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## Aflac Incorporated Q1 2009 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

Thank you sir. We will now begin the question and answer session. (Operator instructions). Our first question comes from Jimmy Bhullar, J.P. Morgan. You may ask a question.

#### Jimmy Bhullar – J.P. Morgan

Hi, thanks. Good morning. I had a question on your persistency in both the Japan and US businesses, obviously it declined a decent amount in the US. It seemed like it was lower in Japan also. What do you attribute this to? You mentioned the weak economy in the US, but what do you attribute the Japanese decline to? And if in fact you do expect a further decline, how does that impact your view of your growth rate longer term?

#### Kriss Cloninger

This is Kriss Cloninger. In Japan, I think Ken mentioned that we're experiencing slightly higher lapses due to some demographics that are going on in Japan. We have a high concentration of old business that is going through the typical retirement ages in Japan between attained ages 55 and 60 and we had an extraordinarily high amount of business start to impact in this last year, went up – the lapse rate went up about 0.5% last year and it continued to go up a little bit this year. We expect to stay at that elevated level throughout 2009 and then to gradually decline in 2010 and later.

That doesn't have a really material impact on our Japanese growth rate longer term. So I don't – there is some impact of the economy on Japanese persistency but I don't think it is significant. I think the impact to the economy is much more significant in the US where we saw a more uniformly distributed increase in lapses across the entire spectrum of our business. Be it by issue age or product category and the like, we just had increases in lapses at all policy issue ages and the duration and categories of business. So that was more pervasive and related to the general economy.

#### Jimmy Bhullar – J.P. Morgan

And do you think this is a representative quarter in terms of the rest of the year or are you seeing – do you expect to see a further increase in lapses as the year goes on in the US?

#### Kriss Cloninger

Well you tell me what the economy is going to do and I will tell you what I expect. You know I think the first quarter was very bad from my perspective. I will tell you that Aflac's lapses tend to be higher in the first quarter than any other quarter for the year and the way we annualize quarterly number

tends to magnify extremes. When you look at persistency measures in the second, third and fourth quarter, it is going to be cumulative, based on what's has happened so far. But the first quarter get to annualize based on the first quarter numbers. So you know it is really hard to tell whether the economic conditions are going to moderate or improve at all in the US for the next couple of quarters. So you it is not beyond belief that we would continue at this level for another couple of quarters in 2009.

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