment real estate is held for the production of income and is generally carried at depreciated cost. Property valuations are reviewed regularly by investment management. The carrying value is evaluated based upon various factors, including a review of market conditions and the company's long-range strategy for the property. The carrying value of investment real estate is reduced through a valuation reserve to reflect other than temporary declines in market value. The fair value of assets acquired through foreclosure is established as the cost basis at the time of foreclosure. Subsequent to foreclosure, properties held for sale are carried at the lower of cost or fair value less selling costs. Beginning in 1992, adjustments to the carrying value, as a result of changes in fair value subsequent to foreclosure, are recorded in a valuation reserve. Prior to 1992, such changes in carrying value of both investment real estate and properties held for sale were recorded as write-downs. Capital additions and asset improvements increase the carrying value and depreciation reduces the carrying value of both properties held for sale and investment real estate.

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Total real estate write-downs and valuation reserves on properties included in the company's equity real estate balances at December 31 were as follows:

(Millions)

	1993	1992
Allocable to discontinued products	$ 298.3	$ -
Allocable to contractholders	228.3	207.7
Allocable to remaining products	242.9	355.9
Total	$ 769.5	$ 563.6

For the years ended December 31, total after-tax net realized capital losses from real estate write-downs and changes in the valuation reserves were as follows:

(Millions)

	1993	1992	1991
Allocable to discontinued products	$ 55.1	$ 22.8	$ 27.3
Allocable to contractholders*	51.5	15.4	15.4
Allocable to remaining products	64.5	15.9	17.6

* Write-downs and impairment expense allocable to contractholders do not affect the company's results of operations.

Valuation reserves increased in 1993, primarily as a result of a change in management's strategy to more aggressively sell properties held for sale.

Outlook

Management intends that general account investments in new mortgage loans for the foreseeable future will be restricted largely to extending and refinancing existing mortgages as they mature (please see "Liquidity and Capital Resources" on page 45). The company has reduced the mortgage loan and equity real estate portfolios, after reserves and write-downs, by $6.0 billion since the end of 1991, bringing mortgage loans and real estate as a percentage of general account invested assets from 38% in 1991 to 26% at December 31, 1993. It is management's continuing objective, real estate and capital market conditions permitting, to reduce over the next several years the size of the mortgage loan and real estate portfolios relative to total invested general account assets. Although extensions and refinancings of existing mortgage loans may delay achieving this objective, management intends to aggressively pursue plans to maximize returns and reduce portfolio levels through loan restructurings and sales of foreclosed real estate.

Despite various indications that liquidity is returning to certain real estate markets and that certain market conditions are stabilizing, management believes it is possible that there may be further

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deterioration in the office sector and in certain geographic regions. Even in those markets that appear to be stable, real estate values continue to be severely depressed. Management therefore believes that additional losses may emerge in the company's mortgage loan and real estate portfolios, and may increase to the extent any recovery in those markets is delayed. However, the reserve for discontinuance of products established in 1993 reflects all expected future losses on discontinued products, including capital losses relating to the $6 billion of mortgage loans and real estate supporting such products. Therefore, additional losses on the portion of the portfolio supporting discontinued products are not expected to impact the company's results of operations, although there can be no assurances that such losses will not materially impact such results.
{eq \D\ba3()}

Liquidity and Capital Resources

<TABLE>
<CAPTION>

(Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Consolidated Assets	$100,036.7	$ 94,519.6	$ 91,987.6
Shareholders' Equity	7,043.1	7,238.3	7,384.5
Cash and Cash Equivalents and Short-Term Investments	2,227.7	3,925.8	3,539.5
Long-Term Debt	1,160.0	955.6	1,019.6
Average Short-Term Debt	215.6	273.1	399.1
Interest Expense	77.4	87.1	106.7

</TABLE>

Liquidity needs of the company's businesses have generally been met by cash provided by premiums, deposits, asset maturities and income received on investments. Cash provided from these sources is used primarily for claim and benefit payments, fund withdrawals and operating expenses.

Please refer to "Financial Services" on pages 16 and 17 for a discussion of the liquidity requirements specific to the large case pension business. The following discussion addresses the investments available to meet the liquidity needs of all of the company's businesses.

Bonds, redeemable preferred stocks and mortgage loans have durations that were selected to approximate the durations of the liabilities they support. The duration of these investments is monitored, and investment purchases and sales are executed with the objective of having adequate funds available to satisfy the company's maturing liabilities.

In attempting to match asset and liability durations, a number of assumptions must be made with regard to cash flows from insurance operations, and from investing and financing activities. In the event that actual experience varies from earlier assumptions, maturing liabilities and maturing investment assets may no longer be matched to the degree originally anticipated, placing unanticipated demands on cash

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flow and liquidity. The investment portfolios are closely monitored to assess asset and liability matching in order to rebalance the portfolios as conditions warrant.

The company's invested assets at December 31, 1993 totaled $61.5 billion and consisted primarily of debt securities ($41.5 billion), mortgage loan and real estate investments ($16.2 billion), short-term investments ($.7 billion) and equity securities ($1.7 billion). (Please see "Investments" on page 32.) The company also held substantial cash and cash equivalents at December 31, 1993. (Please see "Other Factors Affecting Cash Flow" on page 48.)

Given the high quality of the bond portfolio, management expects the vast majority of the company's bond investments to be repaid. At December 31, 1993, the scheduled principal repayments of bond investments company-wide (excluding fixed maturity trading securities of $118 million and mortgage-backed securities of $10.3 billion) are $1.3 billion in 1994, $11.0 billion in the years 1995 through 1998, and $18.8 billion in the aggregate in the years after 1998. Mortgage-backed securities included in the bond portfolio are primarily mortgage obligations on which the timely payment of principal and interest is backed by specified government agencies. (Please see "Bond Investments" on page 35.) Such mortgage-backed securities, treasuries and public bonds in the portfolio are highly marketable and thus can be used to enhance cash flow before maturity.

A large portion of the mortgage loan portfolio consists of loans with balloon maturity features. (Please see "Mortgage Loan Investments" on page 38.) As a result of adverse conditions in real estate markets and tight lending practices by banks and other financial institutions, the company has extended the maturity of, and adjusted interest rates to current market on, certain maturing mortgage loans where the borrower was unable to obtain financing elsewhere. Of the $2.4 billion of commercial mortgage loans scheduled to mature during 1993, $1.8 billion was not paid as scheduled, a substantial portion of which supported large case pension liabilities. Of the loans not paid as scheduled, approximately $793 million were extended at interest rates at least equal to current market (average rate of 8% over an average extension period of six years), $343 million are under forbearance (continuing to make payments under original loan terms), $38 million were foreclosed upon, and $615 million were under discussion with borrowers at December 31, 1993. Of the $615 million of loans under discussion with borrowers, approximately $560 million were classified as problem or restructured loans at December 31, 1993. The decision to extend a loan involves an evaluation of many factors including, among others, property cash flow and collateral value, as well as an evaluation of alternative courses of action such as foreclosure.

Absent significant improvement in commercial real estate markets or in the availability of refinancing by other financial institutions, there will continue to be a similar need to extend or refinance maturing loans. However, the aggregate of normal principal amortization payments on traditional loans, payments at maturity on loans that did pay off on schedule and prepayments (in whole or in part) on other loans, produced substantial cash flow in 1993. Prepayments on mortgage loans were $1.4 billion in 1993.

At December 31, 1993, scheduled mortgage loan principal repayments were as follows:

<TABLE>
<CAPTION>
(Millions)

<S>	<C>	<C>
	1994	$2,454.2
	1995	1,963.9

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1996	2,127.8
1997	1,748.6
1998	1,098.5
Thereafter	6,754.5

</TABLE>

46

Consolidated Cash Flows

<TABLE>
<CAPTION>

(Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Net cash used for operating activities	$ (1,187.2)	$ (578.1)	$ (404.3)
Net cash provided by investing activities	$ 796.7	$ 2,203.0	$ 2,639.7
Net cash used for financing activities	$ (455.2)	$ (2,110.5)	$ (1,108.4)
Cash and cash equivalents	$ 1,557.8	$ 2,415.0	$ 2,919.5

</TABLE>

The company's cash flow requirements for 1993 were met by funds provided from operations, from the maturity and sale of investments and from financing activities. As detailed in the Consolidated Statements of Cash Flows, during 1993 net cash of $1,187 million was used for operating activities, and included $2,089 million used for net purchases of fixed maturity trading securities. Net cash of $578 million used for operating activities during 1992 included $1,223 million used for net purchases of fixed maturity trading securities.

Net cash provided by investing activities was $797 million in 1993 and included a $674 million decrease in short-term investments. Net cash provided by investing activities of $2,203 million in 1992 included proceeds of $1,326 million from the sale of Am Re and an increase of $693 million in short-term investments.

Net cash used for financing activities includes cash generated by sales of investment contracts which was lower, in 1993, 1992 and 1991, than cash paid for maturing investment contracts and other withdrawals. Since 1987, the company has paid annual dividends to shareholders of $2.76 per share, or approximately $300 million annually.

Parent Company Cash Flow

Cash flow needs at the parent company level include primarily shareholder dividends and debt service. The parent company also may fund growth of the company's businesses through the use of cash and/or other assets. Such parent company needs historically have been met, in large part, through a combination of borrowings and dividends from operating subsidiaries. As a matter of course, the company monitors existing and alternative financing sources to support Aetna Life and Casualty Company's capital and liquidity needs including, but not limited to, debt issuance, preferred stock issuance, intercompany borrowings and pledging of assets. Efforts to simultaneously grow

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certain of the company's businesses to their full potential may require significant future capital.

Other Factors Affecting Cash Flow

Cash flow also may be influenced by general economic conditions, including general interest rate levels, investment returns, competition for business, and the perceived financial strength of the insurer. In recent years, financial strength has taken on added significance because of questions about insurers' asset quality and the well-publicized insolvencies of certain insurers. Adverse changes in, among other factors, claims paying ratings, general economic conditions, or overall customer confidence have the effect of decreasing new sales and deposits and increasing withdrawals and surrenders. Additionally, adverse changes in debt and commercial paper ratings may adversely affect the availability and cost of certain external funding sources.

During 1993, the senior debt rating of Aetna Life and Casualty Company and the claims paying ratings of certain of its subsidiaries were lowered by certain of the rating agencies. Aetna's ratings at February 9, 1993, as detailed in the 1992 Annual Report, and at February 8, 1994, follow:

<TABLE>
<CAPTION>

<S>	Rating Agencies A.M. Best <C>	 Duff & Phelps <C>	 Moody's Investors Service <C>	 Standard & Poor's <C>
Aetna Life and Casualty Company (senior debt)				
February 9, 1993	*	AA	A1	AA
February 8, 1994	*	AA-	A1	AA-
Aetna Life and Casualty Company (commercial paper)				
February 9, 1993	*	*	P-1	A-1+
February 8, 1994	*	Duff 1+	P-1	A-1+
Aetna Life Insurance Company (claims paying)				
February 9, 1993	A+	AA+	Aa3	AA-
February 8, 1994	A	AA	Aa3	A+
The Aetna Casualty and Surety Company (claims paying)				
February 9, 1993	A	AA+	Aa2	AA
February 8, 1994	A	AA	Aa2	AA-
Aetna Life Insurance and Annuity Company (claims paying)				
February 9, 1993	A++	AAA	Aa2	AAA
February 8, 1994	A++	AAA	Aa2	AAA

<FN>

* Not rated by the agency.
</TABLE>

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Should significant cash flow reductions occur in any of the company's businesses, for any combination of the reasons discussed above, the company has several alternatives for meeting its cash requirements. These include, among other things, selling or pledging public and private bond investments, borrowing among affiliates and using external short-term borrowing capacity.

The company has significant short-term liquidity supporting its businesses. At year-end 1993, cash and cash equivalents were $1.5 billion and short-term securities were $.7 billion. The company also has substantial external borrowing capacity, including committed bank credit lines providing $820 million of short-term debt capacity. The company's bank credit facility terminates in July of 1994. The company expects to extend or replace the bank credit facility on or prior to such time. (Please see Note 9 of Notes to Financial Statements.)

Debt and Short-Term Borrowing

Long-term debt at December 31, 1993 was $1.2 billion, of which $46 million was attributable to the company's international subsidiaries. During 1993, the company redeemed $200 million principal amount of its 8 1/8% Debentures whose scheduled maturity was 2007. The company recognized an after-tax extraordinary loss of $5 million on the early redemption. Additionally, $137 million of the company's 7 3/4% Eurodollar Notes due 2016 were redeemed at par at the option of the holders thereof during 1993.

During 1993, the company issued $200 million of 6 3/8% Notes due in 2003, $200 million of 6 3/4% Debentures due in 2013 and $200 million of 7 1/4% Debentures due in 2023. The proceeds were primarily used to repay commercial paper borrowings, a significant portion of which was incurred in connection with the retirement of debt discussed above. The remaining proceeds were used for general corporate purposes.

Pursuant to shelf registration statements declared effective by the Securities and Exchange Commission during 1993, the company may offer and sell up to an additional $550 million of securities.

In 1992, $67 million of 9 1/4% Eurosterling Notes were repaid at their stated maturity.

Short-term borrowing through the commercial paper and other markets is used to fund interim cash requirements. Funding interim cash requirements with short-term borrowing allows funds that support the insurance lines to remain invested at higher rates, thus benefiting the company's earnings.

Treasury Stock Transactions

In 1993 and 1992, the company did not acquire any shares of its common stock. In 1991, the company acquired 76,800 shares of its common stock at an average price of $38.04.

Sales of Subsidiaries

On June 30, 1993, the company completed the sale of its U.K. life and investment management operations. The company realized an after-tax loss of $12 million on the sale, as well as $37 million of tax benefits from cumulative operating losses of the subsidiary not previously available for tax benefits.

On September 30, 1992, the company completed the sale of American Re-Insurance Company ("Am Re"), formerly a wholly owned subsidiary. The company realized a gain on the sale of Am Re in the third quarter of

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1992 of $38 million (after adjusting for the net cumulative effect adjustments related to accounting changes of $49 million, and the 1992 decrease to earnings related to such accounting changes of $9 million). No taxes were incurred on this transaction. As part of the sale, the company received 70,000 shares of American Re Corporation's (the new holding company) Junior Cumulative Redeemable Exchangeable Preferred Stock which were redeemed in the first quarter of 1993 resulting in an after-tax gain of $27 million.

As of May 16, 1991, the company completed the sale of its 43% interest in La Estrella to Banco Hispano Americano. Proceeds from the sale approximated $100 million, primarily in the form of cash. The company realized a net capital gain of $33 million (after-tax) on the sale.

Dividend Restrictions

Because Aetna Life and Casualty Company is a Connecticut insurance company, the amount of dividends that may be paid to shareholders in 1994 without prior approval by the Insurance Commissioner of the State of Connecticut is $434 million. Dividend payments by the consolidated domestic insurance subsidiaries to Aetna Life and Casualty Company are subject to similar restrictions in Connecticut and other states, and are limited in 1994 to approximately $630 million in the aggregate.

Regulatory Environment

Solvency Regulation

In recent years, state insurance regulators have been considering changes in statutory accounting practices and other initiatives to strengthen solvency regulation. In 1992, the National Association of Insurance Commissioners ("NAIC") adopted risk-based capital ("RBC") standards for life insurers. The RBC formula, effective December 31, 1993, is a regulatory tool designed to identify weakly capitalized companies. The formula determines a required amount of capital based on the risks (e.g., asset, pricing, interest rate) that the insurer assumes. Various regulatory actions are then prescribed if a company's ratio falls below the minimum required RBC ratio. These actions range from requiring the insurer to submit a comprehensive plan to the insurance commissioner to placing the insurer under regulatory control. The RBC ratio for each of the company's primary life insurance subsidiaries as measured at December 31, 1993 was significantly above the levels which would require regulatory action.

In December 1993, the NAIC adopted RBC standards for property-casualty insurers, effective December 31, 1994. Based upon preliminary internal calculations, management expects that the RBC ratio for each of the company's primary property-casualty insurance subsidiaries will be well above the levels that would require regulatory action.

The NAIC also is considering several other solvency related regulations including the development of a model investment law which would limit types of investments by insurance companies. In addition, in recent years there has been growing interest among certain members of Congress concerning possible federal roles in the regulation of the insurance industry. Because these other initiatives are in a preliminary stage, management cannot assess the potential impact of their adoption on the company.

Federal Employee Benefit Regulation

The company provides a variety of products and services to employee benefit plans that are covered by the Employee Retirement Income Security Act of 1974 ("ERISA").

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In December 1993 the United States Supreme Court decided a case involving an employee benefit plan and an insurance company. The Court ruled that assets in the insurance company's general account that were attributable to the non-guaranteed portion of a group pension contract issued by the insurance company to the plan were "plan assets" for purposes of ERISA and that the insurance company was therefore an ERISA fiduciary with respect to those assets. In reaching its decision, the Court declined to follow a 1975 Department of Labor ("DOL") interpretive bulletin that had stated that insurance company general account assets were not plan assets and therefore had suggested that insurance companies were not ERISA fiduciaries as to those assets.

The company and other insurers are seeking clarification from the DOL of the effects, if any, of the decision on their businesses. Management is not currently able to predict how the decision will ultimately affect its businesses.

New Accounting Pronouncements

Accounting by Creditors for Impairment of a Loan

In May 1993, the Financial Accounting Standards Board issued FAS No. 114, Accounting by Creditors for Impairment of a Loan. This statement requires that loans be impaired when it is probable that a creditor will be unable to collect all amounts (i.e., principal and interest) contractually due, and the impairment be measured based on the present value of expected future cash flows discounted at the loan's original effective interest rate. The statement also allows impairments to be measured based on the loan's market price or the fair value of the collateral if the loan is collateral dependent. This statement will be effective for 1995 financial statements, although early adoption is permissible. The company has not yet determined the timing or impact of adoption of this statement.

Item 8. Financial Statements and Supplementary Data.

Management's Responsibility for Financial Statements

Management is responsible for the financial statements of Aetna Life and Casualty Company, which have been prepared in accordance with generally accepted accounting principles. The financial statements are the product of a number of processes that include the gathering of financial data developed from the records of the company's day-to-day business transactions. Informed judgments and estimates are used for those transactions not yet complete or for which the ultimate effects cannot be measured precisely. The company emphasizes the selection and training of personnel who are qualified to perform these functions. In addition, company personnel are subject to rigorous standards of ethical conduct that are widely communicated throughout the organization.

The company's internal controls are designed to reasonably assure that company assets are safeguarded from unauthorized use or disposition and that company transactions are authorized, executed and recorded properly. Company personnel maintain and monitor these internal controls on an ongoing basis. In addition, the company's internal auditors review and report upon the functioning of these controls with the right of full access to all company personnel.

The company engages KPMG Peat Marwick as independent auditors to audit its financial statements and express their opinion thereon. Their audits include reviews and tests of the company's internal controls to the extent they believe necessary to determine and conduct the audit procedures that support their opinion. Members of that firm also have the right of full access to each member of management in conducting

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their audits. The report of KPMG Peat Marwick appears on page 93.

Aetna's Board of Directors has an Audit Committee composed solely of independent directors. The committee meets periodically with management, the internal auditors and KPMG Peat Marwick to review the work of each and to inquire of each as to their assessment of the performance of the others in their work relating to the company's financial statements. Both the independent and internal auditors have, at all times, the right of full access to the Audit Committee, without management present, to discuss any matter they believe should be brought to the attention of the Committee.

Consolidated Statements of Income

For the years ended December 31,

<TABLE>

<CAPTION>

(Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Revenue:			
Premiums	$ 10,574.9	$ 10,793.9	$ 11,444.6
Net investment income	4,919.0	5,069.0	5,514.5
Fees and other income	1,534.0	1,519.4	1,365.5
Net realized capital gains (losses)	89.8	114.9	(282.1)
Total revenue	17,117.7	17,497.2	18,042.5
Benefits and Expenses:			
Current and future benefits	12,391.9	12,848.9	13,429.8
Operating expenses	3,558.8	3,824.5	3,341.1
Amortization of deferred policy acquisition costs	736.4	800.2	1,028.1
Loss on discontinuance of products	1,270.0	-	-
Severance and facilities charge	308.0	145.0	-
Total benefits and expenses	18,265.1	17,618.6	17,799.0
Income (Loss) from continuing operations before income taxes, extraordinary item and cumulative effect adjustments	(1,147.4)	(121.4)	243.5
Income tax benefits	(532.1)	(116.1)	(122.9)
Income (Loss) from continuing operations before extraordinary item and cumulative effect adjustments	(615.3)	(5.3)	366.4
Discontinued operations, net of tax:			
Income from operations	-	86.8	138.8
Gain on sale	27.0	38.1	-
Cumulative effect adjustments	-	48.9	-
Income (Loss) before extraordinary item and cumulative effect adjustments	(588.3)	168.5	505.2

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Extraordinary loss on debenture redemption, net of tax	(4.7)	-	-
Cumulative effect adjustments, net of tax	227.1	(112.5)	-
Net income (loss)	$ (365.9)	$ 56.0	$ 505.2
Pro forma amounts assuming the discounting of workers' compensation life table indemnity reserves is applied retroactively:			
Income (Loss) from continuing operations	$ (615.3)	$ (3.4)	$ 371.9
Net income (loss)	$ (615.9)	$ 57.9	$ 510.7
Pro forma amounts assuming the accounting for retrospectively rated reinsurance contracts is applied retroactively:			
Income (Loss) from continuing operations	$ (615.3)	$ (26.7)	$ 388.2
Net income (loss)	$ (392.2)	$ 34.6	$ 527.0

<FN>

See Notes to Financial Statements.

</TABLE>

Consolidated Statements of Income (continued)

For the years ended December 31,

<TABLE>

<CAPTION>

<S>	1993 <C>	1992 <C>	1991 <C>
Results Per Common Share:			
Income (Loss) from continuing operations before extraordinary item and cumulative effect adjustments	$ (5.54)	$ (.05)	$ 3.33
Discontinued operations, net of tax:			
Income from operations	-	.79	1.26
Gain on sale	.24	.35	-
Cumulative effect adjustments	-	.44	-
Income (Loss) before extraordinary item and cumulative effect adjustments	(5.30)	1.53	4.59
Extraordinary loss on debenture redemption, net of tax	(.04)	-	-
Cumulative effect adjustments, net of tax	2.05	(1.02)	-
Net income (loss)	$ (3.29)	$ .51	$ 4.59

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Pro forma amounts assuming the discounting of workers' compensation life table indemnity reserves is applied retroactively:			
Income (Loss) from continuing operations	$ (5.54)	$ (.03)	$ 3.38
Net income (loss)	$ (5.55)	$ .53	$ 4.64
Pro forma amounts assuming the accounting for retrospectively rated reinsurance contracts is applied retroactively:			
Income (Loss) from continuing operations	$ (5.54)	$ (.25)	$ 3.53
Net income (loss)	$ (3.53)	$ .31	$ 4.79
Weighted average common shares outstanding	111,062,954	110,101,861	110,056,005

<FN>

See Notes to Financial Statements.

</TABLE>

Consolidated Balance Sheets
As of December 31,
<TABLE>
<CAPTION>

(Millions, except share data)	1993	1992
<S>	<C>	<C>
Assets:		
Investments:		
Debt securities:		
Held for investment, at amortized cost (fair value $2,704.2 and $3,127.1)	$ 2,557.8	$ 2,982.4
Available for sale, at fair value in 1993 (amortized cost $36,933.6) and at lower of amortized cost or fair value in 1992 (fair value $25,862.4)	38,868.9	24,332.5
Trading securities, at fair value (amortized cost $119.0 and $7,386.2)	117.8	7,521.1
Equity securities, at fair value (cost $1,238.1 and $1,168.9)	1,658.9	1,495.5
Short-term investments	669.9	1,510.8
Mortgage loans	14,839.2	18,051.9
Real estate	1,315.8	1,596.3
Policy loans	490.7	463.5
Other	936.8	842.5
Total investments	61,455.8	58,796.5
Cash and cash equivalents	1,557.8	2,415.0
Reinsurance recoverables and receivables	4,840.7	4,619.3
Accrued investment income	782.6	767.4
Premiums due and other receivables	1,664.9	1,744.8
Federal and foreign income taxes:		

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Current	124.0	68.7
Deferred	1,282.9	973.1
Deferred policy acquisition costs	1,867.0	1,706.0
Other assets	1,756.3	1,707.1
Separate Accounts assets	24,704.7	21,721.7
Total assets	$ 100,036.7	$ 94,519.6
Liabilities:		
Future policy benefits	$ 17,597.6	$ 15,990.4
Unpaid claims and claim expenses	17,112.2	17,122.2
Unearned premiums	1,502.2	1,488.2
Policyholders' funds left with the company	27,592.2	27,270.2
Total insurance reserve liabilities	63,804.2	61,871.0
Dividends payable to shareholders	77.4	76.1
Short-term debt	35.7	24.6
Long-term debt	1,160.0	955.6
Other liabilities	3,162.1	2,580.7
Minority and participating policyholders' interests	172.5	176.1
Separate Accounts liabilities	24,581.7	21,597.2
Total liabilities	92,993.6	87,281.3
Commitments and Contingent Liabilities (Note 16)		
Shareholders' Equity:		
Class A Voting Preferred Stock (no par value; 10,000,000 shares authorized; no shares issued or outstanding)	-	-
Class B Voting Preferred Stock (no par value; 15,000,000 shares authorized; no shares issued or outstanding)	-	-
Class C Non-Voting Preferred Stock (no par value; 15,000,000 shares authorized; no shares issued or outstanding)	-	-
Common Capital Stock (no par value; 250,000,000 shares authorized; 114,939,275 issued, and 112,200,567 and 110,270,482 outstanding)	1,422.0	1,417.7
Net unrealized capital gains	648.2	259.6
Retained earnings	5,103.3	5,777.9
Treasury stock, at cost (2,738,708 and 4,668,793 shares)	(130.4)	(216.9)
Total shareholders' equity	7,043.1	7,238.3
Total liabilities and shareholders' equity	$ 100,036.7	$ 94,519.6
Shareholders' equity per common share	$ 62.77	$ 65.64

<FN>
See Notes to Financial Statements.
</TABLE>

Consolidated Statements of Shareholders' Equity

<TABLE>

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<CAPTION>

Three Years Ended December 31, 1993 (Millions, except share data)	Total	Common Stock	Net Unrealized Capital Gains	Retained Earnings	Treasury Stock
<S>	<C>	<C>	<C>	<C>	<C>
Balances at December 31, 1990	$ 7,072.4	$ 1,420.6	$ 49.7	$ 5,824.5	$ (222.4)
Net income	505.2			505.2	
Net change in unrealized capital gains and losses	116.2		116.2		
Common stock acquired during year (76,800 shares)	(6.3)				(6.3)
Common stock issued for benefit plans (28,796 shares)	1.2				1.2
Loss on issuance of treasury stock	(.5)	(.5)			
Common stock dividends declared	(303.7)			(303.7)	
Balances at December 31, 1991	7,384.5	1,420.1	165.9	6,026.0	(227.5)
Net income	56.0			56.0	
Net change in unrealized capital gains and losses	93.7		93.7		
Common stock issued for benefit plans (205,848 shares)	10.6				10.6
Loss on issuance of treasury stock	(2.4)	(2.4)			
Common stock dividends declared	(304.1)			(304.1)	
Balances at December 31, 1992	7,238.3	1,417.7	259.6	5,777.9	(216.9)
Net loss	(365.9)			(365.9)	
Net change in unrealized capital gains and losses	388.6		388.6		
Common stock issued for benefit plans (1,930,085 shares)	86.5				86.5
Gain on issuance of treasury stock	4.3	4.3			
Common stock dividends declared	(308.7)			(308.7)	
Balances at December 31, 1993	$ 7,043.1	$ 1,422.0	$ 648.2	$ 5,103.3	$ (130.4)

<FN>

See Notes to Financial Statements.

</TABLE>

Consolidated Statements of Cash Flows

For the years ended December 31,

<TABLE>
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(Millions)	1993	1992	1991
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Cash Flows from Operating Activities:			
Net income (loss)	$ (365.9)	$ 56.0	$ 505.2
Adjustments to reconcile net income (loss) to net cash used for operating activities:			
Cumulative effect adjustments	(227.1)	112.5	-
Extraordinary loss on debenture redemption	4.7	-	-
Discontinued operations	-	(135.7)	(72.7)
(Increase) decrease in accrued investment income	(17.9)	51.4	60.7
Decrease (increase) in premiums due and other receivables	1.3	765.4	(158.5)
Increase in reinsurance recoverables and receivables	(225.8)	(4,619.3)	-
Increase in deferred policy acquisition costs	(169.2)	(71.4)	(40.5)
Depreciation and amortization	199.4	205.6	150.5
Decrease in federal and foreign income taxes	(387.7)	(128.0)	(310.4)
Net increase (decrease) in other assets and other liabilities	860.7	(256.7)	(63.1)
Increase in other insurance reserve liabilities	1,634.1	4,871.5	121.2
Net purchases of debt trading securities	(2,089.1)	(1,222.6)	(681.0)
Gain on sale of subsidiaries	(15.0)	(38.1)	(54.1)
Net realized capital (gains) losses	(101.8)	(114.9)	282.1
Amortization of net investment discounts	(153.1)	(150.1)	(136.1)
Other, net	(134.8)	96.3	(7.6)
Net cash used for operating activities	(1,187.2)	(578.1)	(404.3)
Cash Flows from Investing Activities:			
Proceeds from sales of:			
Debt securities	6,300.9	3,862.1	4,751.9
Equity securities	929.9	836.7	688.2
Mortgage loans	211.9	82.6	419.7
Real estate	479.4	244.5	298.6
Investment repayments of:			
Debt securities	5,804.6	6,089.9	4,219.9
Mortgage loans	2,488.7	1,893.6	1,345.8
Cost of investments in:			
Debt securities	(13,936.0)	(9,637.3)	(8,872.4)
Equity securities	(1,025.4)	(879.8)	(751.9)
Mortgage loans	(239.1)	(417.3)	(323.5)
Real estate	(91.4)	(103.5)	(145.6)
Proceeds from disposal of subsidiaries	93.1	1,325.5	100.0
Decrease(increase) in short-term investments	674.4	(693.0)	1,141.7
Increase in property and equipment	(148.4)	(198.9)	(231.0)
Decrease (increase) in Separate Accounts	1.4	1.2	(125.7)
Other, net	(747.3)	(203.3)	124.0
Net cash provided by investing activities	796.7	2,203.0	2,639.7
Cash Flows from Financing Activities:			
Deposits and interest credited for investment contracts	3,909.5	4,134.6	5,953.6
Withdrawals of investment contracts	(4,358.3)	(5,903.9)	(6,765.2)
Issuance of long-term debt	689.6	8.2	13.7
Repayment of long-term debt	(489.8)	(73.2)	(5.2)
Stock issued under benefit plans	90.8	8.2	.7
Net increase in short-term debt	11.7	19.7	4.0
Dividends paid to shareholders	(308.7)	(304.1)	(303.7)
Purchases of treasury stock	-	-	(6.3)
Net cash used for financing activities	(455.2)	(2,110.5)	(1,108.4)
Effect of exchange rate changes on cash and cash equivalents	(11.5)	(18.9)	1.7
Net (decrease) increase in cash and cash equivalents	(857.2)	(504.5)	1,128.7
Cash and cash equivalents, beginning of year	2,415.0	2,919.5	1,790.8

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Cash and cash equivalents, end of year	$ 1,557.8	$ 2,415.0	$ 2,919.5

<FN>
See Notes to Financial Statements.
</TABLE>

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include Aetna Life and Casualty Company and its majority-owned subsidiaries (collectively, the "company"). Less than majority-owned entities in which the company has at least a 20% interest are reported on the equity basis. These consolidated financial statements have been prepared in accordance with generally accepted accounting principles. Certain reclassifications have been made to 1992 and 1991 financial information to conform to 1993 presentation.

Accounting Changes

Accounting for Certain Investments in Debt and Equity Securities

On December 31, 1993, the company adopted Financial Accounting Standard ("FAS") No. 115, Accounting for Certain Investments in Debt and Equity Securities, which requires the classification of debt securities into three categories and equity securities into two categories (Please refer to Note 5). Initial adoption of this standard resulted in (i) a cumulative effect charge of $.7 million ($.01 per common share), net of taxes of $.4 million, which is reflected in the 1993 Consolidated Statement of Income, and (ii) a net increase of $313.5 million, net of taxes of $168.8 million, to net unrealized capital gains in shareholders' equity. These amounts exclude gains and losses allocable to discontinued products and experienced rated contractholders. Adoption of FAS No. 115 did not have a material affect on deferred policy acquisition costs.

Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts

During 1993, the company adopted FAS No. 113, Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts, retroactive to December 31, 1992. Reinsurance recoverables (previously reported as a reduction in insurance reserve liabilities) and reinsurance receivables (previously reported as an asset in premiums due and other receivables) are included in reinsurance recoverables and receivables, and prepaid reinsurance premiums (previously reported as a reduction in unearned premiums) are included in other assets. Adoption of the income recognition provisions of FAS No. 113 had no impact on the 1993 net loss.

Accounting for Postemployment Benefits

In 1993, the company adopted, retroactive to January 1, 1993, FAS No. 112, Employers' Accounting for Postemployment Benefits, which requires that employers accrue the cost and recognize the liability for providing certain benefits (primarily long-term disability) to former or inactive employees after employment but before retirement. A cumulative effect charge of $48.5 million ($.44 per common share), net of taxes of $26.1 million, related to the adoption of this standard is reflected in the 1993 Consolidated Statement of Income. Adoption of FAS No. 112 had no impact on the 1993 loss from continuing operations before extraordinary item and cumulative effect adjustments.

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Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Discounting of Workers' Compensation Life Table Indemnity Reserves

The company has elected to change its accounting policy for reporting reserves for current and expected workers' compensation life table indemnity claims to a discounted basis. These reserves are discounted at 5% for voluntary business and 3.5% for involuntary business, with mortality assumptions that reflect current company and industry experience. Management believes that this change more appropriately reflects the economic value of its obligations and improves the matching of revenues and expenses (i.e., investment earnings from underlying assets are matched with the accretion of the liability as those amounts occur over time).

The company implemented discounting of reserves for workers' compensation life table indemnity claims retroactive to January 1, 1993, and reported a cumulative effect benefit of $250.0 million ($2.25 per common share), net of taxes of $134.7 million, in the 1993 Consolidated Statement of Income. The current year effect of the change for the year ended December 31, 1993 was an increase to results from continuing operations before extraordinary item and cumulative effect adjustments of $78.0 million ($.70 per common share), net of taxes of $42.0 million.

Accounting for Retrospectively Rated Reinsurance Contracts

During 1993, the Emerging Issues Task Force of the Financial Accounting Standards Board reached a consensus on a recommended method of accounting for retrospectively rated reinsurance contracts. The company changed its method of accounting for such contracts to conform to the consensus. Accordingly, the company reported a cumulative effect adjustment, retroactive to January 1, 1993, to recognize an asset for the amounts due from reinsurers related to the experience through January 1, 1993 under retrospectively rated reinsurance contracts. These contracts provided for amounts to be returned to the company based on favorable cumulative loss experience. The company reported a cumulative effect benefit related to the change in accounting for retrospectively rated reinsurance contracts of $26.3 million ($.24 per common share), net of taxes of $8.6 million, in the 1993 Consolidated Statement of Income. The effect of the change for 1993 was an increase to results from continuing operations before extraordinary item and cumulative effect adjustments of $3.3 million ($.03 per common share), net of taxes of $1.8 million. Pro forma amounts presented on the Consolidated Statements of Income exclude adjustments to results from discontinued operations for the effects of this change because the company sold and no longer controls the discontinued business.

1. Summary of Significant Accounting Policies (continued)

Accounting for Income Taxes

FAS No. 109, Accounting for Income Taxes, requires a change from the deferred method of accounting for income taxes to the asset and liability method of accounting for income taxes. Under FAS No. 109, deferred tax assets and liabilities are established at the balance sheet date in amounts that are expected to be recoverable or payable when the differences in the tax basis and financial reporting basis of assets and

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liabilities ("temporary differences") reverse.

The company adopted FAS No. 109 in 1992, retroactive to January 1, 1992. A cumulative effect benefit for continuing operations of $272.5 million ($2.48 per common share) related to adoption of this standard is reflected in the 1992 Consolidated Statement of Income.

Postretirement Benefits Other Than Pensions

FAS No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, requires that employers accrue the cost and recognize the liability for providing non-pension benefits to retired employees. The company implemented FAS No. 106 in 1992, retroactive to January 1, 1992 on the immediate recognition basis. A cumulative effect charge to continuing operations of $385.0 million ($3.50 per common share), net of taxes of $198.3 million, related to adoption of this standard is reflected in the 1992 Consolidated Statement of Income.

Accounting for Foreclosed Assets

In 1992, the company adopted the American Institute of Certified Public Accountants' Statement of Position 92-3 ("SOP"), Accounting for Foreclosed Assets, effective as of January 1, 1992. This statement requires the fair value of assets acquired through foreclosure to be established as the cost basis at the time of foreclosure. Subsequent to foreclosure, properties held for sale are to be carried at the lower of cost or fair value less selling costs. Adjustments to the carrying value, as a result of changes in fair value subsequent to foreclosure, are to be recorded in a valuation reserve. The company had previously recorded the changes to the lower of cost or fair value less selling costs as write-downs. Adoption of the SOP had no impact on 1992 net income.

Future Application of Accounting Standards

Accounting by Creditors for Impairment of a Loan

In May 1993, the Financial Accounting Standards Board ("FASB") issued FAS No. 114, Accounting by Creditors for Impairment of a Loan. This statement requires that loans be impaired when it is probable that a creditor will be unable to collect all amounts (i.e., principal and interest) contractually due, and the impairment be measured based on the present value of expected future cash flows discounted at the loan's original effective interest rate. The statement also allows impairments to be measured based on the loan's market price or the fair value of the collateral if the loan is collateral dependent. This statement will be effective for 1995 financial statements, although early adoption is permissible. The company has not yet determined the timing or impact of adoption of this statement.

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, money market instruments and other debt issues with a maturity of ninety days or less when purchased. The carrying amounts reported in the Consolidated Balance Sheets approximate fair value of these instruments.

Investments

The company classifies investments in debt securities (bonds, redeemable preferred stocks and mortgage-backed securities) in three categories: held for investment, available for sale and trading.

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Debt securities which the company had the positive intent and ability to hold to maturity were classified as held for investment on the Consolidated Balance Sheets at December 31, 1993 and 1992, and were carried at amortized cost, net of valuation reserves.

On the Consolidated Balance Sheet at December 31, 1993, debt securities which might be sold prior to maturity were classified as available for sale and carried at fair value. Unrealized gains and losses related to available for sale investments, after deducting amounts allocable to experience rated contractholders, discontinued products and related taxes, were reflected in shareholders' equity. Debt securities which the company had the ability to hold to maturity, but which might be sold prior to maturity were classified as available for sale on the Consolidated Balance Sheet at December 31, 1992 and carried at the lower of aggregate cost or fair value (which was cost at December 31, 1992). Due to the adoption of FAS No. 115 at December 31, 1993, certain reclassifications were made between debt securities classified as held for investment, available for sale and trading. Such reclassifications were considered non-cash transactions and were therefore not reflected in the 1993 Consolidated Statement of Cash Flows.

Debt securities which were held with the objective of trading to generate profits on short-term differences in price ("trading securities") were carried at fair value on the Consolidated Balance Sheet at December 31, 1993. As a result of implementing FAS No. 115 on December 31, 1993, the net unrealized loss of $.7 million related to the trading portfolio was reflected as a cumulative effect adjustment in the 1993 Consolidated Statement of Income. Future changes in fair value will be reflected in net realized capital gains in the Consolidated Statement of Income. Debt and equity securities which were traded with the objective of maximizing investment returns or were expected to be sold before maturity were classified as trading securities and carried at fair value on the Consolidated Balance Sheet at December 31, 1992, with the change in fair value reflected in shareholders' equity.

At December 31, 1993, equity securities were classified as available for sale and carried at fair value. Unrealized gains and losses related to such securities, after deducting amounts allocable to experience rated contractholders and net of related taxes, were reflected in shareholders' equity.

1. Summary of Significant Accounting Policies (continued)

Investments (continued)

Fair values for debt and equity securities are based on quoted market prices or dealer quotations. Where a quoted market price is not available, fair value is measured utilizing quoted market prices for similar securities or by using discounted cash flow methods. Cost for mortgage-backed securities is adjusted for unamortized premiums and discounts, which are amortized using the interest method over the estimated remaining term of the securities, adjusted for anticipated prepayments.

Purchases and sales of debt and equity securities are recorded on the trade date. Purchases and sales of mortgage loans are recorded on the closing date. Redeemable preferred stocks are expected to be retired as a result of regular sinking fund payments by the issuer.

Mortgage loans and policy loans are carried at unpaid principal balances, net of valuation reserves, and are generally secured. Investment real estate, which the company has the intent to hold for the production of income, is carried at depreciated cost plus capital

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additions, net of valuation reserves for other than temporary declines in fair value. Properties held for sale (primarily acquired through foreclosure) are carried at the lower of depreciated cost (fair value at foreclosure plus capital additions less accumulated depreciation) or fair value less selling cost. Adjustments to the carrying value of properties held for sale are recorded in a valuation reserve when the fair value less selling cost is below depreciated cost. The accumulated depreciation for real estate was $166.9 million and $151.5 million at December 31, 1993 and 1992, respectively.

Short-term investments, consisting primarily of money market instruments and other debt issues purchased with an original maturity of over 90 days to one year, were considered available for sale at December 31, 1993 and were carried at fair value which approximated amortized cost. Short-term investments were carried at amortized cost which approximated fair value on the Consolidated Balance Sheet at December 31, 1992.

The company utilizes futures and forward contracts and swap agreements in order to manage investment returns and to align maturities, interest rates, currency rates and funds availability with its obligations. Futures contracts are carried at fair value. Realized and unrealized gains and losses on futures contracts which qualify as hedges are deferred and recognized as an adjustment to the hedged asset or liability, and amortized over the life of the related asset or liability as an adjustment to the yield. Realized and unrealized gains and losses on futures contracts which do not qualify as hedges are reflected in the Consolidated Statements of Income. The difference between amounts paid and received on swap agreements entered into to reduce the impact of changes in interest rates and currency exchange rates is reflected in the Consolidated Statements of Income.

Realized and unrealized gains and losses from contracts hedging foreign translation exposures are reflected, net of tax, in shareholders' equity. Realized and unrealized gains and losses from contracts hedging foreign transaction exposures are reflected in the Consolidated Statements of Income.

1. Summary of Significant Accounting Policies (continued)

Investments (continued)

Significant non-cash investing and financing activities include acquisition of real estate through foreclosures of mortgage loans amounting to $295 million in 1993, $306 million in 1992 and $528 million in 1991. In 1992, the company completed an equal exchange of pooled multi-family mortgages for mortgage-backed securities from the Federal National Mortgage Association ("FNMA") totaling $325 million. In 1991, the company also exchanged a pool of residential mortgages carried at $318 million for $343 million of mortgage-backed securities from FNMA. No gains were recorded on these exchanges.

Fair Value of Financial Instruments

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial instrument, such as estimates of timing and amount of expected future cash flows. Such estimates do not reflect any premium or discount that could result from offering for sale at one time the company's entire holdings of a particular financial instrument, nor do they consider the tax impact of the realization of unrealized gains or losses. In many cases, the fair value estimates cannot be substantiated by comparison to independent markets, nor can the disclosed value be realized in immediate settlement of the instrument. Please refer to the previous investment section of this note and Note 5 for fair value disclosures

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relative to short-term investments and debt and equity securities, respectively.

Mortgage loans are carried at unpaid principal balances, net of valuation reserves. Fair value is estimated by discounting expected mortgage loan cash flows at market rates which reflect the rates at which similar loans would be made to similar borrowers. The rates reflect management's assessment of the credit quality and the remaining duration of the loans. The fair value estimate of mortgage loans of lower credit quality, including problem and restructured loans, is based on the estimated fair value of the underlying collateral. The fair value of the mortgage loan balances at December 31, 1993 and 1992 was estimated to be $14.9 billion and $18.1 billion, respectively.

The fair value of investment contract liabilities with a fixed maturity included in policyholders' funds left with the company is estimated using discounted cash flow calculations based on interest rates currently being offered by the company for similar contracts. The carrying value of these liabilities was $13.7 billion and $14.6 billion at December 31, 1993 and 1992, respectively, and fair value was estimated to be $15.0 billion and $15.8 billion, respectively. Investment contract liabilities included in policyholders' funds left with the company that do not have a fixed maturity allow for withdrawal upon request. The fair value of these contracts is estimated as the amount payable to the contractholder upon demand. However, the company has the right under such contracts to delay payment of withdrawals which may ultimately result in paying an amount different than that determined to be payable upon demand. The carrying value of these liabilities without fixed maturities was $12.2 billion and $11.5 billion at December 31, 1993 and 1992, respectively, and fair value was estimated to be $12.2 billion and $11.4 billion, respectively.

1. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

The estimated fair value of the company's long-term debt is based on quoted market prices for the same or similar issued debt or on the current rates estimated to be available to the company for debt of similar terms and remaining maturities. The fair value of the company's long-term debt at December 31, 1993 and 1992 was estimated to be $1,202.7 million and $977.1 million, respectively.

In evaluating the company's management of interest rate and liquidity risk, the fair values of all assets and liabilities should be taken into consideration.

Deferred Policy Acquisition Costs

Certain costs of acquiring insurance business have been deferred. These costs, all of which vary with and are primarily related to the production of new business, consist principally of commissions, certain expenses of underwriting and issuing contracts, and certain agency expenses. For fixed ordinary life and annuity contracts, such costs are amortized over expected premium-paying periods. For universal life and certain annuity contracts, such costs are amortized in proportion to estimated gross profits and adjusted to reflect actual gross profits. These costs are amortized over 20 years for annuity and pension contracts, and over the contract period for universal life type contracts. For all other lines of business, acquisition costs are amortized over the life of the insurance contract.

Deferred policy acquisition costs would be written off to the extent that it is determined that future policy premiums and investment income

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or gross profits would not be adequate to cover related losses and expenses.

Other Assets

Property and equipment are reported at depreciated cost using the straight-line method based upon the estimated useful lives of the assets. The carrying value of property and equipment at December 31, 1993 and 1992 was $697.3 million and $698.6 million, respectively, and was net of accumulated depreciation of $833.1 million and $730.6 million, respectively.

Goodwill, which represents the excess of cost over the fair value of net assets of acquired subsidiaries and affiliates, is amortized on a straight-line basis over periods not exceeding 40 years. Total unamortized goodwill, which is included in other assets, was $178.6 million and $173.8 million at December 31, 1993 and 1992, respectively.

1. Summary of Significant Accounting Policies (continued)

Separate Accounts

Separate Accounts assets and liabilities generally represent funds maintained in accounts to meet specific investment objectives of contractholders who bear the investment risk, subject to minimum guaranteed rates for certain contractholders. Investment income and investment gains and losses accrue directly to such contractholders. The assets of each account are legally segregated and are not subject to claims that arise out of any other business of the company. The assets and liabilities are carried at market value. Deposits, net investment income and realized and unrealized capital gains and losses on Separate Accounts assets are not reflected in the Consolidated Statements of Income. Management fees charged to contractholders are included in fees and other income.

Insurance Reserve Liabilities

Reserves for unpaid property-casualty claims and claim expenses include provisions for payments to be made on reported losses, and losses incurred but not reported and for associated settlement expenses. Beginning in 1993, workers' compensation life table indemnity reserves were discounted at 5% for voluntary business and 3.5% for involuntary business, with mortality assumptions which reflected current company and industry experience. Workers' compensation life table indemnity reserves totaled $1.2 billion at December 31, 1993.

Future policy benefits include reserves for universal life, limited payment and traditional life insurance contracts. Reserves for universal life contracts are equal to cumulative premiums less charges plus credited interest thereon. Reserves for limited payment and traditional life insurance contracts are computed on the basis of assumed investment yield, mortality, morbidity and expenses, including a margin for adverse deviation, which generally vary by plan, year of issue and policy duration. Reserve interest rates range from 2.25% to 11.25%. Investment yield is based on the company's experience. Mortality, morbidity and withdrawal rate assumptions are based on the experience of the company and are periodically reviewed against both industry standards and experience. Policyholders' funds left with the company include reserves for pension and annuity investment contracts. Reserves on such contracts are equal to cumulative deposits less charges plus credited interest thereon (rates range from 2.91% to 17.95%) net of adjustments for investment experience that the company is entitled to reflect in future credited interest. Reserves on contracts subject to experience rating reflect the rights of contractholders, plan

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participants and the company.

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Property-casualty premiums are generally recognized as revenue on a pro rata basis over the policy term. Certain policies allow the company to charge additional premiums as a result of recognizing additional claim and expense costs under the policies. Such premiums are recognized when the related losses are provided.

For universal life and certain annuity contracts, charges assessed against policyholders' funds for the cost of insurance, surrender charges, actuarial margin and other fees are recorded as revenue in fees and other income. Other amounts received for these contracts are reflected as deposits and are not recorded as revenue. Life insurance premiums, other than premiums for universal life and certain annuity contracts, are recorded as premium revenue when due. Related policy benefits are recorded in relation to the associated premiums or gross profit so that profits are recognized over the expected lives of the contracts.

Group Health and Life premiums are generally recorded as premium revenue in the month due. Some group contracts allow for premiums to be adjusted to reflect emerging experience. Fees for contracts providing claim processing service only are recorded as revenue in fees and other income.

Federal and Foreign Income Taxes

The company is taxed at regular corporate rates after adjusting income reported for financial statement purposes for certain items. Aetna Life and Casualty Company files a consolidated federal income tax return. The Internal Revenue Code limits the amount of non-life insurance company losses that may offset life insurance company taxable income. Foreign subsidiaries and U.S. subsidiaries operating outside of the United States are taxed under applicable foreign statutes. Deferred income tax benefits result from changes during the year in cumulative temporary differences between the tax basis and book basis of assets and liabilities.

Earnings Per Share

Earnings per common share are computed using net income divided by the weighted average number of common shares outstanding. There is not a significant difference between primary and fully diluted earnings per share.

2. Discontinued Products

In January 1994, the company announced its decision to discontinue the sale of its fully guaranteed large case pension products, which include guaranteed investment contracts ("GICs") and single-premium annuities ("SPAs") sold to large case pension customers. As a result of this decision, the company recognized an after-tax loss on discontinuance of products of $825 million which is reflected in the 1993 Consolidated Statement of Income. Assets and liabilities of discontinued products

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included in the Consolidated Balance Sheet at December 31, 1993 were as follows:

<TABLE>
<CAPTION>

(Millions)	Guaranteed Investment Contracts	Single-Premium Annuities	Total
<S>	<C>	<C>	<C>
Debt securities available for sale	$ 4,690.9	$ 3,578.1	$ 8,269.0
Mortgage loans	3,468.2	1,950.9	5,419.1
Real estate	534.5	-	534.5
Short-term and other investments	399.7	72.8	472.5
Total investments	9,093.3	5,601.8	14,695.1
Deferred income taxes	253.7	26.2	279.9
Receivable from continuing business	390.0	435.0	825.0
Other	7.6	1.3	8.9
Total Assets	$ 9,744.6	$ 6,064.3	$ 15,808.9
Future policy benefits	$ -	$ 5,079.1	$ 5,079.1
Policyholders' funds left with the company	8,976.6	-	8,976.6
Reserve for future losses on discontinued products	600.0	670.0	1,270.0
Other	168.0	315.2	483.2
Total Liabilities	$ 9,744.6	$ 6,064.3	$ 15,808.9

</TABLE>

Net unrealized capital gains on available for sale debt securities of discontinued products are included in other liabilities of discontinued products and are not reflected in consolidated shareholders' equity. The reserve for future losses on GICs is included in policyholders' funds left with the company and the reserve for future losses on SPAs is included in future policy benefits in the 1993 Consolidated Balance Sheet.

The losses on discontinuance of $390.0 million for GICs and $435.0 million for SPAs represent the present value of the difference between (a) the expected cash flows from the assets supporting discontinued products, and (b) the cash flows expected to be required to meet the obligations of the outstanding contracts. Calculation of the losses on discontinuance required projection of both the amount and the timing of cash flows over approximately the next 30 years, including consideration of, among other things, asset defaults and prepayments, changes in real estate values, participant withdrawal and mortality rates, and cost of asset management and customer service. The amounts of cash flows on the assets of the discontinued products projected to occur in each period are risk-adjusted such that the present value (at the risk-free rate at December 31, 1993, consistent with the duration of the liabilities) of those cash flows approximates the current fair value of the assets.

2. Discontinued Products (continued)

The average contractual yields guaranteed on the contracts relating to

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the discontinued products exceed the historical and expected future yields on assets supporting the products. The resulting anticipated negative cash flows will be funded from the cash flows of the company's continuing business.

An $825.0 million receivable for these negative cash flows (which accrues interest at the rates used to measure the loss for the two products) is included in the discontinued products' assets at December 31, 1993. This receivable is fully offset by a payable from the company's continuing business. These amounts are eliminated in consolidation and are therefore not reflected on the 1993 Consolidated Balance Sheet.

Pursuant to a segmentation plan approved in 1983 by the New York Insurance Department, the combined assets supporting discontinued products were segregated coincident with the receipt of premiums and deposits on the discontinued products. Assets of the discontinued products were distinguished, physically, operationally and for financial reporting purposes, from the remaining assets of the company.

Management believes the timing and amount of cash flows with respect to the discontinued products have been estimated with reasonable accuracy, and the financial statements reflect management's best estimate of the most likely cash flows that will occur. However, future periods may include a charge or benefit equal to the present value of the differences, if any, between future projected cash flows and current estimates.

3. Sales of Subsidiaries

On June 30, 1993, the company completed the sale of its U.K. life and investment management operations. The company realized an after-tax capital loss of $12.0 million on the sale as well as $37.4 million of tax benefits from cumulative operating losses of the subsidiary not previously available for tax benefits.

On September 30, 1992, the company completed the sale of American Re-Insurance Company ("Am Re"), formerly a wholly owned subsidiary. The company realized a gain on the sale of Am Re in the third quarter of 1992 of $38.1 million (after adjusting for the net cumulative effect adjustments related to accounting changes of $48.9 million, and the 1992 decrease to earnings related to such accounting changes of $9.0 million). No taxes were incurred on this transaction. As part of the sale, the company received 70,000 shares of American Re Corporation's (the new holding company) Junior Cumulative Redeemable Exchangeable Preferred Stock all of which were redeemed in the first quarter of 1993. The company realized an after-tax gain of $27.0 million on the redemption.

3. Sales of Subsidiaries (continued)

The operating results of Reinsurance and Related Services, provided through Am Re, were presented as a discontinued operation through the sale date of September 30, 1992. Results for the nine months ended September 30, 1992, and for the year ended December 31, 1991 were:

<TABLE>
<CAPTION>

(Millions)	1992	1991
<S>	<C>	<C>
Total revenue	$ 846.4	$1,153.1

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Income before taxes	$ 120.9	$ 173.5
Income taxes	34.1	34.7
Income from discontinued operations	$ 86.8	$ 138.8

</TABLE>

As of May 16, 1991, the company completed the sale of its 43% interest in La Estrella S.A. de Seguros, a Spanish insurance company, to Banco Hispano Americano. The company realized a net capital gain of $32.6 million (after-tax) on the sale.

4. Severance and Facilities Charge

The 1993 and 1992 results reflect after-tax severance and facilities charges of $200.0 million ($308.0 million pretax) and $95.7 million ($145.0 million pretax), respectively.

Please see Note 14 for the effect of these charges on the company's segments.

5. Investments

<TABLE>

<CAPTION>

Debt securities at December 31, 1993 were as follows:

(Millions)	Amortized Cost, Net of Reserves	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held for Investment:				
<S>	<C>	<C>	<C>	<C>
U.S. Treasury securities and obligations of U.S. government agencies and corporations	$ 20.7	$ .9	$ -	$ 21.6
Obligations of states and political subdivisions	398.7	5.9	6.7	397.9
Utilities	277.9	20.4	-	298.3
Financial	355.2	27.8	-	383.0
Transportation/Capital Goods	255.1	21.2	.8	275.5
Other corporate securities	792.9	67.6	2.8	857.7
Mortgage-backed securities	10.6	.1	-	10.7
Foreign governments	318.7	7.2	-	325.9
Other	128.0	7.5	1.9	133.6
Total Held for Investment	$ 2,557.8	$ 158.6	$ 12.2	$ 2,704.2
Available for Sale:				
U.S. Treasury securities and obligations of U.S. government agencies and corporations	$ 7,943.1	$ 200.5	$ 57.6	$ 8,086.0
Obligations of states and political subdivisions	2,016.7	80.0	2.6	2,094.1
Utilities	3,013.2	207.4	31.1	3,189.5

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Financial	4,919.0	200.1	16.7	5,102.4
Transportation/Capital Goods	1,745.0	239.0	15.1	1,968.9
Other corporate securities	4,862.9	377.4	48.6	5,191.7
Mortgage-backed securities	9,655.5	686.5	17.1	10,324.9
Foreign governments	2,651.9	130.9	9.9	2,772.9
Other	126.3	12.5	.3	138.5
Total Available for Sale	$36,933.6	$ 2,134.3	$ 199.0	$38,868.9
Available for sale securities of discontinued products (included above)	$ 7,659.4	$ 695.1	$ 85.5	$ 8,269.0

<FN>

Net unrealized appreciation of $1,935.3 million on available for sale debt securities includes $717.4 million related to experience rated contractholders and $609.6 million related to discontinued products, which is not reflected in shareholders' equity.

</TABLE>

5. Investments (continued)

<TABLE>
<CAPTION>

Debt securities at December 31, 1992 were as follows:

(Millions)	Amortized Cost, Net of Reserves	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held for Investment:				
<S>	<C>	<C>	<C>	<C>
U.S. Treasury securities and obligations of U.S. government agencies and corporations	$ 6.1	$ .6	$ -	$ 6.7
Obligations of states and political subdivisions	395.2	2.1	12.4	384.9
Utilities	494.5	30.6	.2	524.9
Financial	564.4	24.8	.8	588.4
Transportation/Capital Goods	432.8	31.5	-	464.3
Other corporate securities	1,064.8	73.0	4.6	1,133.2
Mortgage-backed securities	24.6	.5	.4	24.7
Total Held for Investment	$ 2,982.4	$ 163.1	$ 18.4	$ 3,127.1
Available for Sale:				
U.S. Treasury securities and obligations of U.S. government agencies and corporations	$ 899.1	$ 39.4	$ .6	$ 937.9
Obligations of states and political subdivisions	1,295.4	40.3	19.3	1,316.4
Utilities	2,066.7	175.9	9.6	2,233.0
Financial	2,185.0	117.8	13.7	2,289.1
Transportation/Capital Goods	1,508.6	163.3	16.4	1,655.5
Other corporate securities	4,061.8	369.6	54.7	4,376.7

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Mortgage-backed securities	11,335.8	774.5	74.8	12,035.5
Other	788.0	16.1	13.2	790.9
Total Bonds	$24,140.4	$ 1,696.9	$ 202.3	$ 25,635.0
Redeemable Preferred Stock	192.1	39.5	4.2	227.4
Total Available for Sale	$24,332.5	$ 1,736.4	$ 206.5	$ 25,862.4

</TABLE>

The carrying and fair value of debt securities held for investment and available for sale as of December 31, 1993 are shown below by contractual maturity. Actual maturities may differ from contractual maturities because securities may be restructured, called or prepaid.

<TABLE>
<CAPTION>

(Millions)	Amortized Cost, Net of Reserves	Fair Value
Held For Investment:		
<S>	<C>	<C>
Due to mature:		
One year or less	$ 440.3	$ 447.3
After one year through five years	1,494.5	1,598.9
After five years through ten years	323.0	346.1
After ten years	289.4	301.2
Mortgage-backed securities	10.6	10.7
Total Held for Investment	$ 2,557.8	$ 2,704.2
Available For Sale:		
Due to mature:		
One year or less	$ 847.7	$ 862.2
After one year through five years	9,262.8	9,521.0
After five years through ten years	8,568.1	8,868.0
After ten years	8,599.5	9,292.8
Mortgage-backed securities	9,655.5	10,324.9
Total Available for Sale	$36,933.6	$38,868.9

</TABLE>

5. Investments (continued)

Investments in equity securities were as follows:

<TABLE>

<CAPTION>

(Millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
1993				
<S>	<C>	<C>	<C>	<C>

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Equity securities available for sale	$ 1,238.1	$ 455.2	$ 34.4	$ 1,658.9
1992				
Equity securities	$ 1,168.9	$ 366.3	$ 39.7	$ 1,495.5

</TABLE>

There were no equity securities of discontinued products at December 31, 1993.

Real Estate holdings at December 31 were as follows:

<TABLE>

<CAPTION>

(Millions)	1993	1992
<S>	<C>	<C>
Properties held for sale	$ 1,122.2	$ 1,129.6
Investment real estate	461.3	535.5
	1,583.5	1,665.1
Valuation reserve	267.7	68.8
Net carrying value	$ 1,315.8	$ 1,596.3
Net carrying value of real estate of discontinued products (included above)	$ 534.5	$ -

</TABLE>

Total real estate write-downs included in the net carrying value of the company's real estate holdings on the Consolidated Balance Sheets at December 31, 1993 and 1992 were $501.8 million (including $218.5 million attributable to assets of discontinued products) and $494.8 million, respectively.

Impairment reserves at December 31 were as follows:

<TABLE>

<CAPTION>

(Millions)	1993	1992
<S>	<C>	<C>
Debt securities	$ 102.8	$ 105.2
Equity securities	10.6	12.5
Mortgage loans	1,308.3	1,065.6
Real estate	267.7	68.8
Other	6.0	6.0
Total impairment reserves	$ 1,695.4	$ 1,258.1
Impairment reserves of discontinued products (included above)	$ 764.8	$ -

</TABLE>

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Notes to Financial Statements (continued)

5. Investments (continued)

The carrying values of investments that were non-income producing for the twelve months preceding the balance sheet date were as follows:

<TABLE>
<CAPTION>

(Millions)	1993	1992
<S>	<C>	<C>
Debt securities	$ 76.9	$ 110.9
Equity securities	14.9	9.1
Mortgage loans	342.1	291.1
Real estate	188.0	245.6
Total non-income producing assets	$ 621.9	$ 656.7
Non-income producing assets of discontinued products (included above)	$ 248.0	$ -

</TABLE>

6. Capital Gains and Losses on Investment Operations

Realized capital gains or losses are the difference between the carrying value and sale proceeds of specific investments sold.

Net realized capital losses allocable to experience rated contractholders of $180.1 million, $59.7 million and $156.7 million for the years ended December 31, 1993, 1992 and 1991 were deducted from net realized capital gains (losses) as reflected on the Consolidated Statements of Income and an offsetting amount is reflected on the Consolidated Balance Sheets in policyholders' funds left with the company. Provision for impairments which are other than temporary and changes in the fair value of real estate subsequent to foreclosure (prior to 1992, real estate write-downs) are included in net realized capital gains or losses. Unrealized capital gains and losses on available for sale investments, after deducting amounts allocable to experience rated contractholders and discontinued products, and net of related taxes, are reflected in shareholders' equity.

Net realized capital gains (losses) on investments were as follows:

<TABLE>
<CAPTION>

(Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Debt securities	$ 606.3	$ 315.1	$ 98.4
Equity securities	91.3	184.2	74.2
Mortgage loans	(435.7)	(358.5)	(452.0)
Real estate	(151.5)	(43.9)	(53.3)
Sales of subsidiaries	(18.2)	-	54.1
Other	(2.4)	18.0	(3.5)
Pretax realized capital gains (losses)	$ 89.8	$ 114.9	$(282.1)
After-tax realized capital gains (losses)	$ 59.0	$ 78.6	$(187.4)

</TABLE>

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Notes to Financial Statements (continued)

6. Capital Gains and Losses on Investment Operations (continued)

Proceeds from sales of investments in debt securities held for investment and available for sale during 1993, 1992 and 1991 were $6,300.9 million, $3,862.1 million and $4,751.9 million, respectively. Gross gains of $250.6 million, $262.3 million and $138.2 million and gross losses of $30.1 million, $7.0 million and $67.9 million were realized on those sales.

Changes in unrealized capital gains (losses), excluding changes in unrealized capital gains (losses) related to experience rated contractholders and discontinued products, for the periods were as follows:

<TABLE>
<CAPTION>

(Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Equity securities	$ 94.2	$ 127.6	$ 154.9
Debt trading securities	(134.8)	66.4	53.7
Debt securities available for sale	608.3	-	-
Other	14.6	(51.8)	(25.3)
	582.3	142.2	183.3
Deferred federal income taxes	193.7	48.5	67.1
Net changes in unrealized capital gains (losses)	$ 388.6	$ 93.7	$ 116.2

</TABLE>

Changes in unrealized capital gains (losses) for the periods exclude pretax changes in debt securities carried at amortized cost and at lower of amortized cost or fair value. The unrecorded appreciation for debt securities carried at amortized cost is the difference between estimated market and carrying values, and amounted to approximately $.1 billion, $1.7 billion, and $2.4 billion at December 31, 1993, 1992 and 1991, respectively. Such unrecorded appreciation includes amounts allocable to experience rated contractholders. The change in unrecorded appreciation for 1993 was $(1.6) billion. This decrease resulted from changes in carrying values and reclassifications of certain debt securities related to the adoption of FAS No. 115. The change in unrecorded appreciation was $(.7) billion and $1.8 billion in 1992 and 1991, respectively.

Shareholders' equity included the following unrealized capital gains (losses)(net of amounts allocable to experience rated contractholders and amounts related to discontinued products) at December 31:

<TABLE>

<CAPTION>

(Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Equity securities:			
Gross unrealized capital gains	$ 455.2	$ 366.3	$ 278.8
Gross unrealized capital losses	(34.4)	(39.7)	(79.8)
	420.8	326.6	199.0
Debt trading securities:			
Gross unrealized capital gains	-	172.0	69.2

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Gross unrealized capital losses	-	(37.2)	(.8)
	-	134.8	68.4
Debt securities available for sale:			
Gross unrealized capital gains	671.1	-	-
Gross unrealized capital losses	(62.8)	-	-
	608.3	-	-
Foreign exchange and other, net	(56.7)	(71.3)	(19.5)
Deferred federal income taxes	324.2	130.5	82.0
Net unrealized capital gains	$ 648.2	$ 259.6	$ 165.9

</TABLE>

7. Net Investment Income

Net investment income includes amounts allocable to experience rated contractholders of $927 million, $1.1 billion and $1.2 billion for the years ended December 31, 1993, 1992 and 1991, respectively. Interest credited to contractholders is included in current and future benefits.

Sources of net investment income were as follows:

<TABLE>

<CAPTION>

(Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Debt securities	$ 3,003.4	$ 2,948.8	$ 2,984.9
Equity securities	55.8	56.5	42.1
Short-term investments	55.3	76.9	106.6
Mortgage loans	1,586.8	1,885.5	2,185.0
Real estate	378.5	335.7	212.4
Policy loans	29.9	26.7	24.7
Other	160.2	52.7	113.8
Cash equivalents	76.7	134.6	195.8
Gross investment income	5,346.6	5,517.4	5,865.3
Less investment expenses	427.6	448.4	350.8
Net investment income	$ 4,919.0	$ 5,069.0	$ 5,514.5

</TABLE>

8. Dividend Restrictions and Shareholders' Equity

The amount of dividends that may be paid to shareholders in 1994 without prior approval by the Insurance Commissioner of the State of Connecticut is $433.7 million. Dividend payments by the domestic insurance subsidiaries to Aetna Life and Casualty Company are subject to similar restrictions in Connecticut and other states, and are limited in 1994 to approximately $630.0 million in the aggregate. During 1993, these subsidiaries paid dividends totaling $302.1 million to Aetna Life and Casualty Company.

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Notes to Financial Statements (continued)

8. Dividend Restrictions and Shareholders' Equity (continued)

The following statement reconciles statutory net income to net income determined in conformity with generally accepted accounting principles ("GAAP").

(Millions)	1993	1992	1991
Statutory net income:			
Life companies	$ 87.7	$ 123.8	$ 436.1
Casualty-property companies	(125.1)	688.0	278.3
Consolidating eliminations	(3.3)	5.9	(30.5)
Subtotal	(40.7)	817.7	683.9
Reserve for future losses on discontinued products	(825.0)	-	-
Realized capital gains (losses)	(171.6)	(879.5)	(267.1)
Adjustments to insurance reserve liabilities	344.5	159.5	(13.8)
Deferred federal income taxes	43.7	135.2	141.7
Cumulative effect of accounting changes	227.1	(112.5)	-
Deferred policy acquisition costs	160.7	80.3	43.5
Severance and facilities charge	(99.5)	(53.5)	84.3
Postretirement benefits other than pensions	(23.8)	(39.0)	-
Other, net	18.7	(52.2)	(167.3)
Net income (loss)	$ (365.9)	$ 56.0	$ 505.2

The following statement reconciles statutory shareholders' equity with shareholders' equity determined in conformity with GAAP.

(Millions)	1993	1992
Statutory shareholders' equity:		
Life companies	$ 2,332.8	$ 2,780.9
Casualty-property companies	4,336.8	4,513.3
Consolidating eliminations	(2,323.9)	(2,781.6)
Subtotal	4,345.7	4,512.6
Reserve for future losses on discontinued products	(825.0)	-
Deferred policy acquisition costs	1,867.0	1,706.0
Market value adjustments	(888.5)	(1,030.2)
Adjustment to insurance reserve liabilities	795.1	454.5
Deferred federal income taxes	729.9	754.2
Guaranteed contracts investment reserve	600.0	450.0
Postretirement benefits other than pensions	(648.3)	(424.0)
Investment reserves	1,106.1	738.4
Non-admitted assets	211.4	211.3
Severance and facilities charge	(219.2)	(53.5)
Excess goodwill	16.8	13.4
Other, net	(47.9)	(94.4)
Shareholders' equity	$ 7,043.1	$ 7,238.3

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</TABLE>

Notes to Financial Statements (continued)

9. Debt

<TABLE>
<CAPTION>

(Millions)	1993	1992
<S>	<C>	<C>
Long-term debt:		
Domestic:		
Eurodollar Notes, 9 1/2% due 1995	$ 100.4	$ 100.6
Notes, 8 5/8% due 1998	99.8	99.7
Notes, 6 3/8% due 2003	198.7	-
Debentures, 8 1/8% due 2007	-	200.0
Debentures, 6 3/4% due 2013	198.3	-
Eurodollar Notes, 7 3/4% due 2016	63.5	200.1
Debentures, 8% due 2017	198.6	198.2
Mortgage Notes and Other Notes, 3%-11 1/2% due in varying amounts to 2018	56.7	96.0
Debentures, 7 1/4% due 2023	198.3	-
International:		
Mortgage Notes, 6 1/2%-11 7/8% due in varying amounts to 2006	45.7	61.0
Total	$1,160.0	$ 955.6

</TABLE>

At December 31, 1993 $35.7 million of short-term borrowings were outstanding. Total unused committed bank lines available to the company at December 31, 1993 amounted to $820.0 million, including an $800.0 million long-term credit commitment established with a group of worldwide banks. This $800.0 million commitment expires in July 1994. Various interest rate options are available under this facility and any borrowings mature in July 1997. The company pays quarterly commitment and facility fees totaling approximately one-tenth of one percent per annum. The terms of the commitment agreement require that the company maintain net worth of at least $5.0 billion. The $800.0 million credit facility also supports the company's commercial paper borrowing program.

During 1993, the company issued $200 million of 6 3/8% Notes due in 2003, $200 million of 6 3/4% Debentures due in 2013 and $200 million of 7 1/4% Debentures due in 2023. The proceeds were primarily used to repay commercial paper borrowings, a significant portion of which was incurred in connection with the retirement of debt discussed below. The remaining proceeds were used for general corporate purposes. A total of $550 million of securities remains available for sale under two effective shelf registration statements.

During 1993, the company redeemed $200 million principal amount of its 8 1/8% Debentures whose scheduled maturity was 2007. The company recognized an after-tax extraordinary loss on the debenture redemption of $4.7 million (after taxes of $2.4 million). Additionally, $137 million of the company's 7 3/4% Eurodollar Notes due 2016 were redeemed at par at the option of the holders thereof during 1993.

The 8% Debentures due 2017 are subject to various redemption options beginning on January 15, 1997.

Aggregate maturities of long-term debt and sinking fund requirements for 1994 through 1998 are $32.2 million, $103.8 million, $10.9 million, $12.9 million and $129.7 million, respectively, and $870.5 million thereafter.

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Total interest expense was $77.4 million, $87.1 million and $106.7 million in 1993, 1992 and 1991, respectively. The company paid interest of $74.1 million, $94.9 million and $113.0 million in 1993, 1992 and 1991, respectively.

Notes to Financial Statements (continued)

10. Federal and Foreign Income Taxes

As discussed in Note 1, the company adopted FAS No. 109 as of January 1, 1992, resulting in a cumulative effect benefit for continuing operations of $272.5 million.

In August 1993, the Omnibus Budget Reconciliation Act of 1993 (OBRA) was enacted which resulted in an increase in the federal corporate tax rate from 34% to 35% retroactive to January 1, 1993. The enactment of OBRA resulted in an increase of $27.4 million in the company's deferred tax asset. Future net income of the company will be adversely impacted by the increased tax rate.

The Technical and Miscellaneous Revenue Act of 1988 included Section 847 which permits the designation of special estimated tax payments. The effect of Section 847 is to permit the recognition of deferred tax benefits associated with certain property-casualty losses. The 1991 provision for income taxes included $99.8 million of such benefits. There were no such benefits included in the 1992 and 1993 provisions.

Included in the 1991 provision for income taxes is a benefit of $50.0 million resulting from a fourth quarter 1991 reversal of previously established tax reserves based on a favorable court decision. This benefit affected the Health and Life Insurance and Services segment only.

Income tax expense (benefits) attributable to income (loss) from continuing operations consists of:

<TABLE>

<CAPTION>

(Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Current taxes (benefits):			
Income - federal taxes	$ 47.3	$ (18.1)	$ 83.9
Income - foreign taxes	8.8	11.6	14.9
Realized capital gains (losses)	18.6	74.4	(16.3)
	74.7	67.9	82.5
Deferred taxes (benefits):			
Income - federal taxes	(617.7)	(147.4)	(131.8)
Income - foreign taxes	(1.3)	1.5	4.8
Realized capital gains (losses)	12.2	(38.1)	(78.4)
	(606.8)	(184.0)	(205.4)
Total	$ (532.1)	$ (116.1)	$ (122.9)

</TABLE>

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Notes to Financial Statements (continued)

10. Federal and Foreign Income Taxes (continued)

Income tax expense (benefits)on income (loss) from continuing operations was different from the amount computed by applying the federal income tax rate to income (loss) before income tax expense (benefit) for the following reasons:

(Millions)	1993	1992	1991
Income (Loss) from U.S. operations	$(1,211.9)	$ (151.4)	$ 123.3
Income (Loss) from non-U.S. operations	64.5	30.0	120.2
Income (Loss) before taxes	(1,147.4)	(121.4)	243.5
Tax rate	35%	34%	34%
Application of the tax rate	(401.7)	(41.3)	82.8
Tax effect of:			
Tax-exempt interest	(54.9)	(68.6)	(88.9)
Fresh start adjustments	-	-	(59.6)
Foreign operations	(46.9)	12.7	7.4
Excludable dividends	(20.5)	(12.8)	(12.1)
Tax rate change on deferred assets and liabilities	(24.0)	-	-
Tax reserve reversal	-	-	(50.0)
Goodwill	6.8	3.5	1.7
Other, net	9.1	(9.6)	(4.2)
Income tax benefits on income (loss)	$ (532.1)	$ (116.1)	$ (122.9)

The tax effects of temporary differences that give rise to deferred tax assets and deferred tax liabilities under FAS No. 109 at December 31 are presented below:

(Millions)	1993	1992
Deferred tax assets:		
Insurance reserves	$ 1,013.2	$ 1,105.4
Reserve for loss on discontinued products	445.0	-
Reserve for severance and facilities expenses	108.0	20.7
Impairment reserves	274.0	286.9
Other postretirement benefits	235.6	218.6
Net operating loss carryforward	129.9	52.7
Other	52.1	51.7
Total gross assets	2,257.8	1,736.0
Less valuation allowance	47.3	52.7
Assets net of valuation	2,210.5	1,683.3
Deferred tax liabilities:		
Deferred policy acquisition costs	519.7	468.6

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Net unrealized capital gains	331.3	135.8
Market discount	72.8	80.8
Other	3.8	25.0
Total gross liabilities	927.6	710.2
Net deferred tax asset	$ 1,282.9	$ 973.1

</TABLE>

The valuation allowance relates to future tax benefits on foreign net operating loss carryforwards of $47.3 million and $52.7 million for 1993 and 1992, respectively, the realization of which is uncertain.

10. Federal and Foreign Income Taxes (continued)

Management believes that it is more likely than not that the company will realize the benefit of the net deferred tax asset. While there are no assurances that this benefit will be realized, the company expects sufficient taxable income in the future (requires $3.6 billion of future taxable income) based on its historical record (average of approximately $200.0 million from continuing operations over the past three years excluding nonrecurring charges) and expected annual taxable savings related to staff and expense reductions. The company has more than 15 years to generate sufficient taxable income to cover the reversal of its temporary differences due to the long-term reversal pattern of these differences. Additionally, the company has significant tax planning strategies including, but not limited to, the conversion of tax-exempt income to taxable income (approximately $160.0 million of potential additional annual taxable income based on 1993 holdings) and the presence of unrealized gains in the company's investments held for investment of $146.4 million as of December 31, 1993. The deferred tax asset includes $82.6 million related to the company's expected utilization of its current U.S. net operating loss carryforward of $236.0 million which expires in 2008.

The company generally has not recognized any deferred tax liabilities attributable to the undistributed earnings of its controlled foreign corporations because the company does not expect repatriation. Such amounts are not material.

For the year ended December 31, 1991, deferred income tax expense resulted from timing differences between the recognition of income and expense for income tax and financial reporting purposes. The significant components of deferred tax expense (benefit) attributable to income from continuing operations were as follows:

<TABLE>

<CAPTION>

(Millions)	1991
<S>	<C>
Life reserve adjustments	$ 6.5
Deferred policy acquisition costs	8.9
Property-casualty underwriting adjustments	(162.3)
Investment income and expenses	22.3
Realized capital losses	(78.4)
Reorganization charge	27.9
Benefit plans	(2.0)

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Other, net	(28.3)
Total	$(205.4)

</TABLE>

The "Policyholders' Surplus Account," which arose under prior tax law, is generally that portion of a life insurance company's statutory income that has not been subject to taxation. As of December 31, 1983, no further additions could be made to the Policyholders' Surplus Account for tax return purposes under the Deficit Reduction Act of 1984. The balance in such account was approximately $857.2 million at December 31, 1993. This amount would be taxed only under certain conditions. No income taxes have been provided on this amount since management believes the conditions under which such taxes would become payable are remote.

10. Federal and Foreign Income Taxes (continued)

The Internal Revenue Service (the "Service") has completed examination of the consolidated federal income tax returns of Aetna Life and Casualty and Affiliated Companies through 1986. Discussions are being held with the Service with respect to proposed adjustments. However, management believes there are adequate defenses against, or sufficient reserves to provide for, such adjustments. The Service has commenced its examination for the years 1987 through 1990.

The company made net federal income tax payments for continuing operations of $101.6 million, $55.3 million and $229.9 million in 1993, 1992 and 1991, respectively.

11. Common Stock

At December 31, 1993 and 1992, 3,802,256 common shares were reserved for issuance under the dividend reinvestment plan, 6,702,878 and 8,728,574 common shares were reserved for the stock option plans and 946,675 common shares were reserved for other benefit plans, respectively.

In 1993 and 1992, the company did not acquire any shares of its common stock. In 1991, the company acquired 76,800 shares of its common stock at an average price of $38.04 per share.

On October 27, 1989, the Board of Directors of Aetna Life and Casualty Company adopted a Share Purchase Rights Plan. Pursuant to the Plan, a dividend of one share purchase right (a "Right") was made payable for each share of Aetna Life and Casualty Common Capital Stock ("Common Stock") outstanding on November 7, 1989, and one Right will attach to each share of Common Stock subsequently issued, prior to the time at which the Rights become exercisable, expire or are redeemed.

The Rights trade with the Common Stock until they become exercisable. The Rights become exercisable 10 days after: (i) a public announcement that a person or group ("person") has acquired 20% or more of the outstanding shares of Common Stock or, 10% or more of the outstanding shares of Common Stock if such person is declared by the Board of Directors to be an "adverse person" ("triggering acquisition"); or (ii) a person commences a tender offer which, upon consummation, could result in such person owning 30% or more of the Common Stock; or (iii), in either event, such later date as the Board of Directors may determine.

Upon becoming exercisable, each Right will entitle the holder thereof (the "Holder") to purchase one one-hundredth of a share of Aetna Life and Casualty Company's Class B Voting Preferred Stock, Series A (a "Fractional Preferred Share") at a price of $200 (the "Exercise Price"). Each Fractional Preferred Share has dividend, voting and liquidation

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rights designed to make it approximately equal in value to one share of Common Stock. Under certain circumstances, including a triggering acquisition, each Right (other than Rights that were or are owned by the acquirer) thereafter will entitle the Holder to purchase Common Stock worth twice the Exercise Price. Under certain circumstances, including the acquisition of Aetna Life and Casualty Company in a merger (following a triggering acquisition), each Right thereafter will entitle the Holder to purchase equity securities of the acquirer at a 50% discount.

11. Common Stock(continued)

Under certain circumstances, Aetna Life and Casualty Company may redeem all of the Rights at a price of $.01 per Right. The Rights will expire on November 7, 1999, unless earlier redeemed. The Rights have no dilutive effect on earnings per share until exercised. Aetna Life and Casualty Company has authorized 2,500,000 Preferred Shares for issuance upon exercise of the Rights.

12. Participating Policyholders' Interests

Under participating life insurance contracts issued by the company, the policyholder is entitled to share in the earnings of such contracts. This business is accounted for in the company's Consolidated Financial Statements on a statutory basis since any adjustments to policy acquisition costs and reserves on this business would have no effect on the company's net income or shareholders' equity. Premiums and assets allocable to the participating policyholders were as follows:

<TABLE>
<CAPTION>

(Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Premiums	$ 52.4	$ 54.0	$ 55.6
Assets	$ 704.8	$ 686.1	$ 706.2

</TABLE>

13. Benefit Plans

Pension Plans - The company has non-contributory defined benefit pension plans covering substantially all employees and certain agents. The plans provide pension benefits based on years of service and average annual compensation (measured over sixty consecutive months of highest earnings in a 120-month period). Contributions are determined by using the Entry Age Normal Cost Method and, for qualified plans subject to ERISA requirements, are limited to the amounts that are currently deductible for tax reporting purposes.

Components of the net periodic pension income (cost) were as follows:

<TABLE>
<CAPTION>

(Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Return on plan assets	$ 178.7	$ 78.9	$ 391.0
Service cost - benefits earned during the period	(82.2)	(82.3)	(73.2)
Interest cost on projected			

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benefit obligation	(169.3)	(153.1)	(136.8)
Net amortization and deferral	31.3	160.5	(204.7)
Net periodic pension income (cost)	$ (41.5)	$ 4.0	$ (23.7)

As a result of restructuring activities, a curtailment gain of approximately $28 million is reflected in net periodic pension cost for the year ended December 31, 1992. Actions related to the 1993 severance and facilities charge did not result in a curtailment gain or loss.

Notes to Financial Statements (continued)

13. Benefit Plans (continued)

The measurement dates used to determine the funded status of the plans for which assets exceeded accumulated benefits were September 30, 1993 and December 31, 1992. The change in measurement date had no effect on 1993 expense and had an immaterial impact on 1993 funded status. The funded status of plans for which assets exceeded accumulated benefits was as follows:

(Millions)	1993	1992
Actuarial present value of vested benefit obligation	$ 1,868.8	$ 1,607.6
Actuarial present value of accumulated benefit obligation	$ 1,898.9	$ 1,644.5
Plan assets at fair value	$ 2,259.0	$ 2,144.7
Actuarial present value of projected benefit obligation	2,221.7	1,931.7
Plan assets in excess of projected benefit obligation	37.3	213.0
Unrecognized net (gain) loss	98.5	(51.2)
Unrecognized service cost - prior period	(7.7)	15.7
Unrecognized net asset at date of adoption of FAS No. 87	(87.9)	(116.8)
Prepaid pension cost	$ 40.2	$ 60.7

At 1993 and 1992, non-funded plans had projected benefit obligations of $163.8 million and $119.7 million, respectively. The accumulated benefit obligations at 1993 and 1992 related to these plans was $127.6 million and $100.5 million, respectively, and the related accrued pension cost was $89.7 million and $76.6 million, respectively.

The weighted average discount rate was 7.5% for 1993 and 8.0% for 1992 and 1991. A 9.0% expected long-term rate of return on plan assets was used for each of 1993, 1992 and 1991. The rate of increase in future compensation was 4.5% for 1993 and 5.0% for 1992 and 1991. The future annual cost-of-living adjustment was 3.0% for 1993, 1992 and 1991.

All of the assets are held in trust and administered under an Immediate

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Participation Guarantee Contract issued by Aetna Life Insurance Company. Assets are held in both the general account of Aetna Life Insurance Company and in various separate accounts.

Postretirement Benefits - In addition to providing pension benefits, the company currently provides certain health care and life insurance benefits for retired employees. A comprehensive medical and dental plan is offered to all full-time employees retiring at age 50 with 15 years of service or at age 65 with 10 years of service. Retirees are required to contribute to the plans based on their years of service with the company.

In January 1994, the company announced the modification of its postretirement benefit plan to cap the portion of the cost paid by the company relating to medical and dental benefits for individuals retiring after March 1, 1994. This change is expected to produce reductions in the net periodic postretirement benefit cost and in the accumulated postretirement benefit obligation.

The impact of adopting FAS No. 106 in 1992 was a cumulative effect charge of $385.0 million (after-tax) for continuing operations. Adoption of FAS No. 106 does not affect the company's cash flows.

Components of the net periodic postretirement benefit cost were as follows:

<TABLE>
<CAPTION>

(Millions)	1993	1992
<S>	<C>	<C>
Service cost - benefits earned during the period	$ (19.0)	$ (28.8)
Interest cost	(42.9)	(50.9)
Net amortization	11.7	-
Return on plan assets	3.1	2.9
Net periodic postretirement benefit cost	$ (47.1)	$ (76.8)

</TABLE>

Prior to the adoption of FAS No. 106, the cost of postretirement benefits was charged to operations as payments were made. The pretax cost of postretirement health care and life insurance benefits for 1991 was $16.1 million.

The measurement dates used to determine the funded status of the postretirement benefit plans were September 30, 1993 and December 31, 1992. The change in measurement date had no effect on 1993 expense and had an immaterial impact on 1993 funded status. The funded status of the plans was as follows:

<TABLE>
<CAPTION>

(Millions)	1993	1992
<S>	<C>	<C>
Actuarial present value of accumulated postretirement benefit obligation:		
Retirees	$234.6	$271.3
Fully eligible active employees	102.7	143.4

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Active employees not eligible to retire	229.8	268.4
Total	567.1	683.1
Plan assets at fair value	45.8	45.0
Accumulated postretirement benefit obligation in excess of plan assets	521.3	638.1
Unrecognized net gain	139.2	-
Accrued postretirement benefit cost	$660.5	$638.1

</TABLE>

The weighted average discount rates were 7.5% and 8.0% for 1993 and 1992, respectively. The health care cost trend rate for the 1993 valuation decreased gradually from 12.5% for 1994 to 5.5% by the year 2005. For the 1992 valuation, the rates decreased gradually from 14.0% for 1993 to 6.0% by the year 2005. Increasing the health care cost trend rate by one percentage point would increase the accumulated postretirement benefit obligation at 1993 by $92.5 million (pretax) and would increase the net periodic postretirement benefit cost for 1993 by $11.3 million (pretax).

13. Benefit Plans (continued)

It is the company's practice to fund amounts for postretirement life insurance benefits to the extent the contribution is deductible for federal income taxes. The plan assets are held in trust and administered by Aetna Life Insurance Company. The assets are in the general account of Aetna Life Insurance Company, and the expected rate of return on the plan assets was 7% for 1993 and 1992.

Incentive Savings Plan - Substantially all employees are eligible to participate in a savings plan under which designated contributions, which may be invested in common stock of Aetna Life and Casualty Company or certain other investments, are matched, up to 5% of compensation, by the company. Pretax charges to operations for the incentive savings plan were $58.9 million, $58.8 million and $55.2 million for 1993, 1992 and 1991, respectively. The Plan trustee held 5,996,806 shares, 6,925,145 shares and 6,747,151 shares of Aetna Life and Casualty Company's common stock for Plan participants at the end of 1993, 1992 and 1991, respectively.

Stock Option Plans - Executive and middle management employees may be granted options to purchase common stock of Aetna Life and Casualty Company at the market price on the date of grant or, in connection with certain business combinations, may be granted options to purchase common stock on different terms. Certain options contain stock appreciation rights permitting the employee to exercise those rights and receive the excess of current market price over the option price in cash and/or stock.

Transactions under the stock option plans are summarized below:

<TABLE>

<CAPTION>

	Number of Shares	Range of Option Prices Per Share
<S>	<C>	<C>

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Outstanding at December 31, 1990	4,801,477	$29.50-$61.50
Granted	831,625	$37.75-$48.25
Exercised	(29,997)	$29.50-$46.50
Canceled or expired	(73,764)	$29.50-$61.50
Outstanding at December 31, 1991	5,529,341	$29.50-$61.50
Granted	912,675	$40.75-$45.63
Exercised	(228,942)	$29.50-$46.50
Canceled or expired	(423,425)	$29.50-$61.50
Outstanding at December 31, 1992	5,789,649	$29.50-$61.50
Granted	1,034,560	$46.75-$55.00
Exercised	(2,025,696)	$29.50-$61.50
Canceled or expired	(188,990)	$29.50-$61.50
Outstanding at December 31, 1993	4,609,523	$29.50-$61.50
Range of expiration dates	6/94 - 6/2003	
Options exercisable at December 31, 1993	3,614,903	
Common shares available for grant at December 31, 1993	2,093,355	

</TABLE>

Notes to Financial Statements (continued)

14. Segment Information (1)(2)(3)(4)(5)(6)(7)

Summarized financial information for the company's principal operations was as follows:

<TABLE>

<CAPTION>

(Millions)	1993	1992	1991
<S>	<C>	<C>	<C>
Revenue:			
Health and Life Insurance and Services	$ 6,477.3	$ 6,303.2	$ 6,116.4
Financial Services	3,492.8	3,545.1	3,710.1
Commercial Property-Casualty Insurance and Services	4,138.3	4,271.5	4,600.7
Personal Property-Casualty	1,674.0	2,080.9	2,668.7
International	1,335.3	1,296.5	946.6
Total revenue	$17,117.7	$17,497.2	$18,042.5
Income (Loss) from continuing operations before income taxes, extraordinary item and cumulative effect adjustments:			
Health and Life Insurance and Services	$ 449.7	$ 420.6	$ 495.3
Financial Services	(1,276.1)	(61.7)	(276.4)
Commercial Property-Casualty Insurance and Services	(264.2)	(430.0)	52.8
Personal Property-Casualty	(24.5)	(72.4)	(90.5)

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International	(32.3)	22.1	62.3
Total income (loss) from continuing operations before income taxes, extraordinary item and cumulative effect adjustments	$(1,147.4)	$ (121.4)	$ 243.5
Net income (loss):			
Health and Life Insurance and Services	$ 288.1	$ 280.6	$ 386.0
Financial Services	(808.8)	(17.2)	(156.9)
Commercial Property-Casualty Insurance and Services	(115.9)	(245.4)	139.5
Personal Property-Casualty	(3.3)	(36.2)	(28.6)
International	24.6	12.9	26.4
Income (loss) from continuing operations before extraordinary item and cumulative effect adjustments	(615.3)	(5.3)	366.4
Discontinued operations, net of tax	27.0	173.8	138.8
Income (loss) before extraordinary item and cumulative effect adjustments	(588.3)	168.5	505.2
Extraordinary loss on debenture redemption	(4.7)	-	-
Cumulative effect adjustments	227.1	(112.5)	-
Net income (loss)	$ (365.9)	$ 56.0	$ 505.2

</TABLE>

14. Segment Information (1)(2)(3)(4)(5)(6)(7)(continued)

<TABLE>

<CAPTION>

(Millions)	1993	1992
<S>	<C>	<C>
Assets:		
Health and Life Insurance and Services	$ 8,803.2	$ 8,379.2
Financial Services	64.263.0	58,324.1
Commercial Property-Casualty Insurance and Services	17,737.1	18,177.1
Personal Property-Casualty	4,013.6	4,742.0
International	5,219.8	4,897.2
Total assets	$100,036.7	$ 94,519.6

<FN>

(1) The 1993 results from continuing operations before extraordinary item and cumulative effect adjustments include an after-tax loss on the discontinuance of fully guaranteed large case pension products of $825.0 million ($1,270.0 million pretax). This loss affected the Financial Services segment only.

(2) Assets at December 31, 1993 include $15.0 billion of assets attributable to discontinued

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products. Discontinued products are included in the Financial Services segment.

(3) The 1993 results from continuing operations before extraordinary item and cumulative effect adjustments were increased by $78.0 million ($120.0 million pretax) related to the current year impact of discounting certain workers' compensation life table indemnity reserves. This benefit affected the Commercial Property-Casualty segment only.

(4) The 1993 results from continuing operations before extraordinary item and cumulative effect adjustments include a net benefit of $21.8 million related to a change in the federal corporate tax rate from 34% to 35%. Of the $21.8 million benefit, $2.9 million reduced Health and Life Insurance and Services results, $.6 million reduced Financial Services results, $21.8 million increased Commercial Property-Casualty results, $2.9 million increased Personal Property-Casualty results, and $.6 million increased International results.

(5) The 1993 and 1992 results reflect after-tax severance and facilities charges of $200.0 million ($308.0 million pretax) and $95.7 million ($145.0 million pretax), respectively. Of the total 1993 charge, $57.5 million ($88.5 million pretax) was allocated to Health and Life Insurance and Services, $33.9 million ($52.2 million pretax) to Financial Services, $69.9 million ($107.6 million pretax) to Commercial Property-Casualty, $30.7 million ($47.4 million pretax) to Personal Property-Casualty and $8.0 million ($12.3 million pretax) to International. Of the total 1992 charge, $35.7 million ($54.1 million pretax) was allocated to Health and Life Insurance and Services, $3.7 million ($5.6 million pretax) to Financial Services, $25.6 million ($38.8 million pretax) to Commercial Property-Casualty, $30.3 million ($46.0 million pretax) to Personal Property-Casualty and $.4 million ($.5 million pretax) to International.

(6) The 1992 results from continuing operations before extraordinary item and cumulative effect adjustments were reduced by $39.0 million ($59.2 million pretax), related to the current year impact of adopting FAS No. 106. Of the total 1992 after-tax impact for continuing operations, $18.8 million ($28.4 million pretax) was attributable to Health and Life Insurance and Services, $2.7 million ($4.2 million pretax) to Financial Services, $11.5 million ($17.5 million pretax) to Commercial Property-Casualty, $5.5 million ($8.2 million pretax) to Personal Property-Casualty, and $.5 million ($.9 million pretax) to International.

(7) The 1991 results from continuing operations before extraordinary item and cumulative effect adjustments included a "fresh start" benefit of $59.6 million. Of the total 1991 "fresh start" benefit for continuing operations, $48.9 million was attributable to Commercial Property-Casualty and $10.7 million to Personal Property-Casualty. There were no "fresh start" benefits in 1992 and 1993.

</TABLE>

15. Reinsurance

The company utilizes reinsurance agreements to reduce its exposure to large losses in all aspects of its insurance business. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the company as direct insurer of the risks reinsured. The company evaluates the financial strength of potential reinsurers and continually monitors the financial condition of present reinsurers.

Prepaid reinsurance premiums were $.3 billion at December 31, 1993 and 1992, respectively. A summary of earned premiums for the years ended December 31 follows:

Earned Premiums:

<TABLE>

<CAPTION>

(Millions)	Direct Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount

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1993				
<S>	<C>	<C>	<C>	<C>
Life insurance	$ 1,966.1	$ 78.0	$ 63.9	$ 1,952.0
Accident and health insurance	3,885.2	47.5	28.0	3,865.7
Property-casualty insurance	5,577.8	1,312.8	492.2	4,757.2
Total earned premiums	$ 11,429.1	$ 1,438.3	$ 584.1	$ 10,574.9
1992				
Life insurance	$ 2,044.4	$ 144.2	$ 52.6	$ 1,952.8
Accident and health insurance	3,708.5	53.6	25.1	3,680.0
Property-casualty insurance	6,153.4	1,530.4	538.1	5,161.1
Total earned premiums	$ 11,906.3	$ 1,728.2	$ 615.8	$ 10,793.9
1991				
Life insurance	$ 1,926.1	$ 188.3	$ 44.6	$ 1,782.4
Accident and health insurance	3,615.1	49.2	21.3	3,587.2
Property-casualty insurance	6,963.5	1,546.6	658.1	6,075.0
Total earned premiums	$ 12,504.7	$ 1,784.1	$ 724.0	$ 11,444.6

</TABLE>

There is not a material difference in premiums on a written versus an earned basis.

Ceded current and future benefits were $1.3 billion, $1.7 billion and $1.3 billion for the years ended December 31, 1993, 1992 and 1991, respectively.

A property-casualty subsidiary of the company acts as a servicing carrier for several involuntary pools. This business is ceded completely to the pools, and the company has no direct underwriting risk associated with it. Reinsurance recoverables for this business were approximately $1.9 billion, $2.0 billion and $2.2 billion in 1993, 1992 and 1991, respectively. The company also participates as a member in a number of the involuntary pools, and as a result assumes its share of premiums and losses associated with these pools.

16. Commitments and Contingent Liabilities

Off-Balance-Sheet Financial Instruments

The company utilizes financial instruments with off-balance-sheet risk in the normal course of business in order to manage investment returns and to align maturities, interest rates, currency rates and funds availability with its obligations. Financial instruments used for such purposes include futures and forward contracts, and swap agreements. In order to meet the financing needs of its customers, the company also is a party to financial guarantees and commitments to accept deposits, extend credit and fund partnerships. All of these instruments involve, to varying degrees, elements of market risk in excess of the amount recognized in the Consolidated Balance Sheets. Market risk is the possibility that future changes in market prices may make a financial instrument less valuable. The amount of market risk related to forward

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contracts to sell investments, interest rate and currency rate swaps, and commitments to accept deposits is not material. Unless otherwise noted, the company does not require collateral or other security to support the financial instruments discussed below.

Foreign Exchange Forward Contracts

Foreign exchange forward contracts are agreements to exchange fixed amounts of two different currencies at a specified future date and at a specified price. The company enters into foreign exchange forward contracts primarily as a hedge against foreign currency fluctuations. Risk results from fluctuations in translation rates and the possibility of non-performance by counterparties which could result in an unhedged position. At December 31, 1993 and 1992, the company had contracts to sell $875.4 million and $619.3 million and contracts to buy $26.9 million and $14.8 million of various foreign currencies. The contract amounts of these instruments reflect the company's extent of involvement in this particular type of financial instrument and do not represent the company's risk of loss. The fair value of the foreign exchange forward contacts at December 31, 1993 approximated the cost to the company of acquiring such contracts.

Futures and Forward Contracts

Futures and forward contracts represent commitments to either purchase or sell securities or money market instruments at a specified future date and at a specified price or yield. The inability of counterparties to perform under the terms of the contracts may result in a higher replacement cost. Also, there is potential for change in the value of the securities underlying the futures or forward contracts. At December 31, 1993 and 1992, the company had futures contracts to purchase $141.2 million and $641.9 million of U.S. Treasury securities. At December 31, 1993, the company had forward contracts to purchase investments of $273.6 million. At December 31, 1992 the company had no significant forward contracts. The contract amounts of these instruments reflect the company's extent of involvement in this particular type of financial instrument and do not represent the company's risk of loss. The fair value of the futures and forward contracts at December 31, 1993 approximated the cost to the company of acquiring such contracts.

16. Commitments and Contingent Liabilities (continued)

Commitments

Commitments to extend credit are legally binding agreements to lend moneys at a specified interest rate and within a specified time period. Risk arises from the potential inability of counterparties to perform under the terms of the contracts and from interest rate fluctuations. The company's exposure to credit risk is minimized by the existence of conditions within the commitment agreements which release the company from its obligations in the event of a material adverse change in the counterparty's financial condition. At December 31, 1993 and 1992, the company had $130.2 million and $69.5 million, respectively, in commitments to fund partnerships and $64.0 million and $8.7 million, respectively, in commitments to fund commercial mortgage loans.

Financial Guarantees

The company no longer writes municipal bond insurance and such business previously written by the company was reinsured with another company. It is not practicable to estimate the fair value of the business that has been ceded.

The Aetna Casualty and Surety Company, a subsidiary of Aetna Life and

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Casualty Company, also was a writer of financial guarantees on obligations secured by real estate, corporate debt obligations, and of municipal and non-municipal tax-exempt entities through December 31, 1987, and ceased writing such guarantees as of January 1, 1988. The aggregate net par value of financial guarantees outstanding at December 31, 1993 and 1992 was $930.3 million and $1.1 billion, respectively. Future run-off of financial guarantees as of December 31, 1993 is estimated to be $89.6 million for 1994, $233.0 million for 1995, $30.4 million for 1996, $171.4 million for 1997, $281.4 million for 1998 and $124.5 million thereafter. It was not practicable to estimate a fair value for the company's financial guarantees because the company no longer writes such guarantees, there is no quoted market price for such contracts, and it is not practicable to reliably estimate the timing and amount of all future cash flows due to the unique nature of each of these contracts.

Total reserves for the financial guarantee business, which include reserves for defaults, probable losses not yet identified, and unearned premiums, were $80.2 million and $74.6 million at December 31, 1993 and 1992, respectively. Premium income received from such guarantees is recognized pro rata over the contract coverage period.

Reinsurance Agreement

In connection with the sale of Am Re (see Note 3), Am Re and the company entered into a reinsurance agreement which provides that to the extent Am Re incurred losses in 1991 and prior that are still outstanding at January 1, 1992 in excess of $2.7 billion (or $362 million in excess of Am Re's reserves as of December 31, 1991, adjusted for certain reinsurance transactions), the company has an 80% participation in payments on those losses up to a maximum payment by the company of $500 million. The company does not expect to, and has not yet been required to make any payments under this agreement.

16. Commitments and Contingent Liabilities (continued)

Concentrations of Credit Risk

Disclosure of concentrations of credit risk for bonds and mortgage loans is incorporated herein by reference to Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 33 through 42. There were no material concentrations of off-balance-sheet financial instruments at December 31, 1993.

Leases

The company has entered into operating leases for office space and certain computer, word processing and other equipment. Rental expenses for these items were $267.4 million, $312.0 million and $305.1 million for 1993, 1992 and 1991, respectively. Future net minimum payments under non-cancelable leases as of December 31, 1993 are estimated to be $197.5 million for 1994, $167.3 million for 1995, $136.0 million for 1996, $106.0 million for 1997, $78.5 million for 1998 and $732.6 million thereafter.

Included in these future payments are $113.5 million and $410.4 million, attributable to the next five and subsequent ten years, respectively, of a subordinated master lease for office space. The company, as the major sublessee, is obligated to pay $67.8 million for its own space during the next six years.

Regulatory Environment

In March 1992, the California Insurance Commissioner ("Commissioner")

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issued a notice of hearing to the company requiring that it show cause why it should not be ordered to pay refunds with interest pursuant to Proposition 103. Proposition 103 is a voter initiative adopted in November 1988 which requires, among other things, certain premium rollbacks or refunds by insurance companies. The Commissioner alleged that the company's refund obligation was $110 million, plus 10% interest from May 1989 (or $51 million as of December 31, 1993).

On January 13, 1994, the company entered into a stipulation with the California Department of Insurance ("Department") under which the company agreed to make refunds of $31 million, including interest, with respect to certain California policies issued or renewed between November 8, 1988 and November 7, 1989. The Department has agreed that this refund, when finalized, shall constitute the company's complete and entire rollback and refund obligation. Given applicable reserves, the agreement with the Department will not materially affect the company's earned premium revenue or net income.

16. Commitments and Contingent Liabilities (continued)

Asbestos and Environmental-Related Claims

Reserving for asbestos and environmental-related claims is subject to significant uncertainties. Because of these significant uncertainties and the likelihood that they will not be resolved in the near future, management is unable to make a reasonable estimate as to the ultimate amount of losses for all asbestos and environmental-related claims and related litigation expenses and is unable to determine whether the adverse effect of such losses will be material to the company's future results, liquidity and/or capital resources. Reserves for asbestos and environmental liabilities are evaluated by management regularly, and, subject to the significant uncertainties mentioned above, adjustments are made to such reserves as developing loss patterns and other information appear to warrant.

Litigation

Beginning in 1988, the attorneys general of 20 states each filed separate antitrust suits against The Aetna Casualty and Surety Company ("Aetna") and over 30 other insurers, reinsurers, trade associations and brokers. The suits are on behalf of the states themselves and, in most cases, alleged classes of their political subdivisions. Additionally, 20 class actions were filed in various courts on behalf of private plaintiffs. The attorneys general suits and the private plaintiff actions all were consolidated for pretrial proceedings in the United States District Court for the Northern District of California ("U.S. District Court").

All of the suits allege that the defendants violated various federal or state antitrust laws (or laws related to business trade practices) by, among other things, conspiring to restrict the terms and coverages of commercial general liability insurance and also reinsurance. The state suits seek civil penalties, unspecified damages and extensive injunctive relief. The private suits seek unspecified treble damages and broad injunctive relief.

In September 1989, the U.S. District Court entered an order granting the motions of the defendants (including Aetna), dismissing with prejudice all federal antitrust claims in all of the complaints before it. The U.S. District Court declined to exercise jurisdiction over the state claims in the attorneys general complaints.

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Notes to Financial Statements (continued)

16. Commitments and Contingent Liabilities (continued)

Litigation (continued)

After unsuccessfully attempting to have the federal claims reinstated before the U.S. District Court, the 20 states and most of the private plaintiffs then appealed the U.S. District Court's decision dismissing the federal claims to the United States Court of Appeals for the Ninth Circuit ("Court of Appeals"). In June 1991, the Court of Appeals reversed the U.S. District Court's decision dismissing the federal antitrust claims and remanded those claims to the U.S. District Court for trial. The defendants subsequently filed a motion for rehearing; in October 1991, the Court of Appeals denied this motion. In January 1992, Aetna and several other defendants filed a petition for certiorari with the Supreme Court of the United States ("Supreme Court"), seeking review of the Court of Appeals' decision. On October 5, 1992, the Supreme Court granted the defendants' petition.

On June 28, 1993, the Supreme Court issued its decision returning the suit to the Court of Appeals for further proceedings consistent with the standards articulated by the Supreme Court. The Supreme Court held unanimously that Aetna and the other defendant insurers did not forfeit their otherwise available McCarran-Ferguson Act immunity when they acted with reinsurers to produce acceptable policy terms. The Supreme Court also held that Aetna and the other defendant insurers could lose their immunity under the "boycott" exception to the McCarran exemption only if the plaintiffs could prove that the defendant insurers attempted to coerce acceptance of insurance policy terms by means of refusals to deal in separate and unrelated transactions. On October 7, 1993, the Court of Appeals remanded the case to the U.S. District Court for further proceedings. In an upcoming status conference, the court will set a case management plan outlining future conduct of the litigation.

Aetna is continuously involved in numerous other lawsuits arising, for the most part, in the ordinary course of its business operations either as a liability insurer defending third-party claims brought against its insureds or as an insurer defending coverage claims brought against itself, including lawsuits related to issues of policy coverage and judicial interpretation. One such area of coverage litigation involves legal liability for asbestos and environmental-related claims. These lawsuits and other factors make reserving for asbestos and environmental-related claims subject to significant uncertainties.

While the ultimate outcome of the litigation described herein cannot be determined at this time, management does not believe it likely that such litigation, net of reserves established therefor and giving effect to reinsurance, will result in judgments for amounts material to the financial condition of the company, although it may affect results of operations in future periods. Litigation related to asbestos and environmental claims is subject to significant uncertainties; therefore management is unable to determine whether the effects on operations in future periods will be material.

Independent Auditors' Report

The Shareholders and Board of Directors
Aetna Life and Casualty Company:

We have audited the consolidated balance sheets of Aetna Life and Casualty Company and Subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended December

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31, 1993. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the financial position of Aetna Life and Casualty Company and Subsidiaries at December 31, 1993 and 1992, and the results of their operations and their cash flows for each of years in the three-year period ended December 31, 1993, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, in 1993 the company changed its methods of accounting for certain investments in debt and equity securities, reinsurance of short-duration and long-duration contracts, postemployment benefits, workers' compensation life table indemnity reserves and retrospectively rated reinsurance contracts. In 1992, the company changed its methods of accounting for income taxes and postretirement benefits other than pensions.

KPMG PEAT MARWICK

Hartford, Connecticut
February 8, 1994

Quarterly Data (Unaudited)

<TABLE>
<CAPTION>

(Millions, except per share data)	First	Second	Third	Fourth
<S>	<C>	<C>	<C>	<C>
1993 (1)(2)(3)(4)(5)(6)(7)(8)				
Total revenue	$ 4,294.1	$ 4,326.5	$ 4,302.9	$ 4,194.2
Income (Loss) from continuing operations before income taxes, extraordinary item and cumulative effect adjustments	$ 191.3	$ 151.1	$ 285.2	$ (1,775.0)
Federal and foreign income taxes (benefits)	52.0	.3	59.6	(644.0)
Income (Loss) from continuing operations before extraordinary item and cumulative effect adjustments	139.3	150.8	225.6	(1,131.0)
Discontinued operations, net of tax	27.0	-	-	-
Income (Loss) before extraordinary item and cumulative effect adjustments	166.3	150.8	225.6	(1,131.0)
Extraordinary loss on debenture redemption	-	(4.7)	-	-
Cumulative effect adjustments	227.8	-	-	(.7)
Net income (loss)	$ 394.1	$ 146.1	$ 225.6	$ (1,131.7)
Proforma amounts assuming the discounting of workers' compensation life table indemnity				

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reserves is applied retroactively:				
Income (Loss) from continuing operations	$ 139.3	$ 150.8	$ 225.6	$ (1,131.0)
Net income (loss)	$ 144.1	$ 146.1	$ 225.6	$ (1,131.7)
Proforma amounts assuming the accounting for retrospectively rated reinsurance contracts is applied retroactively:				
Income (loss) from continuing operations	$ 139.3	$ 150.8	$ 225.6	$ (1,131.0)
Net income (loss)	$ 367.8	$ 146.1	$ 225.6	$ (1,131.7)
Per Share Results:				
Income (Loss) from continuing operations before extraordinary item and cumulative effect adjustments	$ 1.26	$ 1.36	$ 2.03	$ (10.09)
Discontinued operations, net of tax	.25	-	-	-
Income (Loss) before extraordinary item and cumulative effect adjustments	1.51	1.36	2.03	(10.09)
Extraordinary loss on debenture redemption	-	(.04)	-	-
Cumulative effect adjustments	2.06	-	-	(.01)
Net income (loss)	$ 3.57	$ 1.32	$ 2.03	$ (10.10)
Proforma amounts assuming the discounting of workers' compensation life table indemnity reserves is applied retroactively:				
Income (Loss) from continuing operations	$ 1.26	$ 1.36	$ 2.03	$ (10.09)
Net income (loss)	$ 1.31	$ 1.32	$ 2.03	$ (10.10)
Proforma amounts assuming the accounting for retrospectively rated reinsurance contracts is applied retroactively:				
Income (loss) from continuing operations	$ 1.26	$ 1.36	$ 2.03	$ (10.09)
Net income (loss)	$ 3.33	$ 1.32	$ 2.03	$ (10.10)
Common Stock Data:				
Dividends Declared	$ .69	$ .69	$ .69	$ .69
Common Stock Prices, High	53.00	55.75	60.00	65.88
Common Stock Prices, Low	44.00	48.63	54.25	58.63

<FN>
The sum of quarterly earnings per share amounts does not necessarily equal the full year's amount, since they are calculated independently.
Common stock prices are as reported on the NYSE-Composite Tape.
See Notes to Financial Statements.

(1) The 1993 net loss includes net capital losses from additions to reserves for mortgage loans and real estate and real estate write-downs, after taxes and after gains and losses allocated to experience rated pension contractholders, of $70.3 million, $94.8 million, $79.2 million and $173.3 million for the first, second, third and fourth quarters of 1993, respectively.
(2) First quarter 1993 net income includes a charge of $48.5 million related to the cumulative effect of adopting FAS No. 112, Employers' Accounting for Postemployment Benefits.
(3) First quarter 1993 net income includes a benefit of $26.3 million related to the cumulative effect of the change in accounting for retrospectively rated reinsurance contracts.
(4) Third quarter 1993 results from continuing operations before extraordinary item and cumulative effect adjustments include a net benefit of $21.8 million related to a change in the federal corporate tax rate from 34% to 35%.
(5) First quarter 1993 net income includes a benefit of $250.0 million related to the cumulative effect of adopting discounting of workers' compensation life table indemnity reserves. The current year impact of this change was an increase to after-tax results of $78.0 million in the fourth quarter of 1993. The current year impact did not have an effect on results for the first three quarters of 1993. Fourth quarter 1993 results include an after-tax charge of $259.0 million for reserve additions for certain workers' compensation exposures.
(6) The 1993 fourth quarter results reflect a loss of $825.0 million ($1.3 billion pretax) on the discontinuance of fully guaranteed large case pension products.
(7) Fourth quarter 1993 results reflect an after-tax severance and facilities charge of $200.0 million ($308.0 million pretax).
(8) Fourth quarter 1993 net loss includes a charge of $.7 million related to the cumulative effect of adopting FAS No. 115, Accounting for Certain Investments in Debt and Equity Securities.
</TABLE>

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Quarterly Data (Unaudited) - (continued)

<TABLE>
<CAPTION>

(Millions, except per share data)	First	Second	Third	Fourth
<S>	<C>	<C>	<C>	<C>
1992 (1)(2)(3)(4)(5)				
Total revenue	$ 4,516.7	$ 4,273.3	$ 4,409.2	$ 4.298.0
Income (Loss) from continuing operations before income taxes and cumulative effect adjustments	$ 201.3	$ (141.1)	$ 136.1	$ (317.7)
Federal and foreign income taxes (benefits)	46.9	(68.0)	30.8	(125.8)
Income (Loss) from continuing operations before cumulative effect adjustments	154.4	(73.1)	105.3	(191.9)
Discontinued operations, net of tax	76.8	27.9	69.1	-
Income (Loss) before cumulative effect adjustments	231.2	(45.2)	174.4	(191.9)
Cumulative effect adjustments	(112.5)	-	-	-
Net income (loss)	$ 118.7	$ (45.2)	$ 174.4	$ (191.9)
Proforma amounts assuming the discounting of workers' compensation life table indemnity reserves is applied retroactively:				
Income (Loss) from continuing operations	$ 149.0	$ (62.3)	$ 103.7	$ (193.8)
Net income (loss)	$ 113.3	$ (34.4)	$ 172.8	$ (193.8)
Proforma amounts assuming the accounting for retrospectively rated reinsurance contracts is applied retroactively:				
Income (Loss) from continuing operations	$ 156.5	$ (64.6)	$ 69.8	$ (188.4)
Net income (loss)	$ 120.8	$ (36.7)	$ 138.9	$ (188.4)
Per Share Results:				
Income (Loss) from continuing operations before cumulative effect adjustments	$ 1.40	$ (.66)	$ .95	$ (1.74)
Discontinued operations, net of tax	.69	.25	.64	-
Income (Loss) before cumulative effect adjustments	2.09	(.41)	1.59	(1.74)
Cumulative effect adjustments	(1.02)	-	-	-
Net income (loss)	$ 1.07	$ (.41)	$ 1.59	$ (1.74)
Proforma amounts assuming the discounting of workers' compensation life table indemnity reserves is applied retroactively:				
Income (Loss) from continuing operations	$ 1.35	$ (.56)	$ .94	$ (1.76)
Net income (loss)	$ 1.03	$ (.31)	$ 1.57	$ (1.76)
Proforma amounts assuming the accounting for retrospectively rated reinsurance contracts is applied retroactively:				
Income (loss) from continuing operations	$ 1.43	$ (.59)	$ .62	$ (1.71)
Net income (loss)	$ 1.10	$ (.34)	$ 1.26	$ (1.71)
Common Stock Data:				
Dividends Declared	$ .69	$ .69	$ .69	$ .69
Common Stock Prices, High	46.63	44.00	44.63	48.63
Common Stock Prices, Low	41.13	39.38	38.00	41.38

<FN>
Earnings per share calculations are based on results of stand-alone quarters.

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Common stock prices are as reported on the NYSE-Composite Tape.

See Notes to Financial Statements.

(1) The 1992 net income includes net capital losses from additions to reserves for mortgage loans and real estate and real estate write-downs, after taxes and after gains and losses allocated to experience rated pension contractholders, of $41.4 million, $104.9 million, $52.4 million and $81.5 million for the first, second, third and fourth quarters of 1992, respectively.
(2) First quarter 1992 net income includes a charge of $385.0 million and a benefit of $272.5 million related to the cumulative effects of adopting FAS No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, and FAS No. 109, Accounting for Income Taxes, respectively. The results from continuing operations before cumulative effect adjustments for the quarters of 1992 have been restated to reflect the current year impact of adopting FAS No. 106 and FAS No. 109. The impact of adopting FAS No. 106 was a reduction to after-tax results of $9.9 million, $10.0 million, $9.6 million and $9.5 million for the first, second, third and fourth quarters of 1992, respectively. The impact of adopting FAS No. 109 was a decrease to results of $12.0 million, $12.1 million, $11.8 million and $11.9 million, for the first, second, third and fourth quarters of 1992, respectively.
(3) Fourth quarter 1992 results include an after-tax charge of $180.0 million for reserve additions for certain asbestos and environmental exposures.
(4) Third quarter 1992 results reflect $65.4 million of after-tax losses related to Hurricane Andrew. Of this amount, $53.4 million was attributable to continuing operations and $12.0 million to discontinued operations.
(5) Second quarter 1992 results reflect an after-tax reorganization charge of $95.7 million ($145.0 million pretax) related primarily to severance and benefit costs of expense and staff reduction actions.

</TABLE>

Appendix to Exhibit 13

The following information, which is presented in tabular form in this exhibit, is presented in the form of pie charts in the printed 1993 annual report to shareholders of Aetna Life and Casualty Company:

<TABLE>

<CAPTION>

Page No. in this Exhibit	Description
<S>	<C>
32	Invested Assets of Life Companies
32	Invested Assets of Property-Casualty Companies
33	Bond Quality Ratings
33	Bond Investments by Market Sector
40	Problem Mortgage Loans by Property Type
40	Geographic Distribution of Problem Mortgage Loans
40	Restructured Mortgage Loans by Property Type
40	Geographic Distribution of Restructured Mortgage Loans
42	Property Held for Sale by Property Type
42	Geographic Distribution of Property Held for Sale

</TABLE>

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By-Laws

Aetna Life and Casualty Company
Hartford, Connecticut

Article I
Shareholders' Meetings

Section 1. The Annual Meeting of the Shareholders of the Company shall be held at such time and place as the Board of Directors may prescribe.

Section 2. At any meeting of the shareholders, only such business may be conducted as shall have been properly brought before the meeting and as shall have been determined to be lawful and appropriate for consideration by shareholders at the meeting. To be properly brought before a meeting, the business must be (a) specified in the notice of meeting, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors or the Chairman, or (c) otherwise properly brought before the meeting by a shareholder. For business to be properly brought before a meeting by a shareholder pursuant to clause (c) above, the shareholder must have given written notice of such shareholder's intent to present such business, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Company not later than 90 days prior to the date such meeting is to be held; provided, however, notice by the shareholder shall be timely in any event if received not later than the close of business on the 10th day following the day on which public disclosure of the date of the meeting was made. Such shareholder's notice shall set forth as to each matter the shareholder proposes to bring before the meeting (a) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (b) the name and address, as they appear on the Company's books, of such shareholder, (c) the class and number of shares of capital stock of the Company which are beneficially owned by such shareholder, and (d) any material interest of such shareholder in such business. Notwithstanding anything in these By-Laws to the contrary, no business shall be conducted at a meeting except in accordance with the procedures set forth in this Section 2. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the procedures prescribed herein, or that business was not lawful or appropriate for consideration by shareholders at the meeting, and if the chairman of the meeting should so determine, the chairman of the meeting shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted at that meeting.

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Section 3. Nomination of persons for election to the Board of Directors of the Company may be made by the Board of Directors or by any shareholder of the Company entitled to vote for the election of Directors. Any shareholder entitled to vote for the election of Directors at a meeting may nominate persons for the election of Directors only if written notice of such shareholder's intent to make such nomination is given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Company not later than 90 days prior to the date such meeting is to be held; provided, however, that notice by the shareholder shall be timely in any event if received not later than the close of business on the 10th day following the day on which public disclosure of the date of the meeting was made. Such shareholder's notice shall set forth (a) as to each person whom the shareholder proposes to nominate for election or re-election as a Director, (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of capital stock of the Company which are beneficially owned by such person and (iv) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including without limitation such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected) and (b) as to the shareholder giving the notice, (i) the name and address, as they appear on the Company's books, of such shareholder and, (ii) the class and number of shares of capital stock of the Company which are beneficially owned by such shareholder. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures herein prescribed and, if the chairman of the meeting should so determine, the chairman shall so declare to the meeting and the defective nomination shall be disregarded.

Section 4. Special meetings of the shareholders may be called by the Board, the Chairman or the President. Each such meeting shall be held on the date and at the hour specified in the call for the meeting and, unless another place within or without the State of Connecticut has been specified in any such call by the Board or the Chairman, at the home office of the Company in the City of Hartford.

Section 5. The quorum for each meeting of shareholders shall consist of a majority of the voting power of shares entitled to vote at such meeting.

Section 6. The order of and the rules for conducting business at all

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meetings of the shareholders shall be determined by the chairman of the meeting.

Article II
Directors

Section 1. The Board of Directors shall consist of not less than three and not more than twenty-one Directors, and the number of directorships at any time within such minimum and maximum range shall be the number fixed by vote of the Shareholders or Directors or, in the absence thereof, shall be the number of Directors elected at the preceding Annual Meeting of Shareholders. If a vacancy in the Board of Directors is created by an increase in the number of directorships, it may be filled for the unexpired term by action of the Shareholders or by the concurring vote of Directors holding a majority of the directorships, which number of directorships shall be the number prior to the vote on the increase. All other vacancies in the Board shall be filled in the manner provided by law.

Section 2. Regular meetings of the Board shall be held at such place and on such day and hour at such periodic intervals as the Board may from time to time designate. Notice of such regular meetings need not be given, but the Secretary shall notify each Director by mail of the action of the Board designating or changing the place, period, day, or hour of such regular meetings.

Section 3. Special meetings of the Board shall be held at the call of the Chairman, the President or not less than one-third of the Directors then in office.

Section 4. A quorum shall consist of a majority of the Directors at the time in office, but not less than two Directors nor less than one-third of the number of Directors provided for by Article II, Section 1.

Section 5. The Board shall fix the compensation of each Director and of each member of a committee appointed by the Board pursuant to Article III.

Article III
Committees Of The Board

Section 1. There shall be an Executive Committee consisting of not less than three Directors, including the Chairman, who shall be designated by the affirmative vote of Directors holding a majority of the directorships, at a meeting at which a quorum is present. The Committee may advise with and aid the officers of the Company on matters

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concerning its interests and the management of its business, and generally perform such duties and exercise such powers as may be directed or delegated by the Board from time to time. During the intervals between meetings of the Board, the Committee shall possess and may exercise all of the authority of the Board in the management and direction of the business, property and affairs of the Company, subject to such limitations as the Board may from time to time impose.

Section 2. There shall be an Investment Committee consisting of no fewer than three Directors, including the Chairman, which Directors shall be designated by the affirmative vote of Directors holding a majority of the directorships, at a meeting at which a quorum is present. The Committee shall review the investment policies and programs of the Company and may direct the sale of such securities and other property of the Company, except real property owned and occupied by the Company for the conduct of its business, as it may deem best, and direct the investment of the funds of the Company (including the incurrence of indebtedness and other liabilities in connection therewith) in such amounts and in such securities or other property as the Committee shall consider for the best interest of the Company. The Committee may perform such other duties and exercise such other powers as may be directed or delegated by the Board from time to time.

Section 3. From time to time the Board, by the affirmative vote of Directors holding a majority of the directorships, at a meeting at which a quorum is present, (a) may provide for such other committees as the Board deems necessary or appropriate to carry out such of its functions and responsibilities or to advise it on such matters as may be specified in such vote; (b) may alter or amend the functions or responsibilities of any such committee theretofore established; and (c) may designate two or more Directors to constitute any such committee.

Section 4. The Board, by the affirmative vote of Directors holding a majority of the directorships, at a meeting at which a quorum is present, may designate any member of a committee as chairman of that committee, may appoint any officer of the Company (or his designate) as recorder of that committee, and may designate or provide for the designation of one or more Directors as alternate members of that committee who may replace any absent or disqualified member at any meeting of that committee upon such notice and in such manner as may be provided in the vote designating such alternate members. Each committee shall meet at the call of its chairman, the Chairman, the President, the Secretary, or any two members of the committee. The presence of a majority of the members of a committee shall be necessary to constitute a quorum. Regular minutes of the proceedings of each committee shall be kept in a book provided for that purpose, and all actions of each committee shall be reported to the Board. The members of each committee of the Board shall continue in office for such term as may be provided

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in the vote designating them as members (which term shall not exceed their term of office as Directors) and until their successors are duly designated, unless sooner discharged.

Article IV
Officers

Section 1. There shall be a Chairman elected by the Board of Directors from their own number and a President and a Secretary appointed by the Board. The Board may also appoint one or more Vice Chairmen, Executive Vice Presidents and Senior Vice Presidents. The Board shall fix, or authorize any officer or officers to fix, the compensation of any such officer. In addition, the Board may appoint, and fix the compensation of, and may authorize any officer or officers to appoint, and to fix the compensation of, such additional officers as the Board or such authorized officer or officers deem necessary for the proper conduct of the business of the Company.

Section 2. The Chairman shall be the chief executive officer of the Company unless the Board vests such position in another officer. The chief executive officer shall be responsible under the direction of the Board for the general supervision, management, and control of the affairs and property of the Company. The Chairman shall serve as an ex officio member of all committees appointed by the Board except as may be otherwise provided in these By-Laws or in the vote appointing a committee. The Chairman shall preside at all meetings of the shareholders, the Board and all committees appointed by the Board of which he is a member except as may be otherwise provided in the vote appointing a committee. The Chairman, and the chief executive officer if they are not the same person, shall have such other authority and responsibility and perform such other duties as may from time to time be delegated by the Board.

Section 3. Officers appointed pursuant to Section 1 of this Article IV shall be subject to the direction of and shall have such authority and perform such duties as may be assigned from time to time by the Board of Directors or the chief executive officer.

Article V
Corporate Seal

Section 1. The corporate seal of the Company consists of the corporate name "Aetna Life and Casualty Company" in a circle, and the words "Hartford, Conn." within the circle.

Section 2. The corporate seal shall be in the custody of the Secretary

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and shall be affixed by him or, with the approval of the Chairman, or President, by his delegate to documents required to be executed under the seal of the Company. Duplicate seals may be in the possession of such other officers of the Company, and affixed to such documents, as the Board of Directors, or officers acting under its authorization, may from time to time determine necessary or desirable.

Article VI
Amendment Of By-Laws

These By-Laws may be rescinded or amended

(a) by an affirmative vote of the holders of a majority of the voting power of shares entitled to vote thereon at a meeting of the shareholders in the call for which written notice of such proposed action shall have been given, or,

(b) by vote of a majority of the number of Directors provided for by Article II, Section 1, at any meeting of the Board upon written notice to each Director of the action proposed to be taken.

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AETNA LIFE AND CASUALTY COMPANY

1986 MANAGEMENT INCENTIVE PLAN

AS AMENDED EFFECTIVE FEBRUARY 25, 1994

Article 1

Purpose

The purpose of this Plan is to provide a general incentive for designated key executive employees of the Companies in order to improve operating results of the Companies and to reward for the accomplishment of financial and strategic objectives of the Companies.

Article 2

Definitions

2.1 "Aetna" means Aetna Life and Casualty Company.

2.2 "Award" means the amount, expressed in dollars, which is granted to a Participant.

2.3 "Board" means the Board of Directors of Aetna.

2.4 "Committee" means the Committee on Compensation and Organization of the Board or any successor thereto.

2.5 "Common Stock" means the Common Capital Stock, without par value, of Aetna.

2.6 "Companies" means one or more of Aetna, any of Aetna's affiliated companies, and any other entity as to which (a) Aetna or any of Aetna's affiliated companies holds or is seeking to acquire an ownership interest, and (b) has been included in the Plan by the Committee.

2.7 "Deferral Period" means the period of time during which an Award or any portion thereof is being deferred (a) in such bookkeeping account as shall be determined by the Committee in accordance with the terms of the Plan or (b) pursuant to a Timely Election made by the Participant, unless such period is terminated earlier by action of the Committee taken pursuant to Section 6.3. For purposes of Section 6.1 the

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mandatory Deferral Period shall end on such date as determined by the Committee or the taking of action by the Committee in accordance with Section 6.3, whichever is the first to occur.

2.8 "Disability" means the occurrence of an event which would entitle a Participant to the payment of disability income under a specific long-term disability income plan approved by the Companies and under which the Participant is enrolled, as such plan may be amended from time to time.

2.9 "Participant" means certain key executive employees of the Companies as designated by the Committee pursuant to Article 4.

2.10 "Performance Year:" means the year for which a Participant's contribution to the Companies will be evaluated pursuant to Article 5 for purposes of deciding whether such Participant will receive an Award.

2.11 "Plan" means this 1986 Management Incentive Plan.

2.12 "Retirement" means the retirement of the Participant from active service with the Companies at or after the age at which full pension benefits are provided under a specific retirement plan approved by the Companies and under which the Participant is enrolled, as such plan may be amended from time to time. If a Participant terminates his employment prior to reaching such age, "Retirement" shall be deemed to have occurred, for purposes of Section 6.2 only, when such Participant reaches such age.

2.13 "Stock Unit" means a unit of interest having at all times a value equal to the market value of one share of Common stock (as determined pursuant to Section 7 hereof).

2.14 "Stock Unit Account" means the account maintained for any Participant to reflect Stock Units credited to the Participant under the Plan.

2.15 "Timely Election" means an election made in accordance with Section 6.4 hereof to exercise one or more of the deferred payment options provided under the Plan.

Article 3

Administration of the Plan

3.1 The Plan shall be administered by the Committee. The Committee shall have the responsibility of construing and interpreting the Plan

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and of establishing and amending such rules and regulations as it deems necessary or desirable for the proper administration of the Plan. Any decision or action taken or to be taken by the Committee, arising out of or in connection with the construction, administration, interpretation and effect of the Plan and of its rules and regulations, shall, to the fullest extent permitted by law, be within its absolute discretion and shall be conclusive and binding upon all Participants and any person claiming under or through any Participant.

3.2 Any member of the Board who is an officer of the Companies shall be without vote on (a) any Award for such member, (b) any proposed amendment to the Plan, or (c) any other matter which affects such member's individual interest under the Plan; and such member's presence shall not be counted in determining whether a quorum is present at any meeting at which a vote involving the Plan or individual rights thereunder is taken.

Article 4

Determination of Participants

4.1 The Committee shall designate as a Participant in the Plan any executive employee of the Companies who, in the opinion of the Committee, is in a position to have a direct and significant impact on the financial or strategic objectives of the Companies.

4.2 Directors who are not employees of the Companies shall not be eligible to participate in the Plan.

Article 5

Determination of Awards

5.1 The Committee shall determine which Participants are to be granted Awards and the amount of each Award, subject to approval of each Award by the Board; provided, however, that, unless otherwise determined by the Committee, no Award shall exceed 80% of the salary of such Participant, subject to any limitation which may be imposed by law. An Award shall be deemed "granted" hereunder on the date such Award is approved by the Board.

5.2 In making its determinations, the Committee shall give primary consideration to the degree to which the Participant has met defined objectives and materially contributed to the overall results of the Companies for that Performance Year. To assist it in making these determinations, the Committee will be furnished with specific recommendations for Awards from the Chairman of Aetna (except with

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respect to the Chairman's own Award) and may consider such other advice and recommendations as it deems appropriate.

Article 6

Payment of Awards

6.1 For each Award, the Committee may provide that a certain percentage be mandatorily deferred for the Deferral period. The percentage of the mandatory deferral shall be such percent as determined by the Committee. The percentage of each Award so deferred shall be placed in such bookkeeping account as determined by the Committee, and, at the end of the mandatory Deferral period, the value of the account shall be payable in cash, except to the extent that the Participant has made a Timely Election to place all or a portion of such deferral payment under one or more of the further deferral options set forth in Section 6.2, in which case such further deferral payment (except to the extent deferred under a Stock Unit Account) shall increase from the end of the mandatory Deferral Period to the date or dates on which the further deferred payment is made, according to a formula to be determined from time to time by the Board.

6.2 The percentage of each Award not deferred pursuant to Section 6.1 shall be paid in cash within a reasonable period of time after the date such Award is granted except to the extent that the participant has made a Timely Election to place all or a portion of the Award under one or more of the deferral options set forth below or such other deferral option as shall be determined from time to time by the Committee.

(a) Deferred cash paid in installments over a period of three years, the first such installment to be paid one year from the date the Award is granted.

(b) Deferred cash paid: (i) in a lump sum at Retirement; (ii) in a lump sum in January of the year immediately following the year of Retirement; or (iii) in installments over either a five-year or a ten-year period commencing with Retirement or in January of the year immediately following the year of Retirement.

(c) Deferral under a Stock Unit Account, the value of such Account to be payable in a cash lump sum (i) at the end of five years from the date the Award is granted, (ii) at Retirement, (iii) in January of the year immediately following the year of Retirement; or (iv) in cash installments over either a five-year or ten-year period commencing with Retirement or in January of the year immediately following the year of Retirement.

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Cash payments deferred pursuant to any of the above options (except to the extent deferred under a Stock Unit Account) shall increase from the date the award is granted to the date or dates on which the Award is paid according to a formula to be determined from time to time by the Board.

6.3 The Committee may accelerate payment of all or a portion of any Award deferred in accordance with Sections 6.1 and 6.2 hereof whenever, following the death, Disability, Retirement or other termination of employment of a Participant, it determines that circumstances warrant such action. The Committee may also, in its sole discretion, accelerate payment of all or a portion of any Award deferred in accordance with Sections 6.1 and 6.2 hereof if a Participant incurs financial hardship due to an unforeseeable emergency beyond the Participant's control.

6.4 In order to elect one or more of the deferred payment options offered in Section 6.2 hereof, the Participant must file a properly executed election with the Companies on a form and at a place prescribed by the Committee for such purpose prior to rendering any services in the Performance Year for which the Award is based. Elections made under the Management Incentive Plan (MIP) to defer awards to be granted under MIP for the 1986 performance year shall be operative and binding under the Plan to defer Awards to be granted for the 1986 Performance Year, for employees whose eligibility was transferred from MIP to the Plan, except that elections under MIP to receive Common Stock shall be paid in cash under the Plan.

6.5 The amount of each Award placed in a Stock Unit Account pursuant to Section 6.1 or 6.2 hereof shall be used to credit a number of whole and fractional Stock Units equal to the number of whole and fractional shares of Common Stock such amount could have purchased on the date such Award was granted. Thereafter, during the Deferral Period, an amount equal to any cash dividends which are declared on the shares of Common Stock represented by the Stock Units shall be used on the record date for such dividends to credit as many additional whole and fractional Stock Units as the number of whole and fractional shares of Common Stock such amount could have purchased on such record date.

In the event of any recapitalization of Aetna involving the Common Stock which has the immediate effect of increasing or decreasing the value of the Common Stock, the Committee shall make such adjustment to each Stock Unit Account as the Committee, in the exercise of its sole discretion, shall deem necessary in order to make the aggregate value of each Stock Unit Account immediately after such recapitalization approximately equal to its value immediately preceding such recapitalization. At the end of the Deferral period, the Stock Units shall be converted into cash by multiplying the number of Stock Units by the then market value of the Common Stock.

6.6 Upon the occurrence of any of the events enumerated below prior to

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the end of the mandatory Deferral Period, that percentage of the Award subject to mandatory deferral in accordance with Section 6.1 shall be totally forfeited, unless the Committee, in its sole discretion, makes a determination that the Award is warranted under the particular circumstances.

(a) The Participant's employment with the Companies is terminated for cause.

(b) The Participant shall engage in any activity or conduct which, in the opinion of the Board, is inimical to the best interest of the Companies.

(c) The Participant voluntarily terminates employment for a reason other than death, Disability or Retirement.

6.7 The percentage of an Award not subject to mandatory deferral in accordance with Section 6.1 hereof, once granted, shall not be subject to forfeiture regardless of the method of payment chosen by the Participant.

Article 7

Valuation of Common Stock

Whenever in the administration of the Plan it is necessary to determine the market value of the Common Stock, such value shall be the closing price on the New York Stock Exchange on the nearest trading day preceding the day on which such valuation is determined or, if no shares were sold on such day, on the next preceding day on which there was such a sale.

Article 8

Amendment and Termination of Plan

The Board may amend, suspend, reinstate or terminate the Plan, in whole or in part; provided, however, that no such action shall adversely affect any right or obligation with respect to any Award theretofore made except as may result from the application of Section 6.6 hereof.

Article 9

Miscellaneous Provisions

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9.1 All rights and interests of Participants under the Plan (including the right to payment of unpaid portions of Awards) shall be nontransferable other than by will or by the laws of descent and distribution; provided, however, that the Participant may designate in a written notice to the Committee a beneficiary or beneficiaries to be paid, in the event of the Participant's death, all or a portion of any Award granted but not yet paid, including any Award deferred in accordance with Sections 6.1 and 6.2 hereof unpaid at the time of the Participant's death, and, by notifying the Committee in writing, may from time to time add or change beneficiary designations, which beneficiary designations will be honored by the Committee to the extent permitted by the law of the jurisdiction governing the disposition of deferred Awards under the Plan.

9.2 None of the Companies shall be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Award, and no trust is or shall be established in connection with this Plan.

9.3 Nothing contained in the Plan shall create any contractual rights to an Award in any Participant until such Award is granted as provided for in Section 5.1 hereof.

9.4 Nothing contained in this Plan shall create any rights of employment in any Participant or in any way affect the right and power of the Companies to discharge any Participant or otherwise terminate the Participant's employment at any time with or without cause or to change the terms of employment in any way.

9.5 Any expenses incurred in administering the Plan shall be borne by the Companies.

9.6 The Companies shall have the right to deduct from all cash payments made under this Plan any Federal, state or local taxes required by law to be withheld with respect to such cash payments.

9.7 This Plan and all rights thereunder shall be construed in accordance with and governed by the laws of the State of Connecticut.

Article 10

Effective Date of Plan

This Plan shall become effective immediately upon its approval by the Board.

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APPROVED BY BOARD OF DIRECTORS OF
AETNA LIFE AND CASUALTY COMPANY
NOVEMBER 21, 1986, AS AMENDED
EFFECTIVE FEBRUARY 25, 1994.

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December 10, 1993

Mr. David A. Kocher
35 Blue Ridge
Simsbury, CT 06089

Dear Dave:

The purpose of this letter is to set out the agreement that we have reached as a result of our discussions regarding the cessation of your full-time, active service as Group Executive of Aetna Life and Casualty Company and its affiliates (collectively, the "Company"). We have agreed that the last day of such service will be February 28, 1994. This agreement is subject to the approval of the Company's Board of Directors.

On March 1, 1994 you will begin a period of salary continuation at the rate of $440,000.00 per year (your current annual base compensation). Your other benefits will be as described in Attachment A of this letter (which is a part of this agreement).

On September 25, 1995, the period of salary continuation payments (i.e., 82 weeks) will cease. Your salary continuation payments will be made on a bi-weekly basis provided, however, that the payments for September 1, 1995 through September 25, 1995, will be made in a lump sum on or about August 31, 1995. Your status thereafter will be that of a retired employee, eligible to participate in any continuing benefits then generally made available by the Company to other similarly situated employees. However, for pension benefit calculation purposes, you will be treated as if you were 55 years of age and as though you had 35 years of credited service.

During the first 13 weeks of the salary continuation period, you will be eligible to participate in all normal Company benefit programs. For the remaining period of salary continuation, you will be eligible to continue in such programs other than sick pay, long-term disability, ISP loans and vacation day accrual (see Attachment A).

In lieu of eligibility in Aetna's incentive compensation programs, including annual bonus and long-term incentive (PUP or its proposed replacement), we agree to pay you the sum of $275,000.00 subject to

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applicable withholding and taxes, on or about May 27, 1994.

We have also agreed that in the event of your death prior to September 1, 1995, any and all obligations of the Company under this agreement shall continue and any remaining payments shall be made to your spouse.

We have also agreed that in exchange for the extension of salary continuation payments equivalent in value to a period of 17 weeks of your regular rate of compensation beyond the period for which you would otherwise be eligible under current Company plans and policies (i.e., 65 weeks) and for the additional age and service credited for pension benefit calculation purposes:

you (for yourself and any other person claiming or deriving a right from you) forever release and discharge Aetna Life and Casualty Company and its affiliates (and the directors, employees and agents of Aetna Life and Casualty Company and its affiliates) from any and all liability, claims, demands and causes of action (by whatever name called and whether known or unknown) which you had, have, or may have, arising out of:

(i) your employment with the Company;

(ii) the cessation of such employment; or

(iii) any act, omission, occurrence or other matter related to such employment or cessation of employment,

up to and including the effective date of this agreement. This release includes, but is not limited to, claims under the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act, any other claims under federal, state or local law, and claims for attorney's fees, costs and the like.

In consideration of the payments and other benefits provided by the Company under this agreement, you promise that:

a) you will cooperate with all reasonable requests made by the Company, its subsidiaries or counsel, for assistance, including making yourself available for interviews with Company counsel regarding matters within the scope of or related to your duties while at the Company;

b) you will not, for yourself or any other person or entity, directly or indirectly, divulge, communicate or in any way make use of any confidential, or proprietary information acquired in the performance of your service for the Company without the prior written consent of an appropriate Company officer;

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c) you will not, without the prior written consent of an appropriate Company officer (which shall not be unreasonably withheld) for a period of one year following the date of this agreement, enter the employ of, work with, or perform service for any person or entity which is in direct competition with the Company; and

d) you will not disclose to any person or entity the terms and conditions of, or any information acquired in connection with, this agreement, without the prior written consent of an appropriate Company officer, other than your legal, financial or career advisors and the members of your immediate family, if they agree to maintain confidentiality.

You acknowledge that you:

a) have been advised to consult an attorney before signing this agreement and that you have had the opportunity to consult with an attorney of your choice;

b) have had the opportunity to consider, for at least 45 days, this agreement and the information provided by the Company as to the group of employees to whom it has offered and with whom it has individually negotiated similar agreements (as of the date indicated on such information), any eligibility factors and time limits that were applied, the job titles, and ages of such employees and the ages of employees in your job class with whom the Company has not negotiated; and

c) have read this agreement in its entirety, understand its terms and knowingly and voluntarily consent to its terms and conditions.

The agreement will become effective on the eighth day following the date you sign it. You may revoke this agreement at any time prior to its effective date by giving written notice of revocation to me.

AETNA LIFE
AND CASUALTY COMPANY

Date: 12/31/93 By /s/ Ronald E. Compton

Ronald E. Compton
Chairman

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Date: 12/31/93 /s/ David A. Kocher

David A. Kocher

ATTACHMENT A

Salary Continuation	As per second and third paragraphs of letter.
Stock Options	During salary continuation: exercises governed by rules for active employees. Thereafter: by rules for retired employees, as then in effect.
MIP	Not eligible.
PUP	Not eligible.
Executive Life	Continues during salary continuation provided, however, that the Split Dollar Agreement may be terminated at any time. It should be noted that this arrangement is under review. One of the options under consideration is termination. In the event of such termination, no further premium will be paid by the Company. At the earlier of the end of salary continuation or the termination of the Split Dollar Agreement, Aetna may withdraw its contribution and the policy may be continued thereafter upon payment of full premium, if any, without Company contribution. Nothing contained herein shall limit the Company's rights as outlined in the Split Dollar Agreement.
Medical/Dental	Eligible for participation in active employee plan during salary continuation period. Eligible for participation in retiree plan, as then in effect, thereafter.
Retirement Plan/Spousal Death Benefit	Accruals under retirement plan (and its spousal

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death benefit) continue during salary continuation. On September 1, 1995, eligible to commence pension benefits. Pension benefit to be calculated on the basis of 35 years of credited service and as though you were 55 years of age resulting in a single life pension benefit of $16,895.84 per month ($15,797.61 on a 50% joint annuity basis) beginning on September 1, 1995.

ISP	Active participation may continue during salary continuation period, provided, however, that such continuation is allowed by law. Normal retiree options, as then in effect, thereafter.
Outplacement	To be provided by the Company.
Sick Pay and Long-Term Disability	Ineligible after expiration of first 13 weeks of salary continuation.
Vacation	Lump sum payment for accrued but unused vacation days (up to a maximum of 25 days) on or about May 27, 1994.

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AETNA LIFE AND CASUALTY COMPANY AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

<TABLE>

<CAPTION>

(Millions)	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
Pretax income (loss) from continuing operations...........	$(1,147.4)	$ (121.4)	$ 243.5	$ 459.6	$ 663.8
Add back fixed charges...........	171.0	194.3	221.5	229.0	211.6
Minority interest................	7.0	8.6	5.9	4.9	(1.9)
Income (loss) as adjusted.....	$ (969.4)	$ 81.5	$ 470.9	$ 693.5	$ 873.5
Fixed charges:					
Interest on indebtedness.......	$ 77.4	$ 81.4	$ 110.9	$ 119.9	$ 113.2
Portion of rents representative of interest factor............	93.6	112.9	110.6	109.1	98.4
Total fixed charges...........	$ 171.0	$ 194.3	$ 221.5	$ 229.0	$ 211.6
Preferred stock dividend requirements....................	-	-	-	-	$ 3.9
Total combined fixed charges and preferred stock dividend requirements....................	$ 171.0	$ 194.3	$ 221.5	$ 229.0	$ 215.5
Ratio of earnings to fixed charges.........................	(5.67)	0.42	2.13	3.03	4.13
Ratio of earnings to combined fixed charges and preferred stock dividends.................	(5.67)	0.42	2.13	3.03	4.05

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The Board of Directors
Aetna Life and Casualty Company:

We have audited the consolidated balance sheets of Aetna Life and Casualty Company and Subsidiaries (the "company") as of December 31, 1993 and 1992, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 1993, and have reported thereon under date of February 8, 1994. The aforementioned consolidated financial statements and our audit report thereon are incorporated by reference in the company's Form 10-K for the year ended December 31, 1993. As stated in Note 1, the company changed its accounting policy for reporting reserves for workers' compensation life table indemnity claims to a discounted basis using statutory approved rates of 5% for voluntary business and 3.5% for involuntary business. The company states that the newly adopted accounting principle is preferable in the circumstances because this change more appropriately reflects the economic value of the company's obligations and improves the matching of revenues and expenses. In accordance with your request, we have reviewed and discussed with company officials the circumstances and business judgment and planning upon which the decision to make this change in the method of accounting was based.

With regard to the aforementioned accounting change, authoritative criteria have not been established for evaluating the preferability of one acceptable method of accounting over another acceptable method. However, for purposes of the company's compliance with the requirements of the Securities and Exchange Commission, we are furnishing this letter.

Based on our review and discussion, with reliance on management's business judgment and planning, we concur that the newly adopted method of accounting is preferable in the company's circumstances.

Very truly yours,

KPMG PEAT MARWICK

Hartford, Connecticut
February 8, 1994

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<TABLE>

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Subsidiary	State of Incorporation	Ownership (1)
<S>	<C>	<C>
Aetna Life and Casualty Company	CT	-
Aetna Life Insurance Company	CT	100% owned by Aetna Life and Casualty Company
The Standard Fire Insurance Company	CT	100% owned by Aetna Life and Casualty Company
The Aetna Casualty and Surety Company	CT	100% owned by Aetna Life and Casualty Company
Aetna Life Insurance Company of Illinois	IL	100% owned by Aetna Life and Casualty Company
Aetna Life Insurance and Annuity Company	CT	100% owned by Aetna Life and Casualty Company
Aetna Re-Insurance Company, (U.K.) Ltd.	United Kingdom	100% owned by Aetna Life and Casualty Company
Terra Nova Insurance Company, Ltd.	United Kingdom	30% owned by Aetna Life and Casualty Company
Aetna International (N.Z.) Limited	New Zealand	100% owned by Aetna Life and Casualty Company
Aetna Canada Holdings Limited	Canada	100% owned by Aetna Life and Casualty Company
Aetna International Inc.	CT	100% owned by Aetna Life and Casualty Company
AHP Holdings, Inc.	CT	100% owned by Aetna Life Insurance Company
Aetna Casualty Company	CT	100% owned by Aetna Life Insurance Company
Aetna Life & Casualty (Bermuda) Ltd.	Bermuda	100% owned by Aetna Life Insurance Company
Human Affairs International, Incorporated	UT	100% owned by Aetna Life Insurance Company
The Automobile Insurance Company Of Hartford, Connecticut	CT	100% owned by The Standard Fire Insurance Company
Aetna Personal Security Insurance Company	CT	100% owned by The Standard Fire Insurance Company
Aetna Insurance Company of Illinois	IL	100% owned by The Standard Fire Insurance Company
Aetna Insurance Company	CT	100% owned by The Standard Fire Insurance Company
Aetna Investment Advisers Fund, Inc.	MD	100% owned by Aetna Life Insurance and Annuity Company
Aetna Variable Encore Fund	MA	100% owned by Aetna Life Insurance and Annuity Company
Aetna Variable Fund	MA	86% owned by Aetna Life Insurance and Annuity Company
Aetna Income Shares	MA	99% owned by Aetna Life Insurance and Annuity Company
Aetna Insurance Company of America	CT	100% owned by Aetna Life Insurance and Annuity Company
Aetna Life Insurance Company of Canada	Canada	100% owned by Aetna Canada Holdings Limited
Aetna Life Insurance Company of America	CT	100% owned by Aetna International Inc.
Aetna Health Management, Inc.	TX	100% owned by AHP Holdings, Inc.
Aetna Health Plans of Texas, Inc.	TX	100% owned by AHP Holdings, Inc.
Aetna Health Plans of Ohio, Inc.	OH	100% owned by AHP Holdings, Inc.
Aetna Health Plans of the Mid-Atlantic, Inc.	VA	100% owned by AHP Holdings, Inc.
Aetna Health Plans of Florida, Inc.	FL	96% owned by AHP Holdings, Inc.
Healthways, Inc.	AZ	20% owned by AHP Holdings, Inc.
Aetna Health Plans of Illinois, Inc.	IL	100% owned by AHP Holdings, Inc.

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Partners Health Plan of Pennsylvania, Inc.	PA	81% owned by AHP Holdings, Inc.
Aetna Health Plans of Central and Eastern Pennsylvania, Inc.	PA	100% owned by AHP Holdings, Inc.

<FN>

(1) Percentages are rounded to the nearest whole percent and are based on ownership of voting rights.

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Subsidiary	State of Incorporation	Ownership (1)
<S>	<C>	<C>
Aetna Health Plans of Georgia, Inc.	GA	100% owned by AHP Holdings, Inc.
Aetna Health Plans of Louisiana, Inc.	LA	100% owned by AHP Holdings, Inc.
Aetna Dental Care of Texas, Inc.	TX	100% owned by AHP Holdings, Inc.
Saguaro Health Plan, Inc.	AZ	100% owned by AHP Holdings, Inc.
Med Southwest, Inc.	TX	55% owned by AHP Holdings, Inc.
Human Affairs International of California	CA	100% owned by Human Affairs International, Incorporated
Aetna National Accounts U.K. Ltd.	United Kingdom	100% owned by The Aetna Casualty and Surety Company
Aetna Casualty Company of Connecticut	CT	100% owned by The Aetna Casualty and Surety Company
Aetna Excess and Surplus Lines Company	CT	100% owned by The Aetna Casualty and Surety Company
Aetna Lloyds of Texas Insurance Company	TX	100% owned by The Aetna Casualty and Surety Company
Aetna Casualty & Surety Company of Illinois	IL	100% owned by The Aetna Casualty and Surety Company
Aetna Casualty & Surety Company of Canada	Canada	100% owned by The Aetna Casualty and Surety Company
Aetna Casualty & Surety Company of America	CT	100% owned by The Aetna Casualty and Surety Company
Executive Re, Inc.	CT	21% owned by The Aetna Casualty and Surety Company
Farmington Casualty Company	CT	100% owned by The Aetna Casualty and Surety Company
Chelsea Insurance Company, Ltd.	Cayman Islands	100% owned by The Aetna Casualty and Surety Company
Aetna Commercial Insurance Company	CT	100% owned by The Aetna Casualty and Surety Company
Partners Acquisition Company, Inc.	DE	100% owned by Aetna Health Management, Inc.
PHPSNE Parent Corporation	DE	55% owned by AHP Holdings, Inc.
Aetna Health Plans of San Diego, Inc.	CA	80% owned by AHP Holdings, Inc.
Aetna Health Plans of Tennessee, Inc.	TN	100% owned by AHP Holdings, Inc.
Healthways Systems, Inc.	DE	100% owned by AHP Holdings, Inc.
Aetna Health Plan of Arizona, Inc.	AZ	100% owned by Healthways, Inc.
Aetna Health Plans of Western Pennsylvania, Inc.	PA	100% owned by Partners Health Plan of Pennsylvania, Inc.
Southwest Physicians Life Insurance Company	TX	100% owned by Med Southwest, Inc.
Southwest Health Plan, Inc.	TX	100% owned by Med Southwest, Inc.

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Executive Re Indemnity, Inc.	DE	100% owned by Executive Re, Inc.
Aetna Health Plans of California, Inc.	CA	100% owned by Partners Acquisition Company, Inc.
Aetna Health Plans of Southern New England, Inc.	CT	100% owned by PHPSNE Parent Corporation
Aetna Health Plans of New York, Inc.	NY	100% owned by Healthways Systems, Inc.
Aetna Health Plans of New Jersey, Inc.	NJ	100% owned by Healthways Systems, Inc.
Executive Re Specialty Insurance Company	CT	100% owned by Executive Re Indemnity, Inc.

<FN>

(1) Percentages are rounded to the nearest whole percent and are based on ownership of voting rights.

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Consent of Independent Auditors

The Board of Directors
Aetna Life and Casualty Company:

We consent to incorporation by reference in the Registration Statements (No. 33-12993 on Form S-3, No. 33-49543 on Form S-3, No. 33-50427 on Form S-3, No. 2-91514 on Form S-8 and No. 2-73911 on Form S-8) of Aetna Life and Casualty Company of our reports dated February 8, 1994, relating to the consolidated balance sheets of Aetna Life and Casualty Company and Subsidiaries as of December 31, 1993 and 1992 and the related consolidated statements of income, shareholders' equity, and cash flows and related schedules for each of the years in the three-year period ended December 31, 1993, which reports appear in or are incorporated by reference in the December 31, 1993 annual report on Form 10-K of Aetna Life and Casualty Company.

Our reports refer to changes in 1993 in the Company's accounting for certain investments in debt and equity securities, reinsurance of short-duration and long-duration contracts, postemployment benefits, workers' compensation life table indemnity reserves and retrospectively rated reinsurance contracts and to changes in 1992 in the Company's accounting for income taxes and postretirement benefits other than pensions.

By KPMG PEAT MARWICK
____
(Signature)
KPMG Peat Marwick

Hartford, Connecticut
March 18, 1994

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