

AETNA INC /PA/  
Form DEF 14A  
March 22, 2004

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**SCHEDULE 14A**

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

Filed by the Registrant  [X]

Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement

[ ]

**Confidential, for  
Use of the  
Commission Only  
(as permitted by  
Rule 14a-6(e)(2))**

[X]

Definitive Proxy  
Statement

[ ]

Definitive  
Additional  
Materials

[ ]

Soliciting Material  
Pursuant to  
Section 240.14a-12

**Aetna Inc.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

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2) Aggregate number of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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1) Amount Previously Paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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**Aetna Inc.**  
151 Farmington Avenue  
Hartford, Connecticut 06156

**John W. Rowe, M.D.**  
Chairman and  
Chief Executive Officer

To Our Shareholders:

Aetna Inc.'s 2004 Annual Meeting of Shareholders will be held on Friday, April 30, 2004, at 9:30 a.m. at our Company Headquarters in Hartford, Connecticut, and I hope you will attend.

This booklet includes the Notice of the Annual Meeting and Aetna's 2004 Proxy Statement. The Proxy Statement provides information about Aetna in addition to describing the business we will conduct at the meeting.

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

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

John W. Rowe, M.D.  
Chairman and Chief Executive Officer  
March 22, 2004

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**Aetna Inc.**  
151 Farmington Avenue  
Hartford, Connecticut 06156

**William J. Casazza**  
Vice President and  
Corporate Secretary

**Notice of Annual Meeting of Shareholders of Aetna Inc.**

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Shareholders of Aetna Inc. will be held at the Company's Headquarters, 151 Farmington Avenue, Hartford, Connecticut, on Friday, April 30, 2004, at 9:30 a.m. for the following purposes:

1. To elect the Board of Directors for the coming year;
2. To approve the appointment of KPMG LLP as independent auditors for the current calendar year;
3. To consider and act on two shareholder proposals, if properly presented at the meeting; and
4. To transact any other business that may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on February 27, 2004 as the record date for determination of the shareholders entitled to vote at the Annual Meeting or any adjournment thereof.

The Annual Meeting is open to all shareholders as of the close of business on the February 27, 2004 record date or their authorized representatives. We ask that you signify your intention to attend by checking the appropriate box on your proxy card. In lieu of issuing an admission ticket, your name will be placed on a shareholder attendee list, and you will be asked to register and present photo identification before being admitted to the Annual Meeting. If you hold your shares through a broker, bank or other holder of record and plan to attend, you must send a written request to attend along with proof that you own the shares (such as a copy of your brokerage or bank account statement for the period ending February 29, 2004) to Aetna's Corporate Secretary at 151 Farmington Avenue, RC4A, Hartford, CT 06156.

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

This Proxy Statement and the Company's 2003 Annual Report and 2003 Annual Report, Financial Report are available on Aetna's Internet site at [www.aetna.com/investor/proxy.htm](http://www.aetna.com/investor/proxy.htm) and [www.aetna.com/investor/annualrept.htm](http://www.aetna.com/investor/annualrept.htm), respectively.

By order of the Board of Directors,

William J. Casazza  
Vice President and Corporate Secretary  
March 22, 2004

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**AETNA INC.**

**151 FARMINGTON AVENUE, HARTFORD, CONNECTICUT 06156**

**March 22, 2004**

**PROXY STATEMENT**

**FOR THE ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON FRIDAY, APRIL 30, 2004**

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

**Q: WHY AM I RECEIVING THESE MATERIALS?**

A: The Board of Directors (the Board) of Aetna Inc. (Aetna) is providing these proxy materials to you in connection with the solicitation by the Board of proxies to be voted at Aetna's Annual Meeting of Shareholders that will take place on April 30, 2004, and any adjournments or postponements of the Annual Meeting. You are invited to attend the Annual Meeting and are requested to vote on the proposals described in this Proxy Statement. These proxy materials and the enclosed proxy card are being mailed to shareholders on or about March 22, 2004.

**Q: WHAT INFORMATION IS CONTAINED IN THESE MATERIALS?**

A: This Proxy Statement provides you with information about Aetna's governance structure, the proposals to be voted on at the Annual Meeting, the voting process, the compensation of Directors and our most highly paid executive officers, and certain other required information.

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

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

The election of Aetna's Board of Directors for the coming year.

Approval of the appointment of KPMG LLP, independent auditors, to audit the consolidated financial statements of Aetna and its subsidiaries (the Company) for the year 2004.

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

Consideration of a shareholder proposal relating to executive compensation, if properly presented at the Annual Meeting.

**Q: WHAT ARE AETNA'S VOTING RECOMMENDATIONS?**

A: The Board recommends that you vote your shares FOR each of Aetna's nominees to the Board, FOR the approval of the appointment of KPMG LLP as the Company's independent auditors for 2004, and AGAINST each of the two shareholder proposals.

**Q: WHICH OF MY SHARES CAN I VOTE?**

A: You may vote all Aetna Inc. Common Shares, par value \$.01 per share ( Common Stock ), you owned as of the close of business on February 27, 2004, the RECORD DATE. These shares include those (1) held directly in your name as the SHAREHOLDER OF RECORD, including shares purchased through Aetna s DirectSERVICE Investment Program, and (2) held for you as the BENEFICIAL OWNER through a stockbroker, bank or other nominee.

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

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

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

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

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

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

**BY MAIL** You may vote by mail by signing and dating your proxy card or, for shares held in street name, the voting instruction card provided by your broker or nominee and mailing it in the enclosed, postage-paid envelope. If you provide specific voting instructions, your shares will be voted as you instruct. **If you sign and date your proxy or voting instruction card, but do not provide instructions, your shares will be voted as described below in WHAT IF I RETURN MY PROXY CARD OR VOTING INSTRUCTION CARD BUT DO NOT PROVIDE VOTING INSTRUCTIONS?**

**BY INTERNET** Go to [www.eproxyvote.com/aet](http://www.eproxyvote.com/aet) and follow the instructions. You will need to have your proxy card (or the e-mail message you receive with instructions on how to vote) in hand when you access the Web site.

**BY TELEPHONE** Call toll free on a touchtone telephone 1-877-779-8683 inside the United States or 1-201-536-8073 outside the United States and follow the instructions. You will need to have your proxy card (or the e-mail message you receive with instructions on how to vote) in hand when you call.

The Internet and telephone voting procedures are designed to authenticate shareholders and to allow shareholders to confirm that their instructions have been properly recorded. In order to provide shareholders



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of record with additional time to vote their shares while still permitting an orderly tabulation of votes, Internet and telephone voting for these shareholders will be available until 11:59 p.m. on April 29, 2004.

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

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

**Q: HOW CAN I VOTE THE SHARES I HOLD THROUGH THE EMPLOYEE STOCK PURCHASE PLAN?**

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

**Q: CAN I CHANGE MY VOTE?**

A: Yes. For shares you hold directly in your name, you may change your vote by (1) signing another proxy card with a later date and delivering it to us before the date of the Annual Meeting (or submitting revised votes over the Internet or by telephone before 11:59 p.m. on April 29, 2004), or (2) attending the Annual Meeting in person and voting your shares at the Annual Meeting. The last-dated proxy card will be the only one that counts. Attendance at the Annual Meeting will not cause your previously granted proxy to be revoked unless you specifically so request. For shares you hold beneficially, you may change your vote by submitting new voting instructions to your broker or nominee in a manner that allows your broker or nominee sufficient time to vote your shares.

**Q: CAN I VOTE AT THE ANNUAL MEETING?**

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

**Q: HOW CAN I VOTE ON EACH PROPOSAL?**

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

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

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

**If you sign and date your proxy card with no further instructions, your shares will be voted (1) FOR the election of each of Aetna's nominee Directors named on pages 14 through 20 of this Proxy Statement, (2) FOR**

**the approval of KPMG LLP as the Company's independent auditors for 2004, and (3) AGAINST each of the two shareholder proposals.**

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

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If you sign and date your ISP voting instruction card with no further instructions, any shares you hold in the ISP will be voted by the trustee in the same percentage as the shares held in the ISP for which directions are received.

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

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

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

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

**Q: WHAT SHOULD I DO IF I WANT TO ATTEND THE MEETING?**

A: The Annual Meeting is open to all shareholders as of the close of business on the February 27, 2004 RECORD DATE or their authorized representatives. We ask that you signify your intention to attend by checking the appropriate box on your proxy card. In lieu of issuing an admission ticket, your name will be placed on a shareholder attendee list, and you will be asked to register and present photo identification before being admitted to the Annual Meeting. If your shares are held in street name and you plan to attend, you must send a written request to attend along with proof that you own the shares (such as a copy of your brokerage or bank account statement for the period ending February 29, 2004) to Aetna's Corporate Secretary at 151 Farmington Avenue, RC4A, Hartford, CT 06156.

**Q: CAN I LISTEN TO THE ANNUAL MEETING IF I DON'T ATTEND IN PERSON?**

A: Yes. You can listen to the live audio webcast of the Annual Meeting by logging on to Aetna's Internet Web site at [www.aetna.com/investor](http://www.aetna.com/investor) and then clicking on the link to the webcast.

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

A: We will publish the voting results of the meeting in a press release promptly after the votes are finalized and in a Quarterly Report on Form 10-Q.

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

A: Each share of Aetna's Common Stock outstanding as of the close of business on February 27, 2004, the RECORD DATE, is entitled to one vote at the Annual Meeting. On February 27, 2004, we had 154,721,423 shares of Common Stock outstanding.

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

A: A majority of the shares of Common Stock outstanding as of the close of business on February 27, 2004 must be present in person or by proxy for us to hold the Annual Meeting and transact business. This is

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referred to as a quorum. Both abstentions and broker nonvotes are counted as present for the purpose of determining the presence of a quorum. Generally, broker nonvotes occur when shares held by a broker for a beneficial owner are not voted with respect to a particular proposal because the proposal is not a routine matter, and the broker has not received voting instructions from the beneficial owner of the shares.

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

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

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

A: Aetna will pay the entire cost of preparing, assembling, printing, mailing, and distributing these proxy materials, except that you will pay certain expenses for Internet access if you choose to access these proxy materials over the Internet. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone, or by electronic communication by our Directors, officers and employees, none of whom will receive any additional compensation for such solicitation activities. We also have hired Georgeson Shareholder Communications Inc. to assist us in the distribution of proxy materials and the solicitation of votes for a fee of \$17,500 plus reasonable out-of-pocket expenses for these services. We also will reimburse brokerage houses and other custodians, nominees, and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to beneficial owners of Aetna Common Stock and obtaining their voting instructions.

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

A: Yes. Aetna offers shareholders of record the option to view future annual reports to shareholders and proxy statements via the Internet instead of receiving paper copies of these documents in the mail. The 2004 Aetna Inc. Notice of Annual Meeting and Proxy Statement and Aetna's 2003 Annual Report, Financial Report and 2003 Annual Report are available on Aetna's Internet Web site at [www.aetna.com/investor/proxy.htm](http://www.aetna.com/investor/proxy.htm) and [www.aetna.com/investor/annualrept.htm](http://www.aetna.com/investor/annualrept.htm), respectively. Under Pennsylvania law, Aetna may provide shareholders who give the Company their e-mail addresses with electronic notice of its shareholder meetings as described below.

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

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



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

### **Q: HOW DO I ELECT THIS OPTION?**

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

- (1) You will need your account number, which can be found above your name and address on your dividend check stub, and your Social Security number, if you have a Social Security number.
- (2) Go to the Web site [www.econsent.com/aet](http://www.econsent.com/aet).
- (3) Review Important Considerations and Frequently Asked Questions.
- (4) Follow the prompts.

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

A: Aetna's 2003 Annual Report, Financial Report is being mailed to shareholders in advance of or together with this Proxy Statement. If you hold Aetna shares in your own name and you received more than one copy of the 2003 Annual Report, Financial Report at your address and you wish to reduce the number of reports you receive and save Aetna the cost of producing and mailing these reports, we will discontinue the mailing of reports on the accounts you select if you mark the designated box on the appropriate proxy card(s), or follow the instructions provided to you when you vote over the Internet or by telephone. At least one account at your address must continue to receive an annual report, unless you elect to review future annual reports over the Internet. Mailing of dividends, dividend reinvestment statements, proxy materials and special notices will not be affected by your election to discontinue duplicate mailings of annual reports. Registered shareholders may discontinue or resume the mailing of an annual report to an account by calling Aetna's Transfer Agent at 1-800-446-2617. If you own shares through a broker, bank or other holder of record and received more than one 2003 Annual Report, Financial Report, please contact the holder of record to eliminate duplicate mailings.

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

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

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

A: Other than the election of Directors and the three other proposals described in this Proxy Statement, Aetna has not received proper notice of, and is not aware of, any matters to be presented for a vote at the Annual Meeting. If you grant a proxy using the enclosed proxy card, the persons named as proxies on the enclosed proxy card, or any of them, will have discretion to, and intend to, vote your shares according to their best judgment on any additional proposals or other matters properly presented for a vote at the Annual Meeting, including, among other things, consideration of a motion to adjourn the Annual Meeting to another time or place.



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

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

**SHAREHOLDER PROPOSALS:** In order for a shareholder proposal to be considered for inclusion in Aetna's proxy statement for next year's Annual Meeting, the written proposal must be RECEIVED by the Corporate Secretary no later than November 24, 2004. SUCH PROPOSALS MUST BE SENT TO: CORPORATE SECRETARY, AETNA INC., 151 FARMINGTON AVENUE, RC4A, HARTFORD, CT 06156. Such proposals also will need to comply with Securities and Exchange Commission (SEC) regulations regarding the inclusion of shareholder proposals in Aetna sponsored proxy materials.

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

**NOMINATION OF DIRECTOR CANDIDATES:** You may propose Director candidates for consideration by the Board's Nominating and Corporate Governance Committee (the Nominating Committee). In addition, Aetna's By-Laws permit shareholders to nominate Directors at a shareholder meeting. In order to make a Director nomination at next year's Annual Meeting, the shareholder's written notice must be RECEIVED by Aetna's Corporate Secretary at least 90 calendar days before the date of next year's Annual Meeting and must contain the information required by Aetna's By-Laws. (See also Director Qualifications on page 12 for a description of qualifications that the Board believes are required for Board nominees.)

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

**Q: MAY SHAREHOLDERS ASK QUESTIONS AT THE ANNUAL MEETING?**

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

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

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

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**GOVERNANCE OF THE COMPANY**

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

At Aetna, we have embraced the principles behind the Sarbanes-Oxley Act of 2002, as well as the recent governance rule changes for companies listed on the NYSE. These principles are reflected in the structure and composition of our Board of Directors and in our Committee Charters, and are reinforced through Aetna's Code of Conduct, which applies to every employee and to our Directors. We believe sound corporate governance principles are good for our business, the industry, the competitive marketplace and for all of those who place their trust in us.

**Aetna's Corporate Governance Guidelines**

Aetna's Corporate Governance Guidelines provide the framework for the governance of Aetna. The governance rule changes for companies listed on the NYSE and those contained in the Sarbanes-Oxley Act of 2002 are reflected in the Guidelines. The Board reviews these principles and other aspects of governance periodically.

The Guidelines address the role of the Board of Directors (including advising on key financial and business objectives); the composition and selection of Directors; the functioning of the Board (including its annual self-evaluation); the Committees of the Board; the compensation of Directors; and the conduct and ethics standards for Directors, including a prohibition against any nonmanagement Director having a direct economic relationship with the Company except as authorized by the Board, and a prohibition against Company loans to, or guarantees of obligations of, Directors and their family members. The Guidelines are available at [www.aetna.com/governance](http://www.aetna.com/governance) and in print to shareholders free of charge by calling 1-800-237-4273.

**Executive Sessions**

Among other things, Aetna's nonmanagement Directors meet at regularly scheduled executive sessions, without management present. During 2003, the nonmanagement Directors met six times to discuss Board policies, processes and practices and to discuss the performance of the Chief Executive Officer. Starting in 2004, Aetna's independent Directors will meet in executive session at least once a year. Currently, Michael H. Jordan presides over these nonmanagement and independent Directors' sessions.

**Communications with the Board**

Anyone wishing to make their concerns known to Aetna's nonmanagement Directors or to send a communication to the entire Board may contact the Aetna Director who presides over both the nonmanagement Directors' and the independent Directors' sessions (currently Michael H. Jordan) by writing to Mr. Jordan at P.O. Box 370205, West Hartford, CT 06137-0205. All such communications will be kept confidential and forwarded directly to the Presiding Director or Board, as applicable. To contact Aetna's management Directors, you may write to Dr. Rowe at Aetna Inc., 151 Farmington Avenue, Hartford, CT 06156. Communications sent to Aetna's management Directors will be delivered directly to them.

**Director Independence**

The Board has established guidelines ( Director Independence Standards or Standards ) to assist it in determining Director independence. In accordance with these Standards, the Board must determine that each independent Director has no material relationship with the Company other than as a Director. Consistent with

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the NYSE listing standards, the Standards specify the criteria by which the independence of our Directors will be determined, including strict guidelines for Directors and their immediate families with respect to past employment or affiliation with the Company or its independent auditor. A copy of these Standards is attached as Annex A to this Proxy Statement and is available at [www.aetna.com/governance](http://www.aetna.com/governance) and in print to shareholders free of charge by calling 1-800-237-4273.

The Board has determined in its business judgment that each of the nonmanagement Directors, other than Dr. Rodin, has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) and is independent as defined in the NYSE listing standards and under Aetna's Director Independence Standards. During 2003, Aetna and its subsidiaries paid approximately \$105 million in fees for physician hospital services and other services in the ordinary course of business to the University of Pennsylvania Health System, which includes the Hospital of the University of Pennsylvania and other hospitals and affiliates. Dr. Rodin is the President of the University of Pennsylvania, the owner and operator of the University of Pennsylvania Health System. Dr. Rodin announced in June 2003 that she intends to step down from the office of President when she completes her 10-year term in June 2004.

Dr. Rowe and Mr. Williams are members of management and as a result are not considered independent Directors.

All members of the Audit Committee, the Committee on Compensation and Organization (the Compensation Committee) and the Nominating Committee are, in the business judgment of the Board, independent Directors as defined in the NYSE listing standards and in Aetna's Director Independence Standards.

## **Meeting Attendance**

The Board and its Committees meet throughout the year on a set schedule, and also hold special meetings from time to time as appropriate. During 2003, the Board met eight times at meetings of the Board. The average attendance of Directors at all meetings during the year was 92%, and no Director attended less than 75% of the aggregate number of Board and Committee meetings that he or she was eligible to attend. It is the policy of the Board that Directors should be present at Aetna's Annual Meeting of Shareholders. Twelve of the 13 Directors then in office attended the 2003 Annual Meeting of Shareholders.

## **Aetna's Code of Conduct**

Aetna's Code of Conduct applies to every employee and to our Directors, and is available at [www.aetna.com/governance](http://www.aetna.com/governance) and as an exhibit to Aetna's 2002 Annual Report on Form 10-K. The Code of Conduct is designed to ensure that Aetna's business is conducted in a consistently legal and ethical manner. The Code of Conduct includes policies on employment, conflicts of interest and the protection of confidential information and requires strict adherence to all laws and regulations applicable to the conduct of our business. Aetna will disclose any amendments to the Code of Conduct, or waivers of the Code of Conduct relating to Aetna's Directors, executive officers and principal financial and accounting officers or persons performing similar functions, on its Web site at [www.aetna.com/governance](http://www.aetna.com/governance) within five business days following the date of any such amendment or waiver. To date, no waivers have been requested or granted. The Code of Conduct also is available in print to shareholders free of charge by calling 1-800-237-4273.

## **Board and Committee Membership**



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

The following table presents, as of March 1, 2004, the key standing Committees of the Board, the membership of such Committees and the number of times each such Committee met in 2003. Board

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Committee Charters adopted by the Board for each of the six Committees listed below are available at [www.aetna.com/governance](http://www.aetna.com/governance) and in print to shareholders free of charge by calling 1-800-237-4273.

Nominee/Director	Committee					
	Audit	Compensation and Organization	Executive	Investment and Finance	Medical Affairs	Nominating and Corporate Governance
Betsy Z. Cohen		X		X	X	
Barbara Hackman Franklin	X*		X			X
Jeffrey E. Garten	X				X	
Earl G. Graves	X		X			X
Gerald Greenwald		X		X		X*
Ellen M. Hancock	X					X
Michael H. Jordan		X*	X	X		
Jack D. Kuehler		X	X	X*		
Edward J. Ludwig	X					X
Joseph P. Newhouse	X				X	
Judith Rodin			X	X	X*	
John W. Rowe, M.D.			X*		X	
Ronald A. Williams				X		
R. David Yost		X		X		
Number of Meetings in 2003	9	7	1	4	3	4

## \* Committee Chairman

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

*Audit Committee.* The Board has determined in its business judgment that all members of the Audit Committee meet the independence, financial literacy and expertise requirements for audit committee members set forth in the NYSE listing standards. Additionally, the Board has determined in its business judgment that each Committee member, based on his/her background and experience (including that described in this Proxy Statement), has the requisite attributes of an audit committee financial expert as defined by the SEC. The Committee assists the Board in its oversight of (1) the integrity of the financial statements of the Company, (2) the independent accountants qualifications and independence, (3) the performance of the Company's internal audit functions and independent accountants, and (4) the compliance by the Company with legal and regulatory requirements. The Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the independent accountants and any other accounting firm engaged to perform audit, review or attest services (including the resolution of any disagreements between management and any auditor regarding financial reporting). The independent accountants and any other such accounting firm report directly to the Committee. The Committee is empowered, to the extent it deems necessary or appropriate, to retain outside legal, accounting or other advisers having special competence as necessary to assist it in fulfilling its responsibilities and duties. The Committee has available from the Company such funding as the Committee determines for compensation to the independent accountants, any other accounting firm or other advisors engaged, and for the Committee's ordinary administrative expenses. The Committee conducts an annual evaluation of its performance. For more information regarding the role, responsibilities and limitations of the Committee, please refer to the Report of the Audit Committee beginning on page 35. A copy of the Committee's Charter is attached as Annex B to this Proxy Statement.

Ms. Franklin currently serves on three other public company audit committees. After reviewing Ms. Franklin's other

time commitments and her performance as a member of Aetna's Audit Committee,

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the Board determined that Ms. Franklin's service on those other audit committees does not impair her ability to serve effectively as a member of Aetna's Audit Committee.

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

*Committee on Compensation and Organization.* The Board has determined in its business judgment that all members of the Compensation Committee meet the independence requirements set forth in the NYSE listing standards and in Aetna's Director Independence Standards. The Committee has direct responsibility to review and approve corporate goals and objectives relevant to Chief Executive Officer and other executive officer compensation; evaluate the Chief Executive Officer's and other executive officers' performance in light of those goals and objectives; and determine and approve the Chief Executive Officer's and other executive officers' compensation level based on this evaluation. The Chief Executive Officer's compensation is determined after reviewing the Chief Executive Officer's performance with the nonmanagement independent Directors. The Committee also evaluates and determines the compensation of the Company's senior executives and oversees the compensation and benefit plans, policies and programs of the Company. The Committee also administers Aetna's stock incentive plans and its Annual Incentive Plan. On a regular basis, the Committee reviews and makes recommendations, as appropriate, to the Board as to the development and succession plans for the senior management of the Company. The Committee has the authority to retain counsel and other experts or consultants as it may deem appropriate. Further, the Committee has the sole authority to select, retain and terminate any compensation consultant to be used to assist the Committee in the evaluation of Chief Executive Officer and senior executive compensation and has the sole authority to approve the consultant's fees and other retention terms. The Committee conducts an annual evaluation of its performance. The Committee's report on executive compensation begins on page 30.

*Executive Committee.* This Committee is authorized to act on behalf of the full Board between regularly scheduled Board meetings, usually when timing is critical. The Committee has the authority to retain counsel and other experts or consultants as it may deem appropriate.

*Investment and Finance Committee.* This Committee assists the Board in reviewing the Company's investment policies, strategies, transactions and performance and in overseeing the Company's capital and financial resources. The Committee has the authority to retain counsel and other experts or consultants as it may deem appropriate. The Committee conducts an annual evaluation of its performance.

*Medical Affairs Committee.* This Committee provides general oversight of Company policies and practices that relate to providing Aetna's members with access to cost-effective quality health care. The Committee has the authority to retain counsel and other experts or consultants as it may deem appropriate. The Committee conducts an annual evaluation of its performance.

*Nominating and Corporate Governance Committee.* The Board has determined in its business judgment that all members of the Nominating Committee meet the independence requirements set forth in the NYSE listing standards and in Aetna's Director Independence Standards. The Committee assists the Board in identifying individuals qualified to become Board members, consistent with criteria approved by the Board; oversees the organization of the Board to discharge the Board's duties and responsibilities properly and efficiently; and identifies best practices and recommends to the Board corporate governance principles. Other specific duties and responsibilities of the Committee include: annually assessing the size and composition of the Board; annually reviewing and recommending Directors for continued service; reviewing the compensation of, and benefits for, Directors; recommending the retirement policy for Directors; coordinating and assisting management and the Board in

recruiting new members to the Board; reviewing potential conflicts of interest or other issues arising out of other positions held or proposed to be

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held by, or any changes in circumstances of, a Director; recommending Board Committee assignments; overseeing the annual evaluation of the Board; conducting an annual performance evaluation of the Committee; conducting a preliminary review of Director independence and the financial literacy and expertise of Audit Committee members; and reviewing any waiver and interpretation of Aetna's Code of Conduct, the code of business conduct and ethics applicable to Directors. The Committee has the authority to retain counsel and other experts or consultants as it may deem appropriate. Further, the Committee has the sole authority to select, retain and terminate any search firm to be used to identify Director candidates and to approve the search firm's fees and other retention terms.

**Consideration of Director Nominees**

*Shareholder Nominees.* The Nominating Committee will consider properly submitted shareholder nominations for candidates for membership on the Board as described below under *Director Qualifications* and *Identifying and Evaluating Nominees for Directors*. Any shareholder nominations proposed for consideration by the Nominating Committee should include the nominee's name and qualifications for Board membership, and otherwise comply with applicable rules and regulations, and should be addressed to:

Corporate Secretary  
Aetna Inc.  
151 Farmington Avenue, RC4A  
Hartford, CT 06156

In addition, Aetna's By-Laws permit shareholders to nominate Directors for consideration at a meeting of shareholders at which one or more Directors are to be elected. For a description of the process for nominating Directors in accordance with Aetna's By-Laws, see *May I Propose Actions for Consideration at Next Year's Annual Meeting of Shareholders or Nominate Individuals to Serve as Directors?* on page 7.

*Director Qualifications.* The Nominating Committee Charter sets out the criteria weighed by the Committee in considering all Director candidates, including shareholder-identified candidates. The criteria are re-evaluated periodically and currently include: the relevance of the candidate's experience to the business of the Company; enhancing the diversity of the Board; the candidate's independence from conflict or direct economic relationship with the Company; and the ability of the candidate to attend Board meetings regularly and devote an appropriate amount of effort in preparation for those meetings. It also is expected that nonmanagement Directors nominated by the Board shall be individuals who possess a reputation and hold positions or affiliations befitting a director of a large publicly held company, and are actively engaged in their occupations or professions or are otherwise regularly involved in the business, professional or academic community. In evaluating Director nominations, the Committee seeks to achieve a balance of knowledge, experience and capability on the Board.

*Identifying and Evaluating Nominees for Directors.* The Nominating Committee utilizes a variety of methods for identifying and evaluating nominees for Director. In recommending Director nominees to the Board, the Committee solicits candidate recommendations from its own members, other Directors and management. It may also engage the services of, and pay the fees of, a professional search firm to assist it in identifying potential Director nominees. The Committee also reviews materials provided by professional search firms or other parties in connection with a nominee who is not proposed by a shareholder. The Committee regularly assesses the appropriate size of the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. If vacancies are anticipated, or otherwise arise, the Committee considers whether to fill those vacancies and, if so, considers various potential candidates for Director. These candidates are evaluated against the current criteria at regular or special meetings of the Committee, and may be considered at any point during the year. As described above, the Committee will consider properly submitted shareholder nominations for candidates for the Board. Following verification



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of the shareholder status of the person(s) proposing a candidate, a shareholder nominee will be considered by the Committee at a meeting of the Committee. If any materials are provided by a shareholder in connection with the nomination of a Director candidate, such materials are forwarded to the Committee.

The Board and the Committee each assessed the characteristics and performance of the individual Directors standing for election to the Board at the 2004 Annual Meeting against the foregoing criteria, and, to the extent applicable, considered the impact of any change in the principal occupations of all Directors during the last year. Upon completion of this evaluation process, the Nominating Committee reported to the full Board its conclusions and recommendations for nominations to the Board, and the Board nominated the 14 Director nominees named in this Proxy Statement based on that recommendation.

Edward J. Ludwig has not previously been elected to the Board by shareholders. The Nominating Committee engaged and paid the fees of a professional search firm to assist the Committee in identifying, evaluating and conducting due diligence on potential nominees, and that firm identified Mr. Ludwig among other potential nominees for consideration by the Committee. After Mr. Ludwig met with several incumbent Directors, the Board appointed Mr. Ludwig a Director of Aetna effective July 1, 2003.

**Stock Ownership Guidelines for Directors**

Under the Board's Director Stock Ownership Guidelines, each nonmanagement Director is required to own, within five years of joining the Board, the greater of (i) 3,500 shares of Aetna Common Stock or stock units and (ii) a dollar value of Common Stock equal to five times the Director cash retainer (currently \$25,000). As of February 27, 2004, all of Aetna's nonmanagement Directors held Common Stock and stock units in excess of these guidelines, except Mr. Ludwig who joined the Board in July 2003.

**Stock Ownership Guidelines for Executive Officers**

In furtherance of the Compensation Committee's philosophy of the importance of using stock-based compensation to align the interests of executives with the interests of shareholders, in 2004 the Company will implement minimum stock ownership requirements for the CEO and other senior executives. The ownership requirements will be based on the executive's pay opportunities and position within the Company. The ownership levels are as follows: CEO 85,000 shares; President 60,000 shares; other senior executives 10,000-23,000 shares. The current share ownership of Dr. Rowe and Mr. Williams each exceed the requirements of this program.



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**I. Election of Directors**

Aetna will nominate 14 individuals for election as Directors at the Annual Meeting (the Nominees). The terms of office for the Directors elected at this meeting will run until the next Annual Meeting and until their successors are duly elected and qualified. The Nominating Committee recommended the 14 Nominees for nomination by the full Board. Based on that recommendation, the Board nominated each of the Nominees for election at the Annual Meeting.

All Nominees are currently Directors of Aetna. The following pages list the names and ages of the Nominees as of the date of the Annual Meeting, the year each first became a Director of Aetna or one of its predecessors, the principal occupation and publicly traded company and certain other directorships of each as of February 27, 2004, and a brief description of the business experience of each for at least the last five years.

**The 14 individuals (or such lesser number if the Board has reduced the number of Directors to be elected at the Annual Meeting as described above under WHAT IF A DIRECTOR NOMINEE IS UNWILLING OR UNABLE TO SERVE?) receiving the greatest number of votes cast at the Annual Meeting will be elected Directors.**

**The Board recommends a vote FOR each of the 14 Nominees. If you complete the enclosed proxy card, unless you direct to the contrary on that card, the shares represented by that proxy card will be voted FOR the election of all 14 Nominees.**

**Nominees for Directorships**

Director of Aetna  
or its predecessors since 1994

*Betsy Z. Cohen*, age 62, is Chairman, Chief Executive Officer and trustee of RAIT Investment Trust (real estate investment trust), a position she assumed in August 1997. She also serves as Chairman since November 2003 and Chief Executive Officer since September 2000 of The Bancorp Bank (Internet banking and financial services). From 1999 to 2000, Mrs. Cohen also served as a director of Hudson United Bancorp (holding company), the successor to JeffBanks, Inc., where she had been Chairman and Chief Executive Officer since its inception in 1981 and also served as Chairman and Chief Executive Officer of its subsidiaries, Jefferson Bank (which she founded in 1974) and Jefferson Bank New Jersey (which she founded in 1987) prior to JeffBanks' merger with Hudson United Bancorp in December 1999. From 1985 until 1993, Mrs. Cohen was a director of First Union Corp. of Virginia (bank holding company) and its predecessor, Dominion Bankshares, Inc. In 1969, Mrs. Cohen co-founded a commercial law firm and served as a Senior Partner until 1984. Mrs. Cohen also is a director of The Maine Merchant Bank, LLC and is a trustee of Corporate Office Properties Trust.

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Director of Aetna  
or its predecessors from 1979 to 1992  
and since 1993

**Barbara Hackman Franklin**, age 64, is President and Chief Executive Officer of Barbara Franklin Enterprises (private investment and international trade consulting firm). From 1992 to 1993, she served as the 29th U.S. Secretary of Commerce. Before her appointment, Ms. Franklin was President and Chief Executive Officer of Franklin Associates (management consulting firm), which she founded in 1984. Ms. Franklin also served as Alternate Representative to the 44th Session of the United Nations General Assembly, and as a public member of the Board of the American Institute of Certified Public Accountants and of the Auditing Standards Board. She has received the John J. McCloy Award for contributions to audit excellence, Director of the Year Award from the National Association of Corporate Directors, and Outstanding Director Award from Board Alert. Ms. Franklin has served as Senior Fellow of The Wharton School of the University of Pennsylvania, an original Commissioner and Vice Chair of the U.S. Consumer Product Safety Commission, a Staff Assistant to the President of the United States, and an Assistant Vice President of Citibank, N.A. Ms. Franklin is a director of The Dow Chemical Company (chemicals, plastics and agricultural products), GenVec, Inc. (biotechnology company), MedImmune, Inc. (biotechnology company) and Milacron Inc. (plastics processing technologies and industrial products for metalworking). She is also chairman of the Economic Club of New York, a trustee of the Financial Accounting Foundation, vice chair of the US China Business Council and a director of the National Association of Corporate Directors. Ms. Franklin is a regular commentator on PBS' Nightly Business Report.

Director of Aetna  
or its predecessors since 2000

**Jeffrey E. Garten**, age 57, is the Dean of the Yale School of Management, a position he assumed in 1995. Mr. Garten held senior posts on the White House Staff and at the U.S. Department of State from 1973 to 1979. He joined Shearson Lehman Brothers (investment banking) in 1979 and served as Managing Director from 1984 to 1987. In 1987, Mr. Garten founded Eliot Group, Inc. (investment banking) and served as President until 1990, when he became Managing Director of The Blackstone Group (private merchant bank). From 1992 to 1993, Mr. Garten was Professor of Finance and Economics at Columbia University's Gra