

AFLAC INC
Form 10-Q
November 04, 2011
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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 September 30, 2011

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: 001-07434

Aflac Incorporated

(Exact name of registrant as specified in its charter)

Georgia

(State or other jurisdiction of incorporation or organization)

1932 Wynnton Road, Columbus, Georgia

(Address of principal executive offices)

706.323.3431

58-1167100

(I.R.S. Employer Identification No.)

31999

(ZIP Code)

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class
Common Stock, \$.10 Par Value

October 27, 2011
466,787,688

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Aflac Incorporated and Subsidiaries

Quarterly Report on Form 10-Q

For the Quarter Ended September 30, 2011

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Review by Independent Registered Public Accounting Firm

The September 30, 2011, and 2010, consolidated financial statements included in this filing have been reviewed by KPMG LLP, an independent registered public accounting firm, in accordance with established professional standards and procedures for such a review.

The report of KPMG LLP commenting upon its review is included on the following page.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Aflac Incorporated:

We have reviewed the consolidated balance sheet of Aflac Incorporated and subsidiaries (the Company) as of September 30, 2011, and the related consolidated statements of earnings and comprehensive income (loss) for the three-month and nine-month periods ended September 30, 2011 and 2010, and the consolidated statements of shareholders' equity and cash flows for the nine-month periods ended September 30, 2011 and 2010. These consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Aflac Incorporated and subsidiaries as of December 31, 2010, and the related consolidated statements of earnings, shareholders' equity, cash flows and comprehensive income (loss) for the year then ended (not presented herein); and in our report dated February 25, 2011, we expressed an unqualified opinion on those consolidated financial statements. Our report refers to a change in the method of evaluating the consolidation of variable interest entities (VIEs) and qualified special purpose entities (QSPEs) in 2010 and a change in the method of evaluating other-than-temporary impairments of debt securities in 2009. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2010, is fairly stated in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Atlanta, Georgia
November 4, 2011

Table of Contents**Aflac Incorporated and Subsidiaries****Consolidated Statements of Earnings**

(In millions, except for share and per-share amounts - Unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues:				
Premiums, principally supplemental health insurance	\$ 5,210	\$ 4,607	\$ 15,037	\$ 13,288
Net investment income	843	765	2,422	2,218
Realized investment gains (losses):				
Other-than-temporary impairment losses realized	(166)	(13)	(1,100)	(55)
Sales and redemptions	307	8	49	0
Derivative and other gains (losses)	(224)	14	(279)	(72)
Total realized investment gains (losses)	(83)	9	(1,330)	(127)
Other income	17	13	63	59
Total revenues	5,987	5,394	16,192	15,438
Benefits and expenses:				
Benefits and claims	3,517	3,102	10,049	8,843
Acquisition and operating expenses:				
Amortization of deferred policy acquisition costs	272	243	814	752
Insurance commissions	438	412	1,287	1,213
Insurance expenses	558	505	1,609	1,493
Interest expense	52	39	143	105
Other operating expenses	45	38	132	114
Total acquisition and operating expenses	1,365	1,237	3,985	3,677
Total benefits and expenses	4,882	4,339	14,034	12,520
Earnings before income taxes	1,105	1,055	2,158	2,918
Income taxes	361	365	740	1,011
Net earnings	\$ 744	\$ 690	\$ 1,418	\$ 1,907
Net earnings per share:				
Basic	\$ 1.60	\$ 1.47	\$ 3.04	\$ 4.07
Diluted	1.59	1.46	3.02	4.03
Weighted-average outstanding common shares used in computing earnings per share (In thousands):				
Basic	465,910	469,868	466,843	468,880
Diluted	467,793	473,569	469,919	472,859
Cash dividends per share	\$.30	\$.28	\$.90	\$.84

See the accompanying Notes to the Consolidated Financial Statements.

Table of Contents**Aflac Incorporated and Subsidiaries****Consolidated Balance Sheets**

(In millions)	September 30, 2011 (Unaudited)	December 31, 2010
Assets:		
Investments and cash:		
Securities available for sale, at fair value:		
Fixed maturities (amortized cost \$43,978 in 2011 and \$43,133 in 2010)	\$ 45,510	\$ 43,100
Fixed maturities - consolidated variable interest entities (amortized cost \$4,903 in 2011 and \$4,969 in 2010)	5,365	5,255
Perpetual securities (amortized cost \$5,870 in 2011 and \$6,209 in 2010)	5,215	5,974
Perpetual securities - consolidated variable interest entities (amortized cost \$1,634 in 2011 and \$1,618 in 2010)	1,315	1,538
Equity securities (cost \$22 in 2011 and 2010)	24	23
Securities held to maturity, at amortized cost:		
Fixed maturities (fair value \$39,577 in 2011 and \$29,899 in 2010)	40,699	29,470
Fixed maturities - consolidated variable interest entities (fair value \$534 in 2011 and \$570 in 2010)	652	614
Other investments	166	135
Cash and cash equivalents	1,862	2,121
Total investments and cash	100,808	88,230
Receivables	1,028	661
Accrued investment income	766	738
Deferred policy acquisition costs	10,575	9,734
Property and equipment, at cost less accumulated depreciation	626	620
Other	917 ⁽¹⁾	1,056 ⁽¹⁾
Total assets	\$ 114,720	\$ 101,039

⁽¹⁾ Includes \$407 in 2011 and \$564 in 2010 of derivatives from consolidated variable interest entities

See the accompanying Notes to the Consolidated Financial Statements.

(continued)

Table of Contents**Aflac Incorporated and Subsidiaries****Consolidated Balance Sheets (continued)**

(In millions, except for share and per-share amounts)	September 30, 2011 (Unaudited)	December 31, 2010
Liabilities and shareholders equity:		
Liabilities:		
Policy liabilities:		
Future policy benefits	\$ 79,119	\$ 72,103
Unpaid policy claims	4,033	3,719
Unearned premiums	1,554	1,197
Other policyholders funds	8,286	5,437
Total policy liabilities	92,992	82,456
Notes payable	3,301	3,038
Income taxes	2,212	1,969
Payables for return of cash collateral on loaned securities	858	191
Other	2,643 ⁽²⁾	2,329 ⁽²⁾
Commitments and contingent liabilities (Note 10)		