

AETNA INC /PA/
Form 10-Q
April 29, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2009

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 1-16095

Aetna Inc.
(Exact name of registrant as specified in its charter)

Pennsylvania 23-2229683
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

151 Farmington Avenue, Hartford, CT 06156
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (860) 273-0123

Former name, former address and former fiscal year, if changed since last report:
N/A

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 No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every

Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter)

during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

There were 446.9 million shares of voting common stock with a par value of \$.01 per share outstanding at March 31, 2009.

Aetna Inc.
Form 10-Q
For the Quarterly Period Ended March 31, 2009

Unless the context otherwise requires, references to the terms “we,” “our” or “us” used throughout this Quarterly Report on Form 10-Q (except in the Report of Independent Registered Public Accounting Firm on page 19), refer to Aetna Inc. (a Pennsylvania corporation) (“Aetna”) and its subsidiaries (collectively, the “Company”).

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Part I Financial Information

Item 1. Financial Statements

Consolidated Statements of Income
(Unaudited)

(Millions, except per common share data)	For the Three Months Ended March 31,	
	2009	2008
Revenue:		
Health care premiums	\$ 6,992.2	\$ 6,253.5
Other premiums	485.1	475.2
Fees and other revenue *	893.0	825.3
Net investment income	249.2	243.2
Net realized capital losses	(4.8)	(58.5)
Total revenue	8,614.7	7,738.7
Benefits and expenses:		
Health care costs **	5,804.2	5,086.2
Current and future benefits	503.3	508.9
Operating expenses:		
Selling expenses	322.5	303.8
General and administrative expenses	1,229.8	1,097.1
Total operating expenses	1,552.3	1,400.9
Interest expense	61.5	54.4
Amortization of other acquired intangible assets	24.5	27.8
Total benefits and expenses	7,945.8	7,078.2
Income before income taxes	668.9	660.5
Income taxes (benefits):		
Current	208.3	240.6
Deferred	22.8	(11.7)
Total income taxes	231.1	228.9
Net income	\$ 437.8	\$ 431.6
Earnings per common share:		
Basic	\$.97	\$.87
Diluted	\$.95	\$.85

* Fees and other revenue include administrative services contract member co-payments and plan sponsor reimbursements related to our mail order and specialty pharmacy operations of \$14.8 million and \$13.6 million (net of pharmaceutical and processing costs of \$397.9 million and \$378.6 million) for the three months ended March 31, 2009 and 2008, respectively.

** Health care costs have been reduced by insured member co-payments related to our mail order and specialty pharmacy operations of \$30.0 million and \$28.1 million for the three months ended March 31, 2009 and 2008, respectively.

Refer to accompanying Condensed Notes to Consolidated Financial Statements (Unaudited).

Page 1

Consolidated Balance Sheets

	(Unaudited)	
	At March	At
(Millions)	31,	December
	2009	31,
		2008
Assets:		
Current assets:		
Cash and cash equivalents	\$ 1,747.3	\$ 1,179.5
Investments	736.1	706.0
Premiums receivable, net	816.0	616.4
Other receivables, net	664.6	554.3
Accrued investment income	189.6	193.6
Collateral received under securities loan agreements	636.1	749.6
Income taxes receivable	-	164.9
Deferred income taxes	297.2	301.5
Other current assets	630.0	452.6
Total current assets	5,716.9	4,918.4
Long-term investments	15,671.7	16,163.4
Reinsurance recoverables	1,001.4	1,010.3
Goodwill	5,085.6	5,085.6
Other acquired intangible assets, net	642.9	667.4
Property and equipment, net	492.6	467.5
Deferred income taxes	828.4	778.7
Other long-term assets	816.9	841.3
Separate Accounts assets	5,722.4	5,919.9
Total assets	\$ 35,978.8	\$ 35,852.5
Liabilities and shareholders' equity:		
Current liabilities:		
Health care costs payable	\$ 2,683.9	\$ 2,393.2
Future policy benefits	743.3	759.7
Unpaid claims	556.2	559.8
Unearned premiums	380.9	238.6
Policyholders' funds	797.1	754.4
Collateral payable under securities loan agreements	636.1	749.6
Short-term debt	100.0	215.7
Accrued expenses and other current liabilities	1,913.4	1,883.8
Total current liabilities	7,810.9	7,554.8
Future policy benefits	6,705.3	6,765.4
Unpaid claims	1,295.3	1,271.2
Policyholders' funds	1,096.6	1,171.7
Long-term debt	3,638.6	3,638.3
Other long-term liabilities	1,345.8	1,344.8
Separate Accounts liabilities	5,722.4	5,919.9
Total liabilities	27,614.9	27,666.1
Commitments and contingencies (Note 12)		
Shareholders' equity:		

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Common stock (\$.01 par value; 2.7 billion shares authorized; 446.9 million and 456.3 million

shares issued and outstanding in 2009 and 2008, respectively) and additional paid-in capital

	396.0	351.2
Retained earnings	9,877.4	9,716.5
Accumulated other comprehensive loss	(1,909.5)	(1,881.3)
Total shareholders' equity	8,363.9	8,186.4
Total liabilities and shareholders' equity	\$ 35,978.8	\$ 35,852.5

Refer to accompanying Condensed Notes to Consolidated Financial Statements (Unaudited).

Consolidated Statements of Shareholders' Equity
(Unaudited)

(Millions)	Number of Common Shares Outstanding	Common Stock and Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity	Comprehensive Income
Three Months Ended March 31, 2009						
Balance at January 1, 2009	456.3	\$ 351.2	\$ 9,716.5	\$ (1,881.3)	\$ 8,186.4	
Comprehensive income:						
Net income	-	-	437.8	-	437.8	\$ 437.8
Other comprehensive loss (Note 6):						
Net unrealized losses on securities	-	-	-	(65.3)	(65.3)	
Net foreign currency losses	-	-	-	(1.5)	(1.5)	
Net derivative gains	-	-	-	3.9	3.9	
Pension and OPEB plans	-	-	-	34.7	34.7	
Other comprehensive loss	-	-	-	(28.2)	(28.2)	(28.2)
Total comprehensive income						\$ 409.6
Common shares issued for benefit plans, including tax benefits	1.0	44.9	-	-	44.9	
Repurchases of common shares	(10.4)	(.1)	(276.9)	-	(277.0)	
Balance at March 31, 2009	446.9	\$ 396.0	\$ 9,877.4	\$ (1,909.5)	\$ 8,363.9	
Three Months Ended March 31, 2008						
Balance at January 1, 2008	496.3	\$ 188.8	\$ 10,138.0	\$ (288.4)	\$ 10,038.4	
Comprehensive income:						
Net income	-	-	431.6	-	431.6	\$ 431.6
Other comprehensive loss (Note 6):						
Net unrealized losses on securities	-	-	-	(49.5)	(49.5)	
Net foreign currency gains	-	-	-	.5	.5	
Net derivative losses	-	-	-	(.9)	(.9)	

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Pension and OPEB plans	-	-	-	.5	.5	
Other comprehensive loss	-	-	-	(49.4)	(49.4)	(49.4)
Total comprehensive income						\$ 382.2
Common shares issued for benefit plans, including tax benefits	1.3	60.9	-	-	60.9	
Repurchases of common shares	(12.8)	(.1)	(599.9)	-	(600.0)	
Balance at March 31, 2008	484.8	\$ 249.6	\$ 9,969.7	\$ (337.8)	\$ 9,881.5	

Refer to accompanying Condensed Notes to Consolidated Financial Statements (Unaudited).

Consolidated Statements of Cash Flows
(Unaudited)

(Millions)	Three Months Ended	
	March 31,	
	2009	2008
Cash flows from operating activities:		
Net income	\$ 437.8	\$ 431.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	97.0	88.2
Equity in earnings of affiliates, net	10.2	29.8
Stock-based compensation expense	37.2	31.7
Net realized capital losses	4.8	58.5
(Accretion) amortization of net investment (discount) premium	(16.5)	4.9
Changes in assets and liabilities:		
Accrued investment income	4.0	(5.3)
Premiums due and other receivables	(256.9)	(264.2)
Income taxes	216.7	187.1
Other assets and other liabilities	(68.7)	(46.5)
Health care and insurance liabilities	361.7	381.4
Other, net	(1.0)	.4
Net cash provided by operating activities	826.3	897.6
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	2,490.7	2,803.8
Cost of investments	(2,287.3)	(3,239.1)
Increase in property, equipment and software	(88.6)	(82.7)
Net cash provided by (used for) investing activities	114.8	(518.0)
Cash flows from financing activities:		
Net (repayment) issuance of short-term debt	(114.8)	248.7
Deposits and interest credited for investment contracts	1.9	2.0
Withdrawals of investment contracts	(3.9)	(1.1)
Common shares issued under benefit plans	3.7	13.0
Stock-based compensation tax benefits	3.6	17.0
Common shares repurchased	(263.8)	(552.6)
Other, net	-	10.1
Net cash used for financing activities	(373.3)	(262.9)
Net increase in cash and cash equivalents	567.8	116.7
Cash and cash equivalents, beginning of period	1,179.5	1,254.0
Cash and cash equivalents, end of period	\$ 1,747.3	\$ 1,370.7
Supplemental cash flow information:		
Income taxes paid	\$ 10.9	\$ 24.7
Interest paid	36.8	20.4

Refer to accompanying Condensed Notes to Consolidated Financial Statements (Unaudited).

Condensed Notes to Consolidated Financial Statements
(Unaudited)

1. Organization

We conduct our operations in three business segments:

- Health Care consists of medical, pharmacy benefits management, dental and vision plans offered on both an Insured basis (where we assume all or a majority of the risk for medical and dental care costs) and an employer-funded basis (where the plan sponsor under an administrative services contract (“ASC”) assumes all or a majority of this risk). Medical products include point-of-service (“POS”), preferred provider organization (“PPO”), health maintenance organization (“HMO”) and indemnity benefit plans. Medical products also include health savings accounts (“HSAs”) and Aetna HealthFund®, consumer-directed health plans that combine traditional POS or PPO and/or dental coverage, subject to a deductible, with an accumulating benefit account (which may be funded by the plan sponsor and/or the member in the case of HSAs). We also offer Medicare and Medicaid products and services and specialty products, such as medical management and data analytics services, behavioral health plans and stop loss insurance, as well as products that provide access to our provider network in select markets.
- Group Insurance primarily includes group life insurance products offered on an Insured basis, including basic and supplemental group term life insurance, group universal life, supplemental or voluntary programs and accidental death and dismemberment coverage. Group Insurance also includes (i) group disability products offered to employers on both an Insured and an ASC basis which consist primarily of short-term and long-term disability insurance, (ii) absence management services offered to employers, which include short-term and long-term disability administration and leave management, and (iii) long-term care products that were offered primarily on an Insured basis, which provide benefits covering the cost of care in private home settings, adult day care, assisted living or nursing facilities. We no longer solicit or accept new long-term care customers, and we are working with our customers on an orderly transition of this product to other carriers.
- Large Case Pensions manages a variety of retirement products (including pension and annuity products) primarily for tax qualified pension plans. These products provide a variety of funding and benefit payment distribution options and other services. Large Case Pensions also includes certain discontinued products (refer to Note 14 beginning on page 17 for additional information).

2. Summary of Significant Accounting Policies

Interim Financial Statements

These interim financial statements rely on estimates, including assumptions as to annualized tax rates. In the opinion of management, all adjustments necessary for a fair statement of results for the interim period have been made. All such adjustments are of a normal, recurring nature. The accompanying unaudited consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and related notes presented in our 2008 Annual Report on Form 10-K (our “2008 Annual Report”). Certain financial information that is normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), but that is not required for interim reporting purposes, has been condensed or omitted. We have omitted certain footnote disclosures that would substantially duplicate the disclosures in our 2008 Annual Report, unless the information contained in those disclosures materially changed.

Principles of Consolidation

These unaudited consolidated financial statements have been prepared in accordance with GAAP and include the accounts of Aetna and the subsidiaries that we control. All significant intercompany balances have been eliminated in consolidation.

New Accounting Standards

Noncontrolling Interests

In December 2007, the Financial Accounting Standards Board (“FASB”) released Financial Accounting Standards (“FAS”) No. 160, “Noncontrolling Interests in Consolidated Financial Statements.” FAS 160 amends previous guidance and establishes accounting and reporting standards for the noncontrolling interest in a subsidiary (often otherwise referred to as minority interests) and for deconsolidation of the subsidiary. FAS 160 was effective on January 1, 2009. We do not have material noncontrolling interests, and therefore, the adoption of FAS 160 did not impact our financial position or results of operations. Refer to Note 5 beginning on page 7 for additional information.

Future Application of Accounting Standards

Fair Value Measurements - Assessing Fair Value in Market Conditions That are Not Orderly

In April 2009, the FASB released FASB Staff Position (“FSP”) No. FAS 157-4 “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly.” This FSP provides guidance as to how to determine the fair value of assets and liabilities in distressed economic conditions. It also amends the disclosure requirements of FAS 157 “Fair Value Measurements” to require greater disaggregation of debt and equity securities. FSP FAS 157-4 will be effective for us on June 30, 2009. We are currently assessing the impact of this FSP to our financial position and results of operations.

Recognition and Presentation of Other-Than-Temporary Impairments

Also in April 2009, the FASB released FSP No. FAS 115-2 and FAS 124-2 “Recognition and Presentation of Other-Than-Temporary Impairments.” This FSP amends the accounting for other-than-temporary impairments (“OTTI”) by establishing new criteria for the recognition of OTTI on debt securities and also requiring additional financial statement disclosure. This FSP will be effective for us on June 30, 2009. We are currently assessing the impact of this FSP to our financial position and results of operations.

3. Earnings Per Common Share

Basic earnings per share (“EPS”) is computed by dividing income available to shareholders (i.e., the numerator) by the weighted average number of common shares outstanding (i.e., the denominator) during the quarter. Diluted EPS is computed in a similar manner, except that we adjust the weighted average number of common shares outstanding for the dilutive effects of stock options, stock appreciation rights and other dilutive financial instruments, but only in the quarters in which such effect is dilutive.

The computations of basic and diluted EPS for the three months ended March 31, 2009 and 2008 are as follows:

(Millions, except per common share data)	2009		2008	
Net income	\$	437.8	\$	431.6
Weighted average shares used to compute basic EPS		452.7		494.2
Dilutive effect of outstanding stock-based compensation awards (1)		8.9		14.9
Weighted average shares used to compute diluted EPS		461.6		509.1
Basic EPS	\$.97	\$.87
Diluted EPS	\$.95	\$.85

(1)

Approximately 6.2 million stock options (with exercise prices ranging from \$35.34 to \$42.35) and 19.5 million stock appreciation rights (with exercise prices ranging from \$32.11 to \$59.76) were not included in the calculation of diluted EPS for the three months ended March 31, 2009 because their exercise prices were greater than the average market price of our common shares during such period.

4. Operating Expenses

For the three months ended March 31, 2009 and 2008, selling expenses (which include broker commissions, the variable component of our internal sales force compensation and premium taxes) and general and administrative expenses were as follows:

(Millions)	2009	2008
Selling expenses	\$ 322.5	\$ 303.8
General and administrative expenses:		
Salaries and related benefits	750.2	642.9
Other general and administrative expenses	479.6	454.2
Total general and administrative expenses	1,229.8	1,097.1
Total operating expenses	\$ 1,552.3	\$ 1,400.9

5. Investments

Total investments at March 31, 2009 and December 31, 2008 were as follows:

(Millions)	March 31, 2009			December 31, 2008		
	Current	Long-term	Total	Current	Long-term	Total
Debt and equity securities available for sale	\$ 691.9	\$ 12,906.0	\$ 13,597.9	\$ 633.8	\$ 13,359.5	\$ 13,993.3
Mortgage loans	43.9	1,610.0	1,653.9	70.4	1,609.5	1,679.9
Other investments	.3	1,155.7	1,156.0	1.8	1,194.4	1,196.2
Total investments	\$ 736.1	\$ 15,671.7	\$ 16,407.8	\$ 706.0	\$ 16,163.4	\$ 16,869.4

Net Investment Income

Sources of net investment income for the three months ended March 31, 2009 and 2008 were as follows:

(Millions)	2009	2008
Debt securities	\$ 223.6	\$ 209.5
Mortgage loans	29.2	27.7
Other	3.5	14.5
Gross investment income	256.3	251.7
Less: investment expenses	(7.1)	(8.5)
Net investment income (1)	\$ 249.2	\$ 243.2

(1) Investment risks associated with our experience-rated and discontinued products generally do not impact our results of operations (refer to Note 14 beginning on page 17 for additional information on our accounting for discontinued products). Net investment income includes \$80.5 million and \$86.4 million in 2009 and 2008, respectively, related to investments supporting our experience-rated and discontinued products.

Unrealized Capital Losses and Net Realized Capital Losses

When a debt or equity security is in an unrealized capital loss position, we monitor the duration and severity of the loss to determine if sufficient market recovery can occur within a reasonable period of time. We also determine if we have the intent and ability to hold the investment until it recovers in value. Summarized below are the debt and equity securities we held at March 31, 2009 and December 31, 2008, that were in an unrealized capital loss position, aggregated by the length of time the investments have been in that position:

(Millions)	Less than 12 months		Greater than 12 months		Total (1)	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2009						
Debt securities:						
U.S. government securities	\$ 1.5	\$ -	\$ 23.9	\$.4	\$ 25.4	\$.4
States, municipalities and political subdivisions	526.3	19.9	300.6	28.0	826.9	47.9
U.S. corporate securities	1,742.2	160.7	1,587.8	364.4	3,330.0	525.1
Foreign securities	651.1	54.4	282.1	69.4	933.2	123.8
Mortgage-backed and other asset-backed securities	444.7	76.8	504.4	198.8	949.1	275.6
Redeemable preferred securities	77.8	27.7	123.7	130.6	201.5	158.3
Total debt securities	3,443.6	339.5	2,822.5	791.6	6,266.1	1,131.1
Equity securities	14.6	5.5	9.7	8.8	24.3	14.3
Total debt and equity securities	\$ 3,458.2	\$ 345.0	\$ 2,832.2	\$ 800.4	\$ 6,290.4	\$ 1,145.4
December 31, 2008						
Debt securities:						
U.S. government securities	\$ 4.0	\$ -	\$ 24.4	\$.4	\$ 28.4	\$.4
States, municipalities and political subdivisions	786.9	42.8	175.6	29.6	962.5	72.4
U.S. corporate securities	2,010.4	167.9	1,238.6	248.6	3,249.0	416.5
Foreign securities	777.7	73.6	178.6	51.4	956.3	125.0
Mortgage-backed and other asset-backed securities	616.6	94.7	504.1	204.3	1,120.7	299.0
Redeemable preferred securities	125.3	32.5	139.7	74.5	265.0	107.0
Total debt securities	4,320.9	411.5	2,261.0	608.8	6,581.9	1,020.3
Equity securities	24.5	9.5	.8	2.6	25.3	12.1
Total debt and equity securities	\$ 4,345.4	\$ 421.0	\$ 2,261.8	\$ 611.4	\$ 6,607.2	\$ 1,032.4

(1) Investment risks associated with our experience-rated and discontinued products generally do not impact our results of operations (refer to Note 14 beginning on page 17 for additional

information on our accounting for discontinued products). At March 31, 2009 and December 31, 2008, debt and equity securities in an unrealized loss position of \$403.0 million and \$334.7 million, respectively, and related fair value of \$1.8 billion at both dates related to discontinued and experience-rated products.

We have reviewed the securities in the table above and have concluded that these are performing assets generating investment income to support the needs of our business. In performing this review, we considered factors such as the quality of the investment security based on research performed by external rating agencies and our internal credit analysts and the prospects of realizing the carrying value of the security based on the investment's current prospects for recovery. On the basis of these factors, we have the ability and intent to hold these securities until their cost can be recovered. Therefore we did not take an OTTI loss on these investments. Unrealized losses at March 31, 2009 and December 31, 2008 were generally caused by the widening of credit spreads relative to the interest rates on U.S. Treasury securities.

Net realized capital losses for the three months ended March 31, 2009 and 2008, excluding amounts related to experience-rated contract holders and discontinued products, were as follows:

(Millions)	Three Months Ended	
	March 31,	
	2009	2008
Other-than-temporary impairments-yield related	\$ (38.3)	\$ (80.1)
Other-than-temporary impairments-credit related	(9.5)	(1.9)
Sales of debt securities	35.7	19.7
Other	7.3	3.8
Pretax net realized capital losses	\$ (4.8)	\$ (58.5)

Recognizing a yield-related OTTI loss requires significant diligence and judgment. We carefully evaluate all relevant facts and circumstances for each investment in our analyses. We have concluded that the investments for which a yield-related OTTI was recognized continue to be performing assets generating investment income to support the needs of our businesses. However, accounting guidance requires us to assert our intent and ability to hold such securities until market recovery to avoid loss recognition. In order to maintain appropriate flexibility in managing our investment portfolio, we do not make this assertion and therefore we recorded these yield-related OTTI losses.

Variable Interest Entities (“VIEs”)

We do not have any material relationships with VIEs which require consolidation. We have relationships with certain real estate and hedge fund partnerships that are considered VIEs. When determining that these relationships were VIEs, we considered if we should consolidate the entity by determining if we would receive the majority of the expected losses and the expected residual returns. Based on this analysis, we would not be considered the primary beneficiary of these investments. We record the amount of our investment in these partnerships as long-term investments on our balance sheets and recognize our share of partnership income or losses in earnings. Our maximum exposure to loss as a result of our investment in these partnerships is our investment balance at March 31, 2009 and December 31, 2008 of approximately \$122 million and \$103 million, respectively, and the risk of recapture of tax credits related to the real estate partnerships previously recognized, which we do not believe is significant. We do not have a future obligation to fund losses or to fund debt on behalf of these investments, however, we may voluntarily contribute funds. The real estate partnerships construct, own and manage low-income housing developments and had total assets of approximately \$4.7 billion and \$4.4 billion at March 31, 2009 and December 31, 2008, respectively. The hedge fund partnerships had total assets of approximately \$5.8 billion and \$7.2 billion at March 31, 2009 and December 31, 2008, respectively.

Noncontrolling Interests

Certain of our investment holdings are partially-owned by third parties. At March 31, 2009 and December 31, 2008, \$85.9 million and \$86.3 million, respectively, of our investments were owned by third parties. The noncontrolling entities’ share of these investments were included in accrued expenses and other current liabilities. Net investment loss related to these interests was \$.3 million and \$1.3 million for the three months ended March 31, 2009 and 2008, respectively. These noncontrolling interests did not have a material impact on our financial position or results of operations.

6. Other Comprehensive (Loss) Income

Shareholders' equity included the following activity in accumulated other comprehensive (loss) income (excluding amounts related to experience-rated contract holders and discontinued products) for the three months ended March 31, 2009 and 2008.

(Millions)	Net Unrealized Gains (Losses)			Pension and OPEB Plans		Total Other Comprehensive (Loss) Income
	Securities	Foreign Currency	Derivatives	Unrecognized Net Actuarial Losses	Unrecognized Prior Service Cost	
Three Months Ended March 31, 2009						
Balance at January 1, 2009	\$ (229.3)	\$ 7.9	\$ (16.6)	\$ (1,686.6)	\$ 43.3	\$ (1,881.3)
Unrealized net (losses) gains arising during the period (\$79.1 pretax)	(60.9)	(1.5)	11.0	-	-	(51.4)
Reclassification to earnings (\$41.9 pretax)	(4.4)	-	(7.1)			