

Aflac Lays A Goose Egg

by *Forbes.com*

Aflac's well-advertised claims to be a reliable provider of supplemental insurance is shaping up as bit of a canard: the company's shares lost more than a third of their value on Thursday on concerns that it was exposed to risky securities issued by European financial institutions.

Analyst Nigel Dally of Morgan Stanley said in a research note that there had been a "severe decline in the price of various hybrid securities issued by European financial institutions." Dally calculated that Aflac's \$7.9 billion in exposure to hybrid securities was roughly 80.0% through European financial-services companies.

Concern over these securities has risen as European banks, like the Royal Bank of Scotland, teeter on the brink of nationalization. (See "RBS' Fork In The Road.")

John Nadel, of Sterne, Agee and Leach said he is the only analyst to have a sell rating on Aflac, and that is mainly because of its exposure to the hybrid securities. These are issues with characteristics of stocks and bonds, and the equity-like facets of these securities puts them at risk.

"You have to understand that these securities, in the event of nationalization, have the potential to be wiped out," Nadel said. "I don't think it's an issue that can be glossed over. I just think in this specific investment class they've found themselves over exposed."

Aflac also found itself exposed to the battered Icelandic bank sector late last year. (See "Aflac Looks Almost Ducky.")

A call to Aflac for comment was not returned. The company specializes in insurance for workers who become injured.

Aflac's stock fell 36.9%, or \$13.37, to \$22.90 Thursday, way off its \$60 a share mark seen last January.

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