SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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AFLAC INC

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 1998 Commission file no. 1-7434

AFLAC INCORPORATED

(Exact name of Registrant as specified in its charter)

Georgia	58-1167100
(State of Incorporation)	(I.R.S. Employer Identification No.)
1932 Wynnton Road, Columbus, Georgia	31999
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code 706-323-3431

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.10 Par Value	New York Stock Exchange Pacific Stock Exchange Tokyo Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

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 X No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The number of shares of the registrant's Common Stock outstanding at March 15, 1999, with $.10 par value, was 266,461,648. The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 15, 1999 was $12,890,573,866.

DOCUMENTS INCORPORATED BY REFERENCE

PART I	Item 1	Exhibit 13 - pages 13-5 to 13-30 (Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A)), pages 13-43 to 13-54 (Notes 2 and 3 of the Notes to the Consolidated Financial Statements), and pages 13-67 to 13-68 (Note 10 of the Notes to the Consolidated Financial Statements). The applicable portions of the Company's Annual Report to Shareholders for the year ended December 31, 1998, are included as Exhibit 13
	Item 2	Exhibit 13 - page 13-57 (Note 5 of the Notes

to the Consolidated Financial Statements)

AFLAC Incorporated
Annual Report on Form 10-K
For the Year Ended December 31, 1998

Table of Contents

PART I

ITEM 1. BUSINESS

GENERAL DESCRIPTION

AFLAC Incorporated was incorporated in 1973 under the laws of the State of Georgia. AFLAC Incorporated is a general business holding company, and acts as a management company, overseeing the operations of its subsidiaries by providing management services and making capital available. Its primary business is supplemental health insurance, which is marketed and administered primarily through its subsidiary, American Family Life Assurance Company of Columbus (AFLAC). Most of AFLAC's policies are individually underwritten and marketed at the worksite, with premiums paid by the employee. Our operations in Japan (AFLAC Japan) and the United States (AFLAC U.S.) service the two markets for our insurance operations.

We believe AFLAC is the world's leading writer of cancer expense insurance. In recent years, we have diversified our product offerings to include other types of supplemental health products in both the United States and Japan. AFLAC Japan also sells care plans, supplemental general medical expense plans, medical/sickness riders to our cancer plan, and a living benefit life plan. AFLAC U.S., in addition to cancer expense plans, sells other types of supplemental health insurance, including hospital intensive care, accident and disability, hospital indemnity, long-term care and short-term disability plans. We also offer several life insurance plans in the United States and Japan.

The company is authorized to conduct insurance business in all 50 states, the District of Columbia, and several U.S. territories and foreign countries. Our only significant foreign operation is AFLAC Japan, which accounted for 80%, 79% and 82% of the company's total revenues for 1998, 1997 and 1996, respectively, and 86% and 87% of total assets at December 31, 1998 and 1997, respectively.

For financial information relating to our foreign and U.S. operations, see Exhibit 13, pages 13-5 to 13-30 (Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A)) and page 13-43 (Note 2 of the Notes to the Consolidated Financial Statements), which are incorporated herein by reference.

Three significant items affected net earnings during the three-year period ended December 31, 1998.

First, due to a corporate income tax rate reduction in Japan during 1998, the statutory tax rate for AFLAC Japan declined from 45.3% to 41.7%. This tax rate decline resulted in a reduction in our deferred income tax liability as of March 31, 1998, which increased net earnings by $121 million ($.46 per basic share and $.44 per diluted share) in 1998. For additional information on the income tax reduction, see Exhibit 13, page 13-61, Note 8 of the Notes to the Consolidated Financial Statements.

The second factor affecting net earnings was a policyholder protection fund system mandated by the Japanese government during the first quarter of 1998. The pretax charge for our obligation to the new protection fund was $111 million ($65 million after tax, or $.24 per both basic and diluted shares). For further information regarding this policyholder protection fund, see Exhibit 13, page 13-43, Note 2 of the Notes to the Consolidated Financial Statements.

Also affecting net earnings was the sale of our television business, which consisted of seven network-affiliated stations. The total pretax gain from the sale was $327 million. The sale of one station closed on December 31, 1996. The pretax and after-tax gains recognized in 1996 on this sale were $60 million and $48 million, respectively. The effect of the after-tax gain on 1996 basic and diluted net earnings per share was $.17 and $.16, respectively. The pretax and after-tax gains recognized during the second quarter of 1997 on the closing of the six remaining stations were $267 million and $211 million, respectively. The effect of the after-tax gain on 1997 basic and diluted net earnings per share was $.77 and $.75, respectively. For further information, see Exhibit 13, page 13-43, Note 2 of the Notes to the Consolidated Financial Statements.

The following discussion of earnings comparisons focuses on pretax operating earnings and excludes realized investment gains/losses, the charge for the mandated policyholder protection fund, the benefit of the Japanese tax rate reduction and the gains from the sale of the television business. Operating earnings per share referred to in the following discussion are based on the diluted number of average outstanding shares.

Due to the relative size of AFLAC Japan, fluctuations in the yen/dollar exchange rate can have a significant effect on our reported results. In years when the yen weakens, translating yen into dollars causes fewer dollars to be reported. When the yen strengthens, translating yen into dollars causes more dollars to be reported.

The yen weakened in relation to the dollar throughout 1996, 1997 and most of 1998. The average yen-to-dollar exchange rates were 130.89 in 1998, 121.07 in 1997 and 108.84 in 1996. The weakening of the yen during the three-year period lowered operating earnings by $.05 per share in 1998 compared with 1997, $.09 per share in 1997 compared with 1996 and $.15 per share in 1996 compared with 1995. Despite the weakening of the yen, operating earnings per share increased 17.3% to $1.56 in 1998, 10.8% to $1.33 in 1997, and 2.6% to $1.20 in 1996.

Our primary financial objective is the growth of operating earnings per share before the effect of foreign currency translations. In 1996, we set this objective at an annual growth rate of 15% to 17% through the year 2000. In early 1998 we increased our goal for 1998 to 20% growth, which we exceeded. Excluding the effect of currency fluctuations, operating earnings per share increased 21.1% in 1998, 18.3% in 1997 and 15.4% in 1996.

In April 1998, we raised our 1999 objective for growth in operating earnings per share to 20% excluding the impact of currency fluctuation. For further information, see Exhibit 13, pages 13-7 to 13-8 (Foreign Currency Translation section of MD&A).

Insurance premiums and investment income from insurance operations are the major sources of revenues. Our consolidated premium income was $5.9 billion for each of the years in the three-year period ended December 31, 1998. For further information on our consolidated premiums earned by business segment, see Note 2 of the Notes to the Consolidated Financial Statements in Exhibit 13, page 13-43, incorporated herein by reference.

The following table sets forth the changes in annualized premiums in force for AFLAC's insurance business in Japan and the United States for the years ended December 31.

(In millions)	1998	1997	1996
Annualized premiums in force, at beginning of year	$ 5,811	$ 5,953	$ 5,873
New issues including policy conversions	1,061	921	1,056
Change in unprocessed policies	(24)	(65)	39
Lapses and surrenders	(552)	(479)	(423)
Other	23	26	1
Foreign currency translation adjustment	612	(545)	(593)

Annualized premiums in force, at end of year	$ 6,931	$ 5,811	$ 5,953

INVESTMENTS AND INVESTMENT RESULTS

During the fourth quarter of 1998, we revised our investment management policy regarding the holding-period intent for certain of our private placement debt securities. Our past practice was to hold these securities to their contractual or economic maturity dates. We have now made this our formal policy. Accordingly, debt securities carried at a fair value of $6.4 billion were reclassified as of October 1, 1998, from the category "available for sale" to the category "held to maturity." The related unrealized gain of $1.1 billion as of October 1, 1998, on these securities is being amortized over the remaining term of the securities. Securities that are available for sale are reported in the balance sheet at fair value and securities that are held to maturity are reported at amortized cost.

In recent years, AFLAC Japan has purchased perpetual debenture securities issued primarily by European and Japanese banks. These securities are subordinated to other debt obligations of the issuer, but rank higher than equity securities. Although these securities have no contractual maturity, the issue-date fixed-rate interest coupons subsequently increase to a market-interest rate plus 150 to 300 basis points and change to a variable-interest rate basis, generally by the 25th year after issuance, creating an economic maturity date.

The following table shows an analysis of investment securities (at cost or amortized cost) at December 31:

	AFLAC Japan		AFLAC U.S.	
(In millions)	1998	1997	1998	1997
Available for sale:				
Fixed-maturity securities	$12,886	$13,527	$ 2,813	$ 2,546
Perpetual debentures	1,344	3,011	70	37
Equity securities	22	7	79	73
Total available for sale	14,252	16,545	2,962	2,656
Held to maturity:				
Fixed-maturity securities	3,947	-	-	-
Perpetual debentures	3,494	-	-	-
Total held to maturity	7,441	-	-	-
Total	$21,693	$16,545	$ 2,962	$ 2,656

Net investment income was $1.1 billion in both 1998 and 1997, and $1.0 billion in 1996.

AFLAC primarily invests within the United States, Japan and Euroyen investment markets. We maintain a strong portfolio by investing in investment grade securities that provide us with a predictable source of investment income. When committing cash flows to new investments, we only purchase securities that are rated investment grade by the Securities Valuation Office of the National Association of Insurance Commissioners.

For information on the composition of our investment portfolio and investment results, see Exhibit 13, pages 13-13 and 13-17 to 13-30 (discussions relating to investments, balance sheet and cash flow) and pages 13-48 to 13-56 (Notes 3 and 4 of the Notes to the Consolidated Financial

Statements), which are incorporated herein by reference.

INVESTMENTS - JAPAN

Approximately 90.8% of the 332.1 billion yen ($2.9 billion) that AFLAC Japan had available for investment in 1998 was invested in yen-denominated securities at an average yield of 3.84%. We invested 55.8% in longer-dated securities at an average rate of 4.72%. The longer-dated sector includes purchases of dual-currency bonds (yen principal securities that pay a dollar coupon) at an average yield of 4.91%. An additional 35.0% was invested in yen-denominated securities of various other sectors. Dollar-denominated securities accounted for the remaining 9.2% of the purchases in 1998 at an average yield to maturity of 7.61%.

We require that all private placement issuers have an initial rating of class 1 or 2 as determined by the Securities Valuation Office of the National Association of Insurance Commissioners. Most of AFLAC's private placement issues are issued under medium-term note programs and have standard covenants commensurate with credit rankings, except when internal

credit analysis indicates that additional protective and/or event risk covenants are required.

Following is the composition of total investments and cash (at cost or amortized cost) for AFLAC Japan as of December 31:

	1998	1997
Debt securities:		
Government and guaranteed	31.3%	36.7%
Municipalities	4.0	4.5
Public utilities	16.3	15.7
Banks/financial institutions	35.9	31.9
Other corporate	10.9	10.0
Equity securities	.1	.1
Cash and cash equivalents	1.5	1.1
	100.0%	100.0%

AFLAC invests primarily within the Japanese, U.S. and Euroyen fixed-maturity markets. We use specific criteria to judge the credit quality and liquidity of our investments, and use a variety of credit rating services to monitor these criteria. Applying those various credit ratings to a standardized rating system based on the categories of a nationally recognized rating service, the percentages of AFLAC Japan's debt securities, at amortized cost, as of December 31 were as follows:

	1998	1997
AAA	41.7%	47.8%
AA	16.6	17.4
A	28.0	26.8
BBB	13.7	8.0
	100.0%	100.0%

As of December 31, 1998, we held no debt securities rated below "BBB." However, in January 1999, the credit ratings of several major Japanese financial institutions were downgraded. We owned debt securities issued by a Japanese bank in the amount of $454 million, or 1.8% of total company debt securities at December 31, 1998. Following the downgrade, these securities were rated "Ba1" by Moody's and "BB+" by Standard & Poor's.

Japan's life insurance industry has contended with low investment yields for the last several years. Despite a series of premium rate increases designed to help offset the effect of lower yields, the low interest rate environment took its toll in April 1997 when Nissan Mutual Life Insurance Company was declared insolvent. As a result, more attention has been paid to the composition of the life insurance industry's assets. Our asset allocation is much different than the industry as a whole and, we believe, is better suited to a low interest rate environment. Based on March 31, 1998, Japanese Financial Supervisory Agency (FSA) data, AFLAC had the highest portfolio yield among all of Japan's major life insurers. AFLAC earned this distinction without sacrificing the quality of its portfolio.

Our investments in the Japanese equity and investment real estate markets continued to be immaterial in 1998.

INVESTMENTS - U.S.

Profits repatriated from AFLAC Japan to AFLAC U.S. totaled $154 million in 1998, compared with $347 million in 1997. The profit transfer in 1997 included $125 million of a non-recurring nature. Including profit repatriation and bond swaps, AFLAC U.S. invested $1.1 billion in 1998. Of that amount, approximately 6.2% was invested in U.S. government or agency securities at an average yield of 6.89%, and 90.3% was invested in corporate fixed-maturity securities at 7.26%. The remaining 3.5% was invested in equities.

Following is the composition of total investments and cash (at cost or amortized cost) for AFLAC U.S. as of December 31:

	1998	1997
Debt securities:		
U.S. Government	4.0%	7.3%
Municipalities	-	.5
Mortgage-backed securities	.9	9.0
Public utilities	6.2	4.2
Sovereign and Supranational	4.0	4.0
Banks/financial institutions	50.6	43.1
Other corporate	31.0	27.9
Equity securities	2.6	2.7
Cash and cash equivalents	.7	1.3
	100.0%	100.0%

AFLAC U.S. debt securities, at amortized cost, as of December 31 were rated as follows:

	1998	1997
AAA	11.2%	26.4%
AA	25.4	22.3
A	55.5	49.0
BBB	7.9	2.3
	100.0%	100.0%

INSURANCE - JAPAN

AFLAC Japan's earned premiums by product lines are included in Note 2 of the Notes to the Consolidated Financial Statements, in Exhibit 13, page 13-43.

The following table presents the changes in annualized premiums in force for AFLAC Japan health insurance for the years ended December 31:

(In millions)	1998	1997	1996
Annualized premiums in force, at beginning of year	$ 4,595	$ 4,893	$ 4,919
New issues including policy conversions	579	520	729
Change in unprocessed policies	(25)	(62)	47
Lapses and surrenders	(212)	(193)	(187)
Other	(11)	(18)	(22)
Foreign currency translation adjustment	612	(545)	(593)

Annualized premiums in force,

at end of year	$ 5,538	$ 4,595	$ 4,893

We are experiencing a slight increase in lapses and surrenders due to the poor economic conditions in Japan.

INSURANCE PLANS - JAPAN

AFLAC's insurance is supplemental in nature and is designed to provide insurance to cover medical and nonmedical costs that are not reimbursed under Japan's national health insurance system.

The cancer life insurance plans offered for sale in Japan provide a fixed daily indemnity benefit for hospitalization and outpatient services related to cancer and a lump-sum benefit upon initial diagnosis of internal cancer. The plans differ from the AFLAC U.S. cancer plans (described on page I-13) in that the Japanese policies also provide death benefits and cash surrender values (we estimate that approximately 32% of the premiums earned from all cancer life plans are associated with these benefits). In January 1997, AFLAC Japan introduced a new economy cancer life policy with lower premium rates and benefit levels. This plan was developed to mitigate the effect of premium rate increases due to low investment yields available in Japan.

In 1992, we broadened our product line with the introduction of a new care product. Care insurance provides periodic benefits to those who become bedridden, demented or seriously disabled due to illness or accident. Prior to the introduction of this care plan, we marketed a plan that primarily provided dementia care benefits.

In 1995, we introduced two other products in Japan. The first product is an improved medical expense policy. It is similar to hospital indemnity insurance products in the United States and provides cash benefits to policyholders when they are hospitalized. This product is widely available in the Japanese insurance marketplace, but AFLAC's policy is very competitive. Our policy offers a maximum hospitalization benefit of 1,000 days, which is the longest period offered in the industry. Our medical expense coverage accounted for 2.7% of total sales in 1998, and 10.8% of total sales in 1997 compared with 3.1% in 1996.

AFLAC Japan also introduced a new living benefit life plan in late 1995. This product is a life insurance policy that provides lump-sum benefits when policyholders experience heart attack, cancer or stroke. We are offering this product in two forms -- as a stand-alone policy or as a rider to the cancer life plan. The rider adds heart attack and stroke benefits to the cancer life policy. Marketing efforts for living benefit life primarily focus on the sale of the rider. Sales of the living benefit life plan were $41 million and $146 million in new annualized premium in 1998 and 1997, respectively.

During 1997, AFLAC Japan began selling ordinary life products. Sales for 1998 and 1997 were immaterial.

In September 1997, the Japanese government increased copayments for the employer-sponsored health care program from 10% to 20% for the primary insured, thereby increasing the portion of the costs the insured must pay. Given the increase in copayments, we believe AFLAC's products and riders that provide supplemental medical benefits will be especially appealing to consumers. As such, we began selling a new product called Rider MAX in 1998. Rider MAX provides accident and medical/sickness benefits to our popular cancer life policy.

AFLAC Japan's sales mix is changing, although cancer life still accounts for the majority of insurance in force. Cancer life sales accounted for 49.4% of total new sales in yen in 1998, 52.5% in 1997 and 46.7% in 1996. We sold more than 948,000 riders of Rider MAX in 1998, which was its first year of availability. Rider MAX accounted for 33.2% of our sales for the year, and 39.9% of our cancer life policies were sold with Rider MAX. The rider we introduced in the fourth quarter of 1995, living benefit life, accounted for 7.2% of total new sales in 1998, 28.3% in 1997 and 39.5% in 1996. Care product sales represented 3.7% of total new sales in 1998, 6.8% in 1997 and 10.6% in 1996.

Due to the continued low level of available investment yields in Japan, the industry regulators have directed insurers to increase premium rates on new policy issues in recent years. The last industry-wide increase was in the fourth quarter of 1996. At that time we increased premium rates by approximately 13% on new policy issues for all product lines. As a result of continuing low yields, the government is again directing life insurers to raise rates on new policy issues. We anticipate increasing premium rates in July 1999.

JAPANESE ECONOMY

Japan's economy has been weak for several years. The economic downturn has spread to several Asian countries since mid-1997. The financial strength of many Japanese financial institutions has deteriorated, and some have experienced bankruptcy. As we have indicated in the past, the weak economy in Japan has resulted in a difficult marketing environment for AFLAC Japan, declining available investment yields for new investments and decreased consumer confidence.

Although the Japanese government has developed various economic stimulus packages, the time required for the Japanese economy to recover remains uncertain.

AGENCY FORCE - JAPAN

The development of a "corporate agency" system has been important to the growth of AFLAC Japan. Affiliated corporate agencies are formed when companies establish subsidiary businesses to sell AFLAC products to their employees, suppliers and customers. These agencies help us reach the employees of almost all of Japan's large corporations. We have no ownership interest in these corporate agencies.

Our products are also sold through independent corporate agencies and individual agencies that are not affiliated with large companies. As of December 31, 1998, there were 7,010 agencies in Japan with 32,622 licensed agents, compared with 5,427 agencies and 25,293 licensed agents in Japan in 1997. Agents' activities are principally limited to insurance sales, with policyholder service functions handled by the main office in Tokyo and 60 offices located throughout Japan.

COMPETITION - JAPAN

In 1974, AFLAC became the second foreign (non-Japanese) life insurance company to gain direct access to the Japanese insurance market by obtaining a license to do business in Japan. Through 1981, we were the only company in Japan authorized to issue a cancer life insurance policy. Now, 16 other life companies offer cancer insurance. However, we remain the leading provider of cancer life insurance coverage in Japan, principally due to our lead time in the market, unique marketing system (see Agency Force - Japan), low-cost operations and product expertise developed in the United States. AFLAC has been very successful in the sale of cancer life policies in Japan, with 13.0 million cancer life policies in force at December 31, 1998.

In 1998, AFLAC had a 89% market share of all stand-alone (non-rider) care insurance sold by life insurance companies. We believe the future demand for this product will be fueled by the Japanese government's plan to introduce a national care insurance program of its own. Given the current state of the Japanese economy, it is unlikely that the government can afford to pay for the entire program, and as a result, private care insurance will be an important aspect of the new program.

In December 1996, the governments of the United States and Japan reached an agreement on deregulation of the Japanese insurance industry. The agreement calls for the gradual liberalization of the industry through the year 2001 and includes provisions to avoid "radical change" in the third sector of the insurance industry, which includes our supplemental insurance products. AFLAC and other foreign-owned insurers, as well as some small-to-medium-sized Japanese insurers, operate primarily in the third sector. One of the measures for avoiding radical change in the third sector is the prohibition of additional Japanese life and non-life insurance companies from selling cancer or medical insurance until January 1, 2001. AFLAC has inherent competitive advantages through its distribution, products, administrative efficiency and financial soundness that should enable it to continue to grow, even in a more competitive environment. The ultimate impact, however, of deregulation still isn't known.

AFLAC's strategy for future growth in Japan centers on broadening its product line and expanding the distribution system. Although the basic plan for growth is the same in Japan as in the United States, we have had to formulate a strategy specifically tailored for the Japanese insurance marketplace, which is very different from the United States. There are only 45 life insurance companies in Japan, compared with more than 2,000 in the United States. In Japan, insurers have traditionally been restricted in the types of policies they could offer. However, as Japan begins deregulating the insurance industry, the marketplace should become more competitive, with insurers able to offer more types of products, as they do in the United States. When deregulation is complete, we believe we will be able to sell more products than we are currently offering.

REGULATION AND REMITTANCE OF FUNDS - JAPAN

Payments are made from AFLAC Japan to the Parent Company for management fees and to AFLAC U.S. for allocated expenses and remittances of earnings. These payments totaled $192 million in 1998, $386 million in 1997 and $254 million in 1996. Management fees paid to the Parent Company are largely based on expense allocations.

A portion of AFLAC Japan's annual earnings, as determined on a Japanese statutory accounting basis, can be remitted each year to AFLAC U.S. after satisfying various conditions imposed by Japanese regulatory authorities for protecting policyholders. The Japanese Financial Supervisory Agency (FSA) imposes solvency standards that represent a form of risk-based capital requirements. AFLAC Japan must meet these requirements to continue profit transfers to AFLAC U.S. At this time, AFLAC Japan is in compliance with these standards, and we do not expect these requirements to adversely affect the repatriation of funds from Japan in the foreseeable future.

Repatriated profits represent a portion of the after-tax earnings reported to the FSA on a March 31 fiscal year basis each year. Such regulatory basis earnings are determined using accounting principles that differ materially from U.S. generally accepted accounting principles. Such differences relate primarily to the valuation of investments, policy benefit and claim reserves, acquisition costs and deferred income taxes. Among other items, fluctuations in currency translations of AFLAC Japan's U.S. dollar-denominated investments into yen also affect regulatory earnings. Japanese regulatory earnings and related profit repatriations may therefore vary materially from year to year because of these differences. Management currently expects that 1999 profit repatriation will approximate 20 billion yen ($171 million using the December 31, 1998, exchange rate).

During the second quarter of 1997, Nissan Mutual Life Insurance Company, a medium-sized Japanese insurer, was declared insolvent. All life insurers doing business in Japan had previously agreed to contribute to a voluntary policyholder protection fund that would be used to help offset insurer insolvencies. During the second quarter of 1997, AFLAC Japan recognized a pretax charge of 3.0 billion yen ($25 million) for its obligation to this policyholder protection fund. The after-tax charge was $14 million ($.05 per basic and diluted share). This assessment is payable semiannually over 10 years beginning in 1998.

During the first quarter of 1998, the Japanese government enacted a mandatory policyholder protection fund system. The life insurance industry is required to contribute $4.2 billion to this fund over a 10-year period. The total charge for our share of the contribution obligation was recognized in the first quarter of 1998 and decreased pretax earnings by $111 million

for the year ended December 31, 1998. The after-tax charge was $65 million, or $.24 per basic and diluted share.

Effective January 1, 1998, the Japanese government changed the income tax provisions for foreign companies operating in Japan, increasing income taxes on investment income and realized gains/losses from securities issued by entities located in their home country. This change increases Japanese income taxes on the income from most of AFLAC Japan's dollar-denominated securities. In addition, the Japanese government enacted a reduction in the Japanese corporate income tax rate in March 1998. The statutory rate for AFLAC Japan declined from 45.3% to 41.7% beginning May 1, 1998. The net effect of these two Japanese tax changes increased income tax expense on consolidated operating earnings by approximately $10 million for the year ended December 31, 1998 (an increase of approximately $22 million from increased taxes on AFLAC Japan's dollar-denominated investment income, less approximately $12 million from the benefit of the statutory tax rate reduction).

The Japanese tax rate reduction also resulted in a benefit to 1998 earnings of $121 million ($.46 per basic share, $.44 per diluted share) from the reduction of AFLAC Japan's deferred tax liability as of March 31, 1998 (the date of enactment of the reduced tax rate). The deferred tax reduction represented the effect of recalculating Japanese deferred income taxes at the new 41.7% rate on the temporary differences between the financial reporting basis and the Japanese income tax basis of AFLAC Japan's assets and liabilities.

The Japanese income tax change in 1998 described above, relating to the income on AFLAC Japan's dollar-denominated securities issued by U.S. entities, also impacted income tax expense for the two other-comprehensive-income components for the year ended December 31, 1998. Deferred income tax expense on unrealized gains (losses) for 1998 on debt securities includes $76 million for AFLAC Japan's dollar-denominated securities, of which $59 million related to accumulated unrealized gains existing as of January 1, 1998 (the effective date of the tax law change). The deferred income tax benefits of $29 million on changes in unrealized foreign currency translation gains for 1998 represent Japanese income taxes on currency translation gains that arise for Japanese tax purposes from conversion of AFLAC Japan's dollar-denominated investments into yen. This tax benefit is net of a deferred income tax expense of $51 million on accumulated currency translation gains existing as of January 1, 1998.

In late 1998, the Japanese government proposed a further reduction in the Japanese statutory income tax rate. The proposal would reduce AFLAC Japan's income tax rate from 41.7% to 36.2% effective April 1, 1999. The proposal is expected to be finalized in early 1999. Such tax rate reduction is not expected to reduce AFLAC's future consolidated income tax expense. Instead, it will largely result in a shift of income tax expense from Japan to the United States as a result of the U.S. foreign tax credit provisions.

The insurance business in Japan, which is conducted as a branch office of AFLAC, is subject to regulation by the FSA, similar to the regulation and supervision in the United States as described on pages I-16 and I-17 under "Regulation - U.S." AFLAC Japan files annual reports and financial statements for the Japanese insurance operations based on a March 31 year-end, prepared in accordance with Japanese regulatory accounting practices

prescribed or permitted by the FSA. Also, financial and other affairs of AFLAC Japan are subject to examination by the FSA.

Reconciliations of AFLAC Japan net assets on a GAAP basis to net assets determined on a Japanese regulatory accounting basis as of December 31 are as follows:

(In millions - unaudited)	1998	1997
Net assets on GAAP basis	$ 2,726	$ 2,541
Elimination of deferred policy acquisition costs	(2,340)	(1,940)
Elimination of unrealized gains and other adjustments to carrying value of debt securities	(2,856)	(3,350)
Adjustment to policy liabilities	1,384	1,612
Elimination of deferred income taxes	1,478	1,635
Reduction in premiums receivable	(128)	(114)
Policyholder protection fund	175	29
Other, net	(42)	(13)
Net assets on Japanese regulatory accounting basis	$ 397	$ 400

For additional information regarding AFLAC Japan's operations, see Exhibit 13, pages 13-10 to 13-14 (AFLAC Japan section of MD&A) and pages 13-43 and 13-67 (Notes 2 and 10 of Notes to the Consolidated Financial Statements), which are incorporated herein by reference.

EMPLOYEES - JAPAN

AFLAC Japan had 2,038 employees at December 31, 1998. AFLAC Japan considers its employee relations to be excellent.

INSURANCE - U.S.

AFLAC U.S.'s earned premiums by product line are summarized in Note 2 of the Notes to the Consolidated Financial Statements in Exhibit 13, page 13-43.

The following table sets forth the changes in annualized premiums in force for AFLAC U.S. insurance for the years ended December 31.

(In millions)	1998	1997	1996
Annualized premiums in force at beginning of year	$ 1,216	$ 1,060	$ 954
New issues including policy conversions	482	401	327
Change in unprocessed policies	1	(3)	(8)
Lapses	(340)	(286)	(236)
Other	34	44	23
Annualized premiums in force at end of year	$ 1,393	$ 1,216	$ 1,060

HEALTH INSURANCE PLANS - U.S.

AFLAC's insurance is supplemental in nature and is designed for people who already have major medical or primary insurance coverage. Our supplemental health insurance plans are guaranteed renewable for the lifetime of the policyholder. We cannot cancel guaranteed-renewable coverage, but we can increase premium rates on existing and future policies by class of policy in response to claims experience higher than originally expected (subject to federal and state loss-ratio guidelines) on a uniform, nondiscriminatory basis. Any premium rate increases are subject to state regulatory approval.

AFLAC's cancer plans are designed to provide insurance benefits for medical and nonmedical costs that are generally not reimbursed by major medical insurance. We currently offer a series of three different cancer plans in the United States that vary by benefit amount. All three plans provide a first occurrence benefit that pays an initial amount when internal cancer is first diagnosed, a fixed amount for each day an insured is hospitalized for cancer treatment, and benefits for medical, radiation, chemotherapy, surgery and a "wellness" benefit applicable toward certain diagnostic tests such as mammograms, pap smears, prostate exams, flexible sigmoidoscopy, etc. These plans also contain benefits that reimburse the insured for nursing services, home health care, extended care facilities, hospice, second surgical opinion, experimental treatment, evaluation/consultation from the National Cancer Institute, bone marrow and stem cell transplant, family lodging, ambulance, transportation, anesthesia, prosthesis, blood, and plasma expenses related to cancer treatments. We also issue several riders, including one that increases the amount of the first occurrence benefit on each rider anniversary date until the covered person reaches age 65 or until internal cancer is diagnosed. AFLAC periodically introduces new forms of coverage, revising benefits and related premiums based upon the anticipated needs of the policyholders and our claim experience.

We offer an accident and disability policy to protect against losses resulting from accidents. The accident portion of the policy includes lump-sum benefits for accidental death, dismemberment and specific injuries. Fixed benefits for hospital confinement, emergency treatment, follow-up treatments, ambulance, transportation, family lodging, wellness, prosthesis, medical appliances and physical therapy are also provided. Optional disability riders are available to the primary insured and include choices of a sickness disability rider, on-the-job disability rider and off-the-job disability rider. These benefits are payable up to a maximum benefit period of one year and for one disability at a time.

AFLAC also issues other supplemental health insurance, such as intensive care, which is a low-premium policy that provides protection against the high cost of intensive care facilities during hospital confinement, regardless of reimbursements from other insurers. Other types of health insurance issued include qualified and non-qualified long-term care plans, short-term disability, and a hospital confinement indemnity policy.

LIFE INSURANCE PLANS - U.S.

AFLAC issues various life insurance policies including whole life, limited pay life, voluntary group term life and term life coverage.

AGENCY FORCE AND MARKETING - U.S.

Our sales force is comprised of independent sales agents who are licensed to sell accident and health insurance. Many are also licensed to sell life insurance. Most agents' efforts are directed toward selling supplemental health insurance at the worksite. The average number of U.S. agents actively producing business monthly during 1998 was 7,918, compared with 7,376 in 1997 and 6,665 in 1996.

Agents' activities are principally limited to sales, with policyholder service functions, including issuance of policies, premium collection, payment notices and claims handled by the staff at headquarters. Agents are paid commissions based on first-year and renewal premiums from their sales of health and life insurance products. The state, regional and district sales coordinators are also independent contractors, and are compensated by override commissions.

We have concentrated on the development of marketing at the worksite. This method offers policies to individuals through common media such as employment, trade and other associations. This manner of marketing is distinct from "group" insurance sales in that each individual insured is directly contacted by the sales associate. Policies are individually underwritten, with premiums generally paid by the employee. Additionally, AFLAC supplemental policies are portable so that individuals may retain their full insurance coverage upon separation from employment or such affiliation, generally at the same premium. A major portion of premiums on such sales are collected through payroll deduction or other forms of centralized billings. Group-issued plans normally result in a lower average age of the insured at the time of policy issuance and also result in certain savings in administrative costs, a portion of which are passed on to the policyholder in the form of reduced premiums. Marketing at the worksite enables the agency force to reach a greater number of prospective policyholders than individual solicitation and lowers distribution costs.

Another valuable marketing and sales tool is the flexible benefits program, or cafeteria plan, which allows an employee to pay for medical

insurance using pretax dollars. These programs help achieve increased penetration as agents are required to present the program to all employees. They also help improve overall persistency levels due to the limited changes allowed during the plan year.

We continue to develop marketing arrangements with insurance brokers. Insurance brokers generally have better access to larger groups than independent agents. The core of our distribution network will remain independent agents.

In 1998, AFLAC's U.S. premiums collected were $1.2 billion, 7.2% of which was collected in Texas, 6.5% in Florida, 6.0% in Georgia, and 5.7% in North Carolina. Premiums collected in all other states were individually less than 5% of AFLAC's U.S. premiums.

COMPETITION - U.S.

The accident and health and life insurance industry in the United States is highly competitive. AFLAC competes with a large number of other insurers, some of which have been in business for a longer period of time. In the United States, there are more than 2,000 life and accident and health insurance companies.

Private insurers and voluntary and cooperative plans, such as Blue Cross and Blue Shield, provide insurance for meeting basic hospitalization and medical expenses. Much of this insurance is sold on a group basis. The federal and state governments also pay substantial costs of medical treatment through Medicare and Medicaid programs. Such major medical insurance generally covers a substantial amount of the medical (but not nonmedical) expenses incurred by an insured as a result of cancer or other major illnesses. AFLAC's policies are designed to provide coverage that is supplemental to coverage provided by major medical insurance. Our benefits may also be used to defray nonmedical expenses.

Since other insurers generally do not provide full coverage of medical expenses or any coverage of nonmedical expenses, our supplemental insurance is not an alternative to major medical insurance, but is sold to complement (supplement) major medical insurance by helping cover the gap between major medical insurance reimbursements and the total costs of an individual's health care. Thus we compete only indirectly with major medical insurers in terms of premium rates and similar factors. However, the scope of the major medical coverage offered by other insurers does represent a limitation on the market for our products. Accordingly, expansion of coverage by other insurers or governmental programs could adversely affect our business opportunities. Conversely, any reduction of coverages, such as increased deductibles and copayments, by other insurers or governmental programs could favorably affect our business opportunities.

We compete directly with other insurers offering supplemental health insurance and believe that our policies and premium rates are generally competitive with those offered by other companies selling similar types of insurance.

For additional information regarding U.S. insurance operations, see Exhibit 13, pages 13-14 to 13-16 (AFLAC U.S. section of MD&A), which is incorporated herein by reference.

REGULATION - U.S.

The Parent Company and its insurance subsidiaries are subject to state regulations in the United States as an insurance holding company system. Such regulations generally provide that transactions between companies within the holding company system must be fair and equitable. In addition, transfer of assets among such affiliated companies, certain dividend payments from insurance subsidiaries and material transactions between companies within the system are subject to prior notice to, or approval by, state regulatory authorities.

AFLAC and its subsidiaries, in common with all U.S. insurance companies, are subject to regulation and supervision in the states and other jurisdictions in which they do business. In general, the insurance laws of the various jurisdictions establish supervisory agencies with broad administrative powers relating to, among other things: granting and revoking licenses to transact business, regulating trade practices, licensing agents, prior approval of forms of policies and premium rate increases, standards of solvency and maintenance of specified policy benefit reserves and minimum loss ratio requirements, capital for the protection of policyholders, limitations on dividends to shareholders, the nature of and limitations on investments, deposits of securities for the benefit of policyholders, filing of financial statements prepared in accordance with statutory insurance accounting practices prescribed or permitted by the regulatory authorities, and periodic examinations of the financial, market conduct, and other affairs of insurance companies.

Currently, prescribed or permitted statutory accounting principles (SAP) used by insurers for financial reporting to state insurance regulators may vary between states and between companies. The National Association of Insurance Commissioners (NAIC) has recodified SAP to promote standardization throughout the industry. These new accounting requirements are presently planned by the NAIC to be effective for 2001. They must also be adopted by the individual state insurance departments. The most significant change to AFLAC is the requirement that insurance companies establish a deferred income tax liability for statutory accounting purposes. We estimate AFLAC's deferred tax liability would be approximately $165 million at December 31, 1998, under the provisions of the recodified SAP. AFLAC's capital and surplus, as determined on the present U.S. statutory accounting basis, was $1.6 billion at December 31, 1998.

For further information concerning state regulatory and dividend restrictions, see Exhibit 13, page 13-67 (Note 10 - Statutory Accounting and Dividend Restrictions of Notes to the Consolidated Financial Statements), incorporated herein by reference.

The NAIC risk-based capital formula for U.S. life insurance companies established capital requirements based on insurance risk, business risk, asset risk and interest rate risk. These requirements are intended to facilitate identification by insurance regulators of inadequately capitalized insurance companies based upon the types and mixtures of risks inherent in the insurer's operations. The formulas for determining the amount of risk-based capital specify various weighting factors that are applied to financial balances or various levels of activity based on the perceived degree of risk. Regulatory compliance is determined by a ratio of the company's regulatory total adjusted capital to its authorized control level risk-based capital, as defined by the NAIC. Companies below specific

trigger points or ratios are classified within certain levels, each of which requires specified corrective action. The levels are company action, regulatory action, authorized control and mandatory control. Our NAIC risk-based capital ratio exceeds all regulatory action levels and continues to reflect a very strong statutory capital and surplus position.

Two states have laws, regulations or regulatory practices that either prohibit the sale of specified disease insurance, such as our cancer expense insurance, or make its sale impractical. These states are Massachusetts and New Jersey. Regulations in New York and Connecticut were recently changed to allow the sale of specified disease insurance. We are now marketing cancer insurance in New York and Connecticut. The remainder of the states do not impose prohibitions or restrictions that prevent us from marketing cancer expense insurance. AFLAC U.S. is marketing several of its other products in Massachusetts and New Jersey.

Under insurance guaranty fund laws in most U.S. states, insurance companies doing business in those states can be assessed for policyholder losses up to prescribed limits that are incurred by insolvent companies with similar lines of business. Such assessments have not been material to us in the past. We believe that future assessments relating to companies in the U.S. currently involved in insolvency proceedings will not materially impact the consolidated financial statements.

EMPLOYEES - U.S.

In the U.S. insurance operations, we had 2,156 employees at December 31, 1998. We consider our employee relations to be excellent.

POLICY LIABILITIES - JAPAN AND U.S.

The reserves for policy liabilities reported in the financial statements have been computed in accordance with generally accepted accounting principles (GAAP). These reserves differ from those reflected in the various regulatory financial statements filed by the Company. Such differences arise from the use of different mortality, morbidity, interest, lapse assumptions and actuarial reserving methods as required by the laws of the various states and Japan.

OTHER OPERATIONS

In 1997, we sold our Canadian insurance subsidiary and on December 31, 1998, we sold our insurance operation in Taiwan. Both transactions produced nominal gains.

The Company's other operations had 256 employees at December 31, 1998.

YEAR 2000

The term "year 2000 issue" generally refers to incorrect date calculations that might occur in computer software and hardware as the year 2000 approaches. The use of computer programs that rely on two-digit date fields to perform computations and decision-making functions may cause systems to malfunction when processing information involving dates after 1999. For example, any computer software that has date-sensitive coding might recognize a code of "00" as the year 1900 rather than the year 2000.

Our efforts to address year 2000 issues began in 1997. We established a Year 2000 Executive Steering Committee, made up of senior management and representatives of our information technology, financial, legal, internal audit and various operational areas to identify and address year 2000 issues throughout our U.S. and Japanese operations. We also established a Year 2000 Project Office consisting of department coordinators from Information Technology, Worldwide Headquarters business operations and AFLAC Japan. The Project Office established both domestic and Japanese plans to address year 2000 readiness and minimize the risk of business disruption caused by year 2000 issues. We also engaged third party consultants to assist AFLAC U.S. and AFLAC Japan with their year 2000 efforts.

The plans contain five phases: (1) the assessment phase, which includes creating awareness of the issue throughout the company and assessment of all systems, significant business processes, facilities and third party dependencies; (2) the remediation phase, which includes updating or modifying systems which are identified as critical to our efforts to become year 2000 ready; (3) the testing phase, which includes the testing of systems that have been updated or modified; (4) the implementation phase, which includes placing systems into the production environment, as well as additional comprehensive testing to identify and resolve any remaining year 2000 issues; and (5) contingency planning.

We have remediated substantially all of our critical production systems in both the United States and Japan. Verification that the critical production systems have been correctly remediated will continue through the third quarter of 1999 in a year 2000 test environment. The additional testing may raise new issues that require further remediation and implementation activities, all of which are scheduled to be completed in the third quarter of 1999. We intend to develop contingency plans for any critical systems that we determine may not be fully remediated during the second and third quarters of 1999 as testing is finalized. Testing and any further remediation and implementation activities required for non-critical systems will continue through the end of 1999.

We rely on a widely distributed customer base in the United States and Japan for continued payment of premiums. Many of the systems utilized by our group accounts are automated and date dependent. We randomly surveyed group accounts in the United States to determine their year 2000 readiness. AFLAC Japan depends heavily on substantial premium payments that are electronically transmitted by third-party payment agents from employers of the insured. We have surveyed our more significant customers in Japan to determine whether such customers expect their ability to pay premiums or transmit policy and claims data in this fashion to be impacted by year 2000 issues. We have not yet conducted any tests with those customers in a year 2000 test environment and have no assurance that they will achieve year 2000 compliance. We intend to contact certain significant Japanese customers during the first quarter of 1999 to recommend data transmission testing. If a large number of customers (in the U.S. and/or Japan) are unable to submit premium payments in a timely or accurate manner due to year 2000 issues, the resulting delays could have a material adverse effect on our financial condition or results of operations. It is not currently possible to predict the probability of any delays occurring or the extent of such delays.

AFLAC owns publicly traded and privately placed fixed-maturity and equity securities in the U.S. and Japan, and other foreign countries. If a material portion of such securities are adversely impacted by year 2000 issues, our investment portfolio may also be adversely impacted.

Since the inception of the year 2000 project, we had incurred costs of approximately $18 million for system upgrades or modifications through December 31, 1998. Of this amount, approximately $6 million was capitalized. The remaining cost to complete the various projects is currently estimated to be $14 million, of which $7 million is expected to be capitalized. We may determine that additional expenditures are necessary as testing continues. Company personnel have spent considerable time and effort on the project, and we intend to continue to devote additional internal resources and personnel to work on the project. However, we believe that any deferral of information technology projects due to the year 2000 effort will not have a material adverse effect on our operations or financial condition.

Due to the uncertainty inherent in year 2000 issues, particularly with regard to Japanese customers' year 2000 readiness and the various governmental functions, public utilities, financial infrastructures and similar outside facilities on which we depend in both the United States and Japan, we are unable to determine at this time whether the consequences of external year 2000 failures will have a material impact on our financial condition or results of operations. Although a year 2000 failure with respect to any single internal or external system may not have a material adverse effect on AFLAC, the failure of multiple systems may cause a material disruption to its business.

All statements made herein regarding our year 2000 efforts are "Year 2000 Readiness Disclosures" made pursuant to the Year 2000 Information and Readiness Disclosure Act, and to the extent applicable, are entitled to the protections of such act.

FORWARD-LOOKING INFORMATION

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" to encourage companies to provide prospective information, so long as those informational statements are identified as forward-looking and are accompanied by meaningful, cautionary statements identifying important factors that could cause actual results to differ materially from those discussed. We desire to take advantage of these provisions. This report contains cautionary statements identifying important factors that could cause actual results to differ materially from those projected in this Form 10-K, and in any other statements made by company officers in oral discussions with analysts and contained in documents filed with the Securities and Exchange Commission (SEC). Forward-looking statements are not based on historical information and relate to future operations, strategies, financial results or other developments. In particular, statements containing words such as "expect," "anticipate," "believe," "goal," "objective" or similar words as well as specific projections of future results generally qualify as forward-looking. AFLAC undertakes no obligation to update such forward-looking statements.

We caution readers that the following factors, in addition to other factors mentioned from time to time in our reports filed with the SEC, could

cause actual results to differ materially: regulatory developments, assessments for insurance company insolvencies, competitive conditions, new products, ability to repatriate profits from Japan, general economic conditions in the United States and Japan, changes in U.S. and/or Japanese tax laws, adequacy of reserves, credit and other risks associated with AFLAC's investment activities, significant changes in interest rates, fluctuations in foreign currency exchange rates, and the ability of AFLAC, and third parties with whom it does business, to achieve year 2000 readiness for significant systems on a timely basis.

ITEM 2. PROPERTIES

AFLAC owns an 18-story office building, which is the worldwide headquarters, and a new five-story administrative office building, which was completed in 1998 at a cost of $17 million, located on approximately 14 acres of land in Columbus, Georgia. We also own a six-story parking garage, two additional buildings located on the same property and additional administrative office buildings located nearby. An insurance subsidiary occupies leased office space in Albany, New York.

In Tokyo, Japan, AFLAC owns an 11-story administrative office building, which was completed in April 1994. AFLAC also leases office space in Tokyo along with regional sales offices located throughout the country, and owns a training facility in Tokyo.

In conjunction with the sale of the broadcast business in 1996 and 1997, the Company sold the land, buildings, transmission towers and other broadcast equipment in the cities where its television stations were located.

ITEM 3. LEGAL PROCEEDINGS

We are a defendant in various litigation considered to be in the normal course of business. Some of this litigation is pending in Alabama, where large punitive damages bearing little relation to the actual damages sustained by plaintiffs have been awarded against other companies, including insurers, in recent years. Although the final results of any litigation cannot be predicted with certainty, we believe the outcome of the litigation still pending will not have a material adverse effect on our financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to the security holders for a vote in the fourth quarter ended December 31, 1998.

ITEM 4A. EXECUTIVE OFFICERS OF THE COMPANY

NAME	PRINCIPAL OCCUPATION (*)	AGE
Paul S. Amos	Chairman, AFLAC Incorporated and American Family Life Assurance Company of Columbus (AFLAC)	72
Daniel P. Amos	Chief Executive Officer of AFLAC Incorporated and AFLAC; President, AFLAC Incorporated and AFLAC; Director, The CIT Group, Inc., Livingston, NJ; Director, Georgia Power Company, Atlanta, GA	47
William J. Bugg, Jr.	Senior Vice President, Corporate Actuary of AFLAC	59
Monthon Chuaychoo	Vice President, Financial Services, of AFLAC Incorporated and AFLAC	55
Kriss Cloninger III	Executive Vice President, Chief Financial Officer of AFLAC Incorporated and AFLAC, and Treasurer of AFLAC Incorporated	51
Martin A. Durant, III	Senior Vice President, Corporate Services, of AFLAC Incorporated and AFLAC	50
Norman P. Foster	Executive Vice President, Corporate Finance, of AFLAC Incorporated and AFLAC	64
Kenneth S. Janke Jr.	Senior Vice President, Investor Relations, of AFLAC Incorporated	40
Akitoshi Kan	Executive Vice President of AFLAC Japan since January 1998 and Deputy Chief Financial Officer of AFLAC, Senior Vice President, AFLAC Japan, Accounting, Information Systems, ABC and Legal Affairs since January 1997; Senior Vice President, AFLAC Japan, Accounting, Corporate Planning, Audit, and Legal Affairs until January 1997; Vice President, AFLAC Japan Accounting Department until 1995	51

Nobuo Kawamura	Senior Vice President, AFLAC Japan, ABC Promotion, Policy Maintenance, Premium Accounting since January 1999; Senior Vice President, AFLAC Japan, Underwriting, Policy Maintenance, Premium Accounting, Customer Service, Administration Support until January 1999	54
Joseph P. Kuechenmeister	Senior Vice President, Director of Marketing of AFLAC	57
Joey M. Loudermilk	Senior Vice President, General Counsel and Corporate Secretary of AFLAC Incorporated and AFLAC, and Director, Legal and Governmental Relations of AFLAC	45
Hidefumi Matsui	President, AFLAC Japan, since January 1995; Executive Vice President of AFLAC Japan until 1995	54
Shoichi Matsumoto	Executive Vice President, Director of Marketing, AFLAC Japan, since January 1998; Senior Vice President, Director of Marketing, AFLAC Japan, until January 1998; Senior Vice President, AFLAC Japan, until July 1997; Vice President, Assistant Director of Marketing, AFLAC Japan, until January 1996	53
Minoru Nakai	President of AFLAC International, Inc.	57
Yoshiki Otake	Chairman, AFLAC Japan, since January 1995; President, AFLAC Japan, until December 1994; Vice Chairman, AFLAC International, Inc.	59
E. Stephen Purdom	Executive Vice President, AFLAC, since October 1994; Medical Director, Columbus Clinic, Columbus, GA, until September 1994; Senior Vice President and Medical Director, AFLAC, until October 1994; Director, Trust Company Bank, Columbus, GA	51
Joseph W. Smith, Jr.	Senior Vice President, Chief Investment Officer of AFLAC	45

Gary L. Stegman	Senior Vice President, Assistant Chief Financial Officer of AFLAC Incorporated and AFLAC; Treasurer and Assistant Secretary of AFLAC	49

(*) Unless specifically noted, the respective executive officer has held the occupation(s) set forth in the table for at least five years. Each executive officer is appointed annually by the board of directors and serves until his successor is chosen and qualified, or until his death, resignation or removal.

PART II

Pursuant to General Instruction G to Form 10-K, Items 5 through 8 are incorporated by reference from the Company's 1998 Annual Report to Shareholders, the appropriate sections of which are included herein as Exhibit 13.

		Exhibit 13 Pages	Annual Report Pages
ITEM 5.	MARKET FOR THE COMPANY'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS	13-1; 13-2; 13-67 (Note 10)	1; 54 (Note 10); 59 and 62
ITEM 6.	SELECTED FINANCIAL DATA	13-3; 13-4	20 - 21
ITEM 7.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	13-5 to 13-30	22 - 24; 26 - 35
ITEM 7A.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	13-7 to 13-8, 13-17 to 13-21	22 - 23; 29 - 30
ITEM 8.	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	13-31 to 13-75	36 - 59
ITEM 9.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	None	None

PART III

Pursuant to General Instruction G to Form 10-K, Items 10 through 13 are incorporated by reference from the Company's definitive Proxy Statement relating to the Company's 1999 Annual Meeting of Shareholders, which was filed with the Securities and Exchange Commission on March 16, 1999, pursuant to Regulation 14A under the Securities Exchange Act of 1934.

		Refer to the Information Contained in the Proxy Statement under Captions (filed electronically)	Refer to Printed Proxy Statement Pages
ITEM 10.	DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY Directors Executive Officers - see Part I, Item 4A herein	Security Ownership of Management. 1. Election of Directors	3 - 7
ITEM 11.	EXECUTIVE COMPENSATION	Board and Committee Meetings and Directors Compensation; Summary Compensation Table; Defined Benefit Pension Plan; Retirement Plans for Key Executives; Employment Contracts and Termination of Employment Arrangements	8 - 19
ITEM 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	Voting Securities and Principal Holders Thereof. Security Ownership of Management. 1. Election of Directors	2 - 7
ITEM 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	Certain Transactions and Relationships	19

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. FINANCIAL STATEMENTS

2. FINANCIAL STATEMENT SCHEDULES

Schedules other than those listed above are omitted because they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto.

3. EXHIBITS

3.0 - Articles of Incorporation, as amended - incorporated by reference from Form 10-Q for March 31, 1997, Commission file number 1-7434, Accession No. 0000004977-97-000011, Exhibit 3.0; and Bylaws of the Company, as amended - incorporated by reference from Form 10-Q for June 30, 1996, Commission file number 1-7434, Accession No. 0000004977-96-000012, Exhibit 3.0.

4.0 - There are no long-term debt instruments in which the total amount of securities authorized exceeds 10% of the total assets of AFLAC Incorporated and its subsidiaries on a consolidated basis. We agree to furnish a copy of any long-term debt instruments to the Securities and Exchange Commission upon request.

10.0* - American Family Corporation Incentive Stock Option Plan (1982) - incorporated by reference from Registration

Statement No. 33-44720 on Form S-8 with respect to the AFLAC Incorporated (Formerly American Family Corporation) Incentive Stock Option Plan (1982) and Stock Option Plan (1985).

10.1* - American Family Corporation Stock Option Plan (1985) - incorporated by reference from Registration Statement No. 33-44720 on Form S-8 with respect to the AFLAC Incorporated (Formerly American Family Corporation) Incentive Stock Option Plan (1982) and Stock Option Plan (1985).

10.1.1* - AFLAC Incorporated Amended 1985 Stock Option Plan - incorporated by reference from 1994 Shareholders' Proxy Statement, Commission file number 1-7434, Accession No. 0000004977-94-000003, Exhibit A.

10.1.2* - AFLAC Incorporated Amended 1985 Stock Option Plan, as amended August 8, 1995 - incorporated by reference from Form 10-Q for September 30, 1995, Commission file number 1-7434, Accession No. 0000004977-95-000023, Exhibit 10.

10.2* - American Family Corporation Retirement Plan for Senior Officers, as amended and restated October 1, 1989 - incorporated by reference from 1993 Form 10-K, Commission file number 1-7434, Accession No. 0000004977-94-000006, Exhibit 10.2.

10.3* - AFLAC Incorporated Supplemental Executive Retirement Plan, as amended, effective January 1, 1998, filed with the 1998 Form 10-K.

10.4* - AFLAC Incorporated Employment Agreement with Daniel P. Amos, dated August 1, 1993 - incorporated by reference from 1993 Form 10-K, Commission file number 1-7434, Accession No. 0000004977-94-000006, Exhibit 10.4.

10.5* - American Family Life Assurance Company of Columbus Employment Agreement with Yoshiki Otake, dated January 1, 1995 - incorporated by reference from 1994 Form 10-K, Commission file number 1-7434, Accession No. 0000004977-95-000006, Exhibit 10.5.

10.6* - AFLAC Incorporated Employment Agreement with Kriss Cloninger, III, dated February 14, 1992, and as amended November 12, 1993 - incorporated by reference from 1993 Form 10-K, Commission file number 1-7434, Accession No. 0000004977-94-000006, Exhibit 10.6.

10.7* - American Family Life Assurance Company of Columbus Employment Agreement with Hidefumi Matsui, dated January 1, 1995 - incorporated by reference from 1994 Form 10-K, Commission file number 1-7434, Accession No. 0000004977-95-000006, Exhibit 10.8.

10.8* - American Family Life Assurance Company of Columbus Employment Agreement with Dr. E. Stephen Purdom, dated October 25, 1994 - incorporated by reference from 1994 Form 10-K, Commission file number 1-7434, Accession No. 0000004977-95-000006, Exhibit 10.9.

10.9* - AFLAC Incorporated Employment Agreement with Paul S. Amos, dated August 1, 1995 - incorporated by reference from Form 10-Q for September 30, 1995, Commission file number 1-7434, Accession No. 0000004977-95-000023, Exhibit 10.1.

10.10* - AFLAC Incorporated Deferred Compensation Agreement with Paul S. Amos, dated July 15, 1997 - incorporated by reference from 1997 Form 10-K, Commission file number 1-7434, Accession No. 0000004977-98-000006, Exhibit 10.11.

10.11* - AFLAC Incorporated 1997 Stock Option Plan, incorporated by reference from the 1997 Shareholders' Proxy Statement, Commission file number 1-7434, Accession No. 0000004977-97-000007, Appendix B.

10.12* - AFLAC Incorporated Executive Deferred Compensation Plan, effective January 1, 1999 - incorporated by reference from Form S-8 Registration Statement No. 333-69333, Accession No. 0000004977-98-00024, Exhibit 4.

13.0 - Selected information from the AFLAC Incorporated Annual Report to Shareholders for 1998.

21.0 - Subsidiaries.

23.0 - Consent of independent auditor, KPMG LLP, to Form S-8 Registration Statement No. 33-44720 with respect to the AFLAC Incorporated (Formerly American Family Corporation) Incentive Stock Option Plan (1982) and Stock Option Plan (1985).

- Consent of independent auditor, KPMG LLP, to Form S-8 Registration Statement No. 33-53737 with respect to the

AFLAC Incorporated Amended 1985 Stock Option Plan.
- Consent of independent auditor, KPMG LLP, to Form S-8 Registration Statement No. 333-01243 with respect to the AFLAC Incorporated Amended 1985 Stock Option Plan.
- Consent of independent auditor, KPMG LLP, to Form S-8 Registration Statement No. 33-41552 with respect to the AFLAC Incorporated 401(k) Retirement Plan.
- Consent of independent auditor, KPMG LLP, to Form S-3 Registration Statement No. 33-64535 with respect to the AFL Stock Plan.
- Consent of independent auditor, KPMG LLP, to Form S-3 Registration Statement No. 333-16533 with respect to the AFLAC Associate Stock Bonus Plan, as Amended and Restated as of January 1, 1999.
- Consent of independent auditor, KPMG LLP, to Form S-8 Registration Statement No. 333-27883 with respect to the AFLAC Incorporated 1997 Stock Option Plan.
- Consent of independent auditor, KPMG LLP, to Form S-8 Registration Statement No. 333-69333 with respect to the AFLAC Incorporated Executive Deferred Compensation Plan.

- Consent of independent auditor, KPMG LLP, to Form S-3 Registration Statement No. 333-69795 with respect to the AFLAC New York Associate Stock Bonus Plan.

27.0** - Financial Data Schedule for December 31, 1998.

* Management contract or compensatory plan or agreement.
** All Financial Data Schedules are submitted in the electronic filing only.

(b) REPORTS ON FORM 8-K

There were no reports filed on Form 8-K for the quarter ended December 31, 1998.

(c) EXHIBITS FILED WITH CURRENT FORM 10-K

10.3* - AFLAC Incorporated Supplemental Executive Retirement Plan, as amended, effective January 1, 1998.

13.0 - Selected information from the AFLAC Incorporated Annual Report to Shareholders for 1998.

21.0 - Subsidiaries.

23.0 - Consent of independent auditor, KPMG LLP, to Form S-8 Registration Statement No. 33-44720 with respect to the AFLAC Incorporated (Formerly American Family Corporation) Incentive Stock Option Plan (1982) and Stock Option Plan (1985).
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- Consent of independent auditor, KPMG LLP, to Form S-8 Registration Statement No. 33-41552 with respect to the AFLAC Incorporated 401(k) Retirement Plan.
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- Consent of independent auditor, KPMG LLP, to Form S-3 Registration Statement No. 333-16533 with respect to the AFLAC Associate Stock Bonus Plan, as Amended and Restated as of January 1, 1999.
- Consent of independent auditor, KPMG LLP, to Form S-8 Registration Statement No. 333-27883 with respect to the AFLAC Incorporated 1997 Stock Option Plan.
- Consent of independent auditor, KPMG LLP, to Form S-8 Registration Statement No. 333-69333 with respect to the AFLAC Incorporated Executive Deferred Compensation Plan.
- Consent of independent auditor, KPMG LLP, to Form S-3 Registration Statement No. 333-69795 with respect to the AFLAC New York Associate Stock Bonus Plan.

27.0** - Financial Data Schedule for December 31, 1998.

* Management contract or compensatory plan or agreement.
** All Financial Data Schedules are submitted in the electronic filing only.

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENT SCHEDULES

The Shareholders and Board of Directors
AFLAC Incorporated:

Under date of January 28, 1999, we reported on the consolidated balance sheets of AFLAC Incorporated and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of earnings, shareholders' equity, cash flows, and comprehensive income for each of the years in the three-year period ended December 31, 1998, as contained in the 1998 annual report to shareholders. These consolidated financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the year 1998. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedules as listed in Item 14. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

KPMG LLP

Atlanta, Georgia
January 28, 1999

<TABLE>

SCHEDULE II
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
Condensed Balance Sheets
AFLAC Incorporated (Parent Only)
(In millions, except for share amounts)

<CAPTION>

	December 31, 1998	December 31, 1997
<S>	<C>	<C>
ASSETS:		
Investments and cash:		
Investments in subsidiaries*	$ 4,614	$ 4,205
Mortgage loans and other	3	11
Cash and cash equivalents	15	9

Total investments and cash	4,632	4,225
Due from subsidiaries*	29	7
Other receivables	3	3
Property and equipment, net	7	8
Other assets	6	3
Total assets	$ 4,677	$ 4,246
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Due to subsidiaries*	$ 1	$ -
Notes payable (note A)	578	505
Employee and beneficiary benefit plans	235	207
Income taxes, primarily deferred	68	58
Other liabilities	25	46
Total liabilities	907	816
Shareholders' equity:		
Common stock of $.10 par value: (In thousands) Authorized 400,000 shares; issued 317,971 shares in 1998 and 316,380 shares in 1997	32	16
Additional paid-in capital	235	227
Retained earnings (note D)	2,862	2,442
Accumulated other comprehensive income:		
Unrealized foreign currency translation gains	219	274
Unrealized gains on investment securities	1,332	1,285
Treasury stock, at average cost	(910)	(813)
Notes receivable for stock purchases	-	(1)
Total shareholders' equity	3,770	3,430
Total liabilities and shareholders' equity	$ 4,677	$ 4,246

* Eliminated in consolidation.
See the accompanying Notes to Condensed Financial Statements.
See the accompanying Auditors' Report.
</TABLE>

<TABLE>

SCHEDULE II
CONDENSED FINANCIAL INFORMATION OF REGISTRANT

Condensed Statements of Earnings
AFLAC Incorporated (Parent Only)
(In millions)

<CAPTION>

	Years ended December 31, 1998	1997	1996
<S>	<C>	<C>	<C>
Revenues:			
Dividends from subsidiaries*	$ 173	$ 118	$ 138
Management and service fees from subsidiaries*	28	32	30
Other income	2	3	4
Total revenues	203	153	172
Operating expenses:			
Interest expense	10	10	11
Other operating expenses	61	83	83
Total operating expenses	71	93	94
Earnings before income taxes and equity in undistributed earnings of subsidiaries	132	60	78
Income tax expense (note C):			
Current	9	1	-
Deferred	-	14	13
Total income taxes	9	15	13
Earnings before equity in			

undistributed earnings of subsidiaries	123	45	65
Equity in undistributed earnings of subsidiaries	364	540	329
Net earnings	$ 487	$ 585	$ 394

* Eliminated in consolidation.

See the accompanying Notes to Condensed Financial Statements.
See the accompanying Auditors' Report.

</TABLE>

IV-7

<TABLE>

SCHEDULE II
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
Condensed Statements of Cash Flows
AFLAC Incorporated (Parent Only)

<CAPTION>

(In millions)	Years ended December 31, 1998	1997	1996
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net earnings	$ 487	$ 585	$ 394
Adjustments to reconcile net earnings to net cash provided from operating activities:			
Equity in undistributed earnings of subsidiaries*	(364)	(540)	(329)
Deferred income taxes	-	14	12
Change in income taxes payable	9	-	-
Increase in employee and beneficiary benefit plans	27	24	36
Other, net	(2)	30	16
Net cash provided by operating activities	157	113	129
Cash flows from investing activities:			
Proceeds from sale of mortgage loans	10	-	-
Purchase of mortgage loans from subsidiary*	-	(10)	-
Purchase of subsidiary (note B)	(8)	-	-
Net cash provided (used) by investing activities	2	(10)	-
Cash flows from financing activities:			
Proceeds from borrowings	124	409	136
Assumption of debt from affiliate*	-	-	15
Principal payments under debt obligations	(115)	(191)	(58)
Dividends paid to shareholders	(67)	(61)	(54)
Net change in amount due to/from subsidiaries*	(21)	(4)	-
Purchases of treasury stock	(125)	(314)	(204)
Treasury stock reissued	44	40	35
Proceeds from exercise of stock options	7	5	7
Other, net	-	-	(1)
Net cash used by financing activities	(153)	(116)	(124)
Net change in cash and cash equivalents	6	(13)	5
Cash and cash equivalents at beginning of year	9	22	17
Cash and cash equivalents at end of year	$ 15	$ 9	$ 22

* Eliminated in consolidation.
See the accompanying Notes to Condensed Financial Statements.
See the accompanying Auditors' Report.

</TABLE>

<TABLE>

SCHEDULE II
CONDENSED FINANCIAL INFORMATION OF REGISTRANT

Condensed Statements of Comprehensive Income
AFLAC Incorporated (Parent Only)
(In millions)

<CAPTION>

	Years ended December 31, 1998	1997	1996
<S>	<C>	<C>	<C>
Net earnings	$ 487	$ 585	$ 394
Other comprehensive income, before income taxes:			
Foreign currency translation adjustments:			
Change in unrealized foreign currency translation gains during year - Parent only	(64)	44	38
Equity in change in unrealized foreign currency translation gains (losses) of subsidiaries during year	(20)	(1)	(22)
Reclassification adjustment for realized currency (gains) losses on sale of subsidiary included in net earnings - Parent only	-	1	-
Equity in unrealized gains (losses) on investment securities held by subsidiaries:			
Unrealized holding gains (losses) arising during year	171	1,693	(314)
Reclassification adjustment for realized (gains) losses included in net earnings	3	4	(5)
Total other comprehensive income, before income taxes	90	1,741	(303)
Income tax expense (benefit) related to items of other comprehensive income	98	692	(117)
Other comprehensive income, net of income taxes	(8)	1,049	(186)
Total comprehensive income	$ 479	$ 1,634	$ 208

See the accompanying Notes to Condensed Financial Statements.
See the accompanying Auditors' Report.

</TABLE>

SCHEDULE II
CONDENSED FINANCIAL INFORMATION OF REGISTRANT

Notes to Condensed Financial Statements
AFLAC Incorporated (Parent Only)

The accompanying condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto of AFLAC Incorporated and Subsidiaries (see Part II - Item 8).

(A) NOTES PAYABLE

A summary of notes payable at December 31, 1998 and 1997 follows:

(In millions)	1998	1997

Unsecured, yen-denominated notes payable to banks:		
Reducing, revolving credit agreement, due annually through July 2001:		
2.29% fixed interest rate	$ 294	$ 349
Variable interest rate (.95% at December 31, 1998)	35	-
Revolving credit agreement due November 2002:		
1.24% fixed interest rate	134	149
Variable interest rate (.90% at December 31, 1998)	115	-
Other	-	7
Total notes payable	$ 578	$ 505

The aggregate contractual maturities of the notes payable for each of the years after December 31, 1998, are as follows:

(In millions)

1999	$ 79
2000	125
2001	125
2002	249

For further information regarding notes payable, see Exhibit 13, page 13-60 (Note 7 of the Notes to the Consolidated Financial Statements).

(B) PURCHASE OF SUBSIDIARY

In 1998, we purchased a small Japanese insurance agency. Its main functions will be policyholder-related services and direct marketing programs for AFLAC Japan.

(C) INCOME TAXES

The Company and its eligible U.S. subsidiaries file a consolidated U.S. federal income tax return. Income tax liabilities or benefits are recorded by each principal subsidiary based upon separate return calculations, and any difference between the consolidated provision and the aggregate amounts recorded by the subsidiaries is reflected in the Parent Company financial statements.

For further information on income taxes, see Exhibit 13, page 13-61, Note 8 of the Notes to the Consolidated Financial Statements.

(D) DIVIDEND RESTRICTIONS

See Exhibit 13, page 13-67 (Note 10, Statutory Accounting and Dividend Restrictions, of Notes to the Consolidated Financial Statements) for information regarding dividend restrictions.

(E) SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash payments for interest on debt obligations were $10 million in each of the years during the three-year period ended December 31, 1998.

(F) ACCOUNTING CHANGES

For information concerning new accounting standards recently adopted, see page 13-42 of Exhibit 13, Note 1, section on Accounting Changes Adopted, of Notes to the Consolidated Financial Statements.

<TABLE>

SCHEDULE III
AFLAC INCORPORATED AND SUBSIDIARIES

Supplementary Insurance Information
Years Ended December 31,

<CAPTION>

(In millions)	Deferred Policy Acqui-sition Costs	Future Policy Benefits & Unpaid Policy Claims	Unearned Premiums	Other Policy-holders' Funds	Premium Revenue	Net Invest-ment Income	Benefits and Claims	Amorti-zation of Deferred Policy Acquisi-tion Costs	Other Opera-ting Expenses	Premiums Written
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1998:										
AFLAC Japan	$ 2,340	$ 21,507	$ 217	$ 229	$ 4,738	$ 917	$ 4,119	$ 111	$ 924	$ 4,756
AFLAC U.S.	727	1,974	92	15	1,198	216	749	90	349	1,197
All other	-	-	-	-	7	5	9	-	202	8
Total	$ 3,067	$ 23,481	$ 309	$ 244	$ 5,943	$ 1,138	$ 4,877	$ 201	$ 1,475	$ 5,961
1997:										
AFLAC Japan	$ 1,940	$ 17,589	$ 181	$ 187	$ 4,803	$ 893	$ 4,156	$ 103	$ 934	$ 4,818
AFLAC U.S.	641	1,773	92	11	1,062	180	667	77	315	1,065
All other	1	48	4	-	9	5	10	-	124	9
Total	$ 2,582	$ 19,410	$ 277	$ 198	$ 5,874	$ 1,078	$ 4,833	$ 180	$ 1,373	$ 5,892
1996:										
AFLAC Japan	$ 2,023	$ 18,095	$ 194	$ 189	$ 4,952	$ 896	$ 4,294	$ 98	$ 924	$ 4,973
AFLAC U.S.	559	1,588	90	19	946	119	591	64	283	946
Broadcast	-	-	-	-	-	-	-	-	7	-
All other	1	53	5	1	12	7	11	-	178	13
Total	$ 2,583	$ 19,736	$ 289	$ 209	$ 5,910	$ 1,022	$ 4,896	$ 162	$ 1,392	$ 5,932

</TABLE>

<TABLE>

SCHEDULE IV
AFLAC INCORPORATED AND SUBSIDIARIES

Reinsurance
Years Ended December 31, 1998, 1997, and 1996

(In millions)

<CAPTION>

	Gross Amount	Ceded to other companies	Assumed from other companies	Net amount	Percentage of amount assumed to net
Year ended December 31, 1998:					
Life insurance in force	$ 28,182	$ 566	$ -	$ 27,616	-
Premiums:					
Health insurance	$ 5,435	$ -	$ -	$ 5,435	-
Life insurance	510	2	-	508	-
Total earned premiums	$ 5,945	$ 2	$ -	$ 5,943	-
Year ended December 31, 1997:					
Life insurance in force	$ 26,382	$ 511	$ -	$ 25,871	-
Premiums:					
Health insurance	$ 5,401	$ 1	$ -	$ 5,400	-
Life insurance	475	1	-	474	-
Total earned premiums	$ 5,876	$ 2	$ -	$ 5,874	-
Year ended December 31, 1996:					
Life insurance in force	$ 23,509	$ 416	$ -	$ 23,093	-
Premiums:					
Health insurance	$ 5,577	$ 1	$ -	$ 5,576	-
Life insurance	335	1	-	334	-
Total earned premiums	$ 5,912	$ 2	$ -	$ 5,910	-

See the accompanying Auditors' Report.

</TABLE>

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AFLAC Incorporated

Date MARCH 26, 1999 By /s/ PAUL S. AMOS
(Paul S. Amos)
Chairman of the Board of Directors

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ DANIEL P. AMOS (Daniel P. Amos)	Chief Executive Officer, President and Vice Chairman of the Board of Directors	MARCH 26, 1999
/s/ KRISS CLONINGER, III (Kriss Cloninger, III)	Executive Vice President, Chief Financial Officer and Treasurer	MARCH 26, 1999

/s/ NORMAN P. FOSTER ------------------------ (Norman P. Foster)	Executive Vice President, Corporate Finance	MARCH 26, 1999 ----------------

/s/ J. SHELBY AMOS, II ----------------------------- (J. Shelby Amos, II)	Director	MARCH 26, 1999 ----------------
------------------------------ (Michael H. Armacost)	Director	----------------
/s/ M. DELMAR EDWARDS, M.D. ------------------------------ (M. Delmar Edwards, M.D.)	Director	MARCH 26, 1999 ----------------
/s/ GEORGE W. FORD, JR. ------------------------------ (George W. Ford, Jr.)	Director	MARCH 26, 1999 ----------------
/s/ JOE FRANK HARRIS ------------------------------ (Joe Frank Harris)	Director	MARCH 26, 1999 ----------------
/s/ ELIZABETH J. HUDSON ------------------------------ (Elizabeth J. Hudson)	Director	MARCH 26, 1999 ----------------
/s/ KENNETH S. JANKE, SR. ------------------------------ (Kenneth S. Janke, Sr.)	Director	MARCH 26, 1999 ----------------
/s/ CHARLES B. KNAPP ------------------------------ (Charles B. Knapp)	Director	MARCH 26, 1999 ----------------

/s/ HISAO KOBAYASHI ------------------------------ (Hisao Kobayashi)	Director	MARCH 26, 1999 ----------------
------------------------------ (Yoshiki Otake)	Director	----------------
/s/ E. STEPHEN PURDOM ------------------------------- (E. Stephen Purdom)	Director	MARCH 26, 1999 ----------------
------------------------------- (Barbara K. Rimer)	Director	----------------
/s/ HENRY C. SCHWOB ------------------------------ (Henry C. Schwob)	Director	MARCH 26, 1999 ----------------
/s/ J. KYLE SPENCER ------------------------------ (J. Kyle Spencer)	Director	MARCH 26, 1999 ----------------
/s/ GLENN VAUGHN, JR. ------------------------------ (Glenn Vaughn, Jr.)	Director	MARCH 26, 1999 ----------------

3. EXHIBITS

3.0 - Articles of Incorporation, as amended - incorporated by reference from Form 10-Q for March 31, 1997, Commission file number 1-7434, Accession No. 0000004977-97-000011, Exhibit 3.0; and Bylaws of the Company, as amended - incorporated by reference from Form 10-Q for June 30, 1996, Commission file number 1-7434, Accession No. 0000004977-96-000012, Exhibit 3.0.

4.0 - There are no long-term debt instruments in which the total amount of securities authorized exceeds 10% of the total assets of AFLAC Incorporated and its subsidiaries on a consolidated basis. We agree to furnish a copy of any long-term debt instruments to the Securities and Exchange Commission upon request.

10.0* - American Family Corporation Incentive Stock Option Plan (1982) - incorporated by reference from Registration Statement No. 33-44720 on Form S-8 with respect to the AFLAC Incorporated (Formerly American Family Corporation) Incentive Stock Option Plan (1982) and Stock Option Plan (1985).

10.1* - American Family Corporation Stock Option Plan (1985) - incorporated by reference from Registration Statement No. 33-44720 on Form S-8 with respect to the AFLAC Incorporated (Formerly American Family Corporation) Incentive Stock Option Plan (1982) and Stock Option Plan (1985).

10.1.1* - AFLAC Incorporated Amended 1985 Stock Option Plan - incorporated by reference from 1994 Shareholders' Proxy Statement, Commission file number 1-7434, Accession No. 0000004977-94-000003, Exhibit A.

10.1.2* - AFLAC Incorporated Amended 1985 Stock Option Plan, as amended August 8, 1995 - incorporated by reference from Form 10-Q for September 30, 1995, Commission file number 1-7434, Accession No. 0000004977-95-000023, Exhibit 10.

10.2* - American Family Corporation Retirement Plan for Senior Officers, as amended and restated October 1, 1989 - incorporated by reference from 1993 Form 10-K, Commission file number 1-7434, Accession No. 0000004977-94-000006, Exhibit 10.2.

10.3* - AFLAC Incorporated Supplemental Executive Retirement Plan, as amended, effective January 1, 1998, filed with the 1998 Form 10-K.

10.4* - AFLAC Incorporated Employment Agreement with Daniel P. Amos, dated August 1, 1993 - incorporated by reference from 1993 Form 10-K, Commission file number 1-7434, Accession No. 0000004977-94-000006, Exhibit 10.4.

10.5* - American Family Life Assurance Company of Columbus Employment Agreement with Yoshiki Otake, dated January 1, 1995 - incorporated by reference from 1994 Form 10-K, Commission file number 1-7434, Accession No. 0000004977-95-000006, Exhibit 10.5.

10.6* - AFLAC Incorporated Employment Agreement with Kriss Cloninger, III, dated February 14, 1992, and as amended November 12, 1993 - incorporated by reference from 1993 Form 10-K, Commission file number 1-7434, Accession No. 0000004977-94-000006, Exhibit 10.6.

10.7* - American Family Life Assurance Company of Columbus Employment Agreement with Hidefumi Matsui, dated January 1, 1995 - incorporated by reference from 1994 Form 10-K, Commission file number 1-7434, Accession No. 0000004977-95-000006, Exhibit 10.8.

10.8* - American Family Life Assurance Company of Columbus Employment Agreement with Dr. E. Stephen Purdom, dated October 25, 1994 - incorporated by reference from 1994 Form 10-K, Commission file number 1-7434, Accession No. 0000004977-95-000006, Exhibit 10.9.

10.9* - AFLAC Incorporated Employment Agreement with Paul S. Amos, dated August 1, 1995 - incorporated by reference from Form 10-Q for September 30, 1995, Commission file number 1-7434, Accession No. 0000004977-95-000023, Exhibit 10.1.

10.10* - AFLAC Incorporated Deferred Compensation Agreement with Paul S. Amos, dated July 15, 1997 - incorporated by reference from 1997 Form 10-K, Commission file number 1-7434, Accession No. 0000004977-98-000006, Exhibit 10.11.

10.11* - AFLAC Incorporated 1997 Stock Option Plan, incorporated by reference from the 1997 Shareholders' Proxy Statement, Commission file number 1-7434, Accession No. 0000004977-97-000007, Appendix B.

10.12* - AFLAC Incorporated Executive Deferred Compensation Plan, effective January 1, 1999 - incorporated by reference from Form S-8 Registration Statement No. 333-69333, Accession No. 0000004977-98-00024, Exhibit 4.

13.0 - Selected information from the AFLAC Incorporated Annual Report to Shareholders for 1998.

21.0 - Subsidiaries.

23.0 - Consent of independent auditor, KPMG LLP, to Form S-8 Registration Statement No. 33-44720 with respect to the AFLAC Incorporated (Formerly American Family Corporation) Incentive Stock Option Plan (1982) and Stock Option Plan (1985).

- Consent of independent auditor, KPMG LLP, to Form S-8 Registration Statement No. 33-53737 with respect to the AFLAC Incorporated Amended 1985 Stock Option Plan.
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- Consent of independent auditor, KPMG LLP, to Form S-3 Registration Statement No. 333-69795 with respect to the AFLAC New York Associate Stock Bonus Plan.

27.0** - Financial Data Schedule for December 31, 1998.

* Management contract or compensatory plan or agreement.
** All Financial Data Schedules are submitted in the electronic filing only.

EXHIBITS FILED WITH CURRENT FORM 10-K

10.3*	- AFLAC Incorporated Supplemental Executive Retirement Plan, as amended, effective January 1, 1998.
13.0	- Selected information from the AFLAC Incorporated Annual Report to Shareholders for 1998.
21.0	- Subsidiaries.
23.0	- Consent of independent auditor, KPMG LLP, to Form S-8 Registration Statement No. 33-44720 with respect to the AFLAC Incorporated (Formerly American Family Corporation) Incentive Stock Option Plan (1982) and Stock Option Plan (1985).
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27.0**	- Financial Data Schedule for December 31, 1998.

* Management contract or compensatory plan or agreement.
** All Financial Data Schedules are submitted in the electronic filing only.

EXHIBIT 10.3

EXH 10.3

AFLAC INCORPORATED
SUPPLEMENTAL EXECUTIVE
RETIREMENT PLAN

EXH 10.3-i

TABLE OF CONTENTS

EXH 10.3-iv

AFLAC INCORPORATED SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Effective as of the 1st day of January, 1998, AFLAC Incorporated, a corporation duly organized and existing under the laws of the State of Georgia (the "Company"), hereby amends and restates the AFLAC Incorporated Supplemental Executive Retirement Plan (formerly known as the American Family Corporation Supplemental Executive Retirement Plan (the "Plan").

BACKGROUND AND PURPOSE

A. PURPOSE. The primary purpose of the Plan is to provide supplemental retirement income to selected executives of the Company and its affiliated companies.

B. TYPE OF PLAN. The Plan constitutes an unfunded, nonqualified deferred compensation plan that benefits certain designated employees who are within a select group of key management or highly compensated employees.

STATEMENT OF AGREEMENT

To establish the Plan with the purposes and goals as hereinabove described, the Company hereby sets forth the terms and provisions as follows:

EXH 10.3-v

ARTICLE I
DEFINITIONS

For purposes of the Plan, the following terms, when used with an initial capital letter, shall have the meaning set forth below unless a different meaning plainly is required by the context.

1.1 ACTUARIAL EQUIVALENT means an amount of equivalent value determined by applying the Unisex Pension 1984 Mortality Table and a 7% rate of interest; provided, consistent with the terms of Section 7.1, the Administrative Committee may, in its sole discretion from time to time, modify this rate of interest.

1.2 ADMINISTRATIVE COMMITTEE means the committee designated by the Compensation Committee to act on behalf of the Company to administer the Plan. If at any time the Compensation Committee has not designated an Administrative Committee, the Compensation Committee shall serve as the Administrative Committee. Subject to the limitation in Section 6.1 relating to decisions which affect solely their own benefits under the Plan, individuals who are management level employees and/or Participants may serve as members of the Administrative Committee.

1.3 AFFILIATE means (i) any corporation or other entity that is required to be aggregated with the Company under Code Sections 414(b), (c), (m) or (o), and (ii) any other entity in which the Company has an ownership interest and which the Company designates as an Affiliate for purposes of the Plan.

1.4 ANNUAL COMPENSATION means the base salary and cash bonuses actually paid to a Participant during a relevant calendar year.

1.5 ANNUAL RETIREMENT BENEFIT means the annual amount payable to a retired Participant as determined pursuant to the terms of Article III.

1.6 AVERAGE ANNUAL COMPENSATION means, for each Participant, the average of his Annual Compensation for the 3-consecutive-calendar year period in the final 10-consecutive-calendar year period of employment with the Company and its Affiliates that yields the highest average. For purposes hereof, the Participant's Annual Compensation for the calendar year in which the Participant terminates employment with the Company and all of its Affiliates shall be taken into account only if such termination occurs as of December 31 of such year.

1.7 BENEFIT COMMENCEMENT DATE means the first day of the calendar month coinciding with or next following the date on which a Participant becomes entitled to receive or begin receiving an Annual Retirement Benefit under Section 3.2, 3.3 or 3.4.

1.8 BOARD means the Board of Directors of the Company.

1.9 CAUSE means, in connection with a Participant's termination of employment and/or removal from participation in the Plan (whether by action of his employer or the Compensation Committee, or by the Participant's resignation for other than Good Reason in anticipation of such action for Cause to terminate his employment or participation) (i) the continued failure by the Participant to substantially perform the Participant's duties

with the Company or an Affiliate of the Company (other than any such failure resulting from the Participant's incapacity due to physical or mental illness or any such actual or anticipated failure after a Participant gives a notice of termination of employment for Good Reason) after a written demand for substantial performance is delivered to the Participant by the Board, which demand specifically identifies the manner in which the Board believes that the Participant has not substantially performed the Participant's duties; (ii) the engaging by the Participant in conduct that is demonstrably and materially injurious to the Company or its subsidiaries, monetarily or otherwise; or (iii) the Participant's conviction of, or plea of guilty or no contest to, a felony or crime involving moral turpitude. Notwithstanding the foregoing, a termination for Cause shall not be deemed to have occurred under clause (i) or (ii) unless and until there shall have been delivered to the Participant a copy of a resolution duly adopted by the affirmative vote of a majority of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to the Participant and an opportunity for him, together with his counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Participant engaged in conduct set forth above and specifying the particulars thereof in detail.

1.10 CHANGE IN CONTROL means the occurrence of any of the following events:

(a) Any Person is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities; provided, for purposes of this subsection (a), securities acquired directly from the Company or its Affiliates shall not be taken into account as securities beneficially owned by such Person;

(b) During any period of 2 consecutive years, individuals who at the beginning of such period constitute the Board and any new director (other than a director designated by a Person who has entered into an agreement with the Company to effect a transaction described in subsection (a), (c) or (d) hereof) whose election by the Board or nomination for election by the Company' s shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof;

(c) The shareholders of the Company approve a merger or consolidation of the Company with any other corporation, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company, at least 75% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person acquires more than 50% of the combined voting power of the Company's then outstanding securities; or

(d) The shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all the Company's assets.

As used herein, the term "Person" shall have the meaning given in Section 3(a)(9) of the Securities Exchange Act of 1934, as modified and used in Sections 13(d) and 14(d) thereof; provided, a Person shall not include (i) the Company or any of its subsidiaries; (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries; (iii) an underwriter temporarily holding securities pursuant to an offering of such securities; or (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company.

1.11 CODE means the Internal Revenue Code of 1986, as amended.

1.12 COMPANY means AFLAC Incorporated, a Georgia corporation with its principal place of business in Columbus, Georgia.

1.13 COMPENSATION COMMITTEE means the Compensation Committee of the Board.

1.14 CONFIDENTIAL INFORMATION means (i) all Trade Secrets; and (ii) any other information that is material to the Company and not generally available to the public, including, without limitation, information concerning the Company's methods and plans of operation, production processes, marketing and sales strategies, research and development, knowhow, computer programming, style and design technology and plans, non-published product specifications, patent applications, product and raw material costs, pricing strategies, business plans, financial data, personnel records, suppliers and customers (whether or not such information constitutes a Trade Secret).

1.15 DELAYED EARLY RETIREMENT DATE means (i) for a Participant whose Participation Date occurred before August 11, 1992, the date the Participant attains age 60; and (ii) for a Participant whose Participation Date occurred on or after August 11, 1992, the latest of (A) the date the Participant attains age 60, (B) the date the Participant completes 15 Years of Employment, or (C) the date the Participant completes 5 consecutive years of participation in the Plan (that is, for a Participant who has continuously participated in the Plan since his Participation Date, the 5th anniversary of such date).

1.16 DISABILITY OR DISABLED means that a Participant is, in the opinion of the Compensation Committee, wholly prevented from performing the duties assigned to such Participant by the Company or Affiliate employing such Participant, by reason of a medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. In making such determination, the Compensation Committee, in its sole discretion, may require such medical proof as it deems necessary, including the certificate of one or more licensed physicians selected by the Compensation Committee. The decision of the Compensation Committee as to Disability shall be final and binding.

1.17 EARLY RETIREMENT DATE means (i) for a Participant whose Participation Date occurred before August 11, 1992, the date the Participant attains age 55; and (ii) for a Participant whose Participation Date occurred on or after August 11, 1992, the latest of (A) the date the Participant attains age 55, (B) the date the Participant completes 15 Years of Employment, or (C) the date the Participant completes 5 consecutive years of participation in the Plan (that is, for a Participant who has continuously participated in the Plan since his Participation Date, the 5th anniversary of such date).

1.18 EFFECTIVE DATE means January 1, 1998, the date as of which this restatement shall be effective. (The Plan was initially effective on October 1, 1989.)

1.19 ELIGIBLE EMPLOYEE means an Employee who is a member of a select group of highly compensated or key management employees of the Company or an Affiliate.

1.20 EMPLOYMENT DATE means, with respect to an Eligible Employee, the date his employment with the Company or an Affiliate first commenced (whether or not he was an Eligible Employee on such date); provided, if an individual ceases to be an employee of the Company and all Affiliates for any reason and subsequently is reemployed by the Company and/or an Affiliate, his Employment Date shall be the date his employment recommences (unless the Compensation Committee designates an earlier date).

1.21 ERISA means the Employee Retirement Income Security Act of 1974, as amended.

1.22 FINAL BASE PAY means the highest annual base salary (excluding bonuses) paid to a Participant during any of the 3 calendar years immediately preceding the calendar year in which the Participant terminates employment with the Company and all of its Affiliates.

1.23 GOOD REASON means the occurrence after a Change in Control of any of the following circumstances, unless the Participant expressly consents to such circumstance in writing or, in the case of a circumstance described in subsection (a), (e) or (f) hereof, such circumstance is fully corrected prior to the date the Participant terminates employment:

(a) The assignment to the Participant of any duties inconsistent with the position he held in the Company (or any subsidiary or Affiliate of the Company) immediately prior to the Change in Control, or a significant adverse alteration in the nature or status of his responsibilities from those in effect immediately prior to such change;

(b) A reduction by the Company and all Affiliates in the Participant's annual base salary, or a reduction by the Company and all Affiliates in the Participant's total compensation, as in effect immediately prior to the Change in Control or as the same may be increased from time to time;

(c) The relocation of the Company's principal executive offices to a location outside the Columbus, Georgia Metropolitan Area (or, if different, the metropolitan area in which such offices are located immediately prior to the Change in Control); or the Company's requiring the Participant to be based anywhere other than the Company's principal

executive offices except for required travel on the Company's business to an extent substantially consistent with the Participant's business travel obligations immediately prior to the Change in Control;

(d) The failure by the Company and all Affiliates to pay to the Participant any portion of his current compensation within 7 days of the date such compensation is due;

(e) The failure by the Company and all Affiliates to continue in effect any compensation plan in which the Participant participates immediately prior to the Change in Control and which is material to the Participant's total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan; or the failure by the Company and all Affiliates to continue the Participant's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of the Participant's participation relative to other participants, as existed at the time of the Change in Control; or

(f) The failure by the Company and all Affiliates to continue to provide the Participant with benefits substantially similar to those enjoyed by him under any of the Company's life insurance, medical, health and accident, or disability plans in which he was participating at the time of the Change in Control; the taking of any action by the Company or an Affiliate which would directly or indirectly materially reduce any of such benefits or deprive the Participant of any material fringe benefit enjoyed by him at the time of the Change in Control; or the failure by the Company and all Affiliates to provide the Participant with the number of paid vacation days to which he is entitled on the basis of years of service with the Company and all Affiliates in accordance with the Company's or Affiliate's normal vacation policy in effect at the time of the Change in Control.

A Participant's right to terminate his employment for Good Reason shall not be affected by the Participant's incapacity due to physical or mental illness. The Participant's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

1.24 GRANDFATHERED PARTICIPANT means a Participant who was an active Participant in the Plan on December 31, 1997.

1.25 JOINT AND 50% SURVIVOR ANNUITY means the Actuarial Equivalent of a Participant's Annual Retirement Benefit payable monthly during the Participant's lifetime (commencing as of his Benefit Commencement Date and ending with the payment due as of the first day of the month during which the Participant dies), with 50% of such monthly benefit amount continuing after his death (beginning as of the first day of the month following the month in which he dies) to his Surviving Spouse (if the Surviving Spouse survives the Participant) for such Surviving Spouse's remaining lifetime. Payments shall cease after the payment due on the first day of the month coinciding with or immediately preceding the later of the Participant's death or his Surviving Spouse's death.

1.26 NORMAL RETIREMENT DATE means (i) for a Participant whose Participation Date occurred before August 11, 1992, the date the Participant attains age 65; and (ii) for a Participant whose Participation Date occurred on or after August 11, 1992, the latest of (A) the date the Participant attains age 65, (B) the date the Participant completes 15 Years of Employment, or (C) the date the Participant completes 5 consecutive years of participation in the Plan (that is, for a Participant who has continuously participated in the Plan since his Participation Date, the 5th anniversary of such date).

1.27 PARTICIPANT means an active Participant or retired Participant who has a benefit payable under the Plan.

1.28 PARTICIPATION DATE means, with respect to each Eligible Employee who is designated as a Participant, the date his participation in the Plan commences (see Section 2.1); provided, if an Eligible Employee ceases to be an active Participant for any reason and subsequently is again designated as a Participant, his Participation Date shall be the date his active participation recommences (unless the Compensation Committee designates an earlier date).

1.29 PENSION PLAN means the AFLAC Incorporated Pension Plan, a defined benefit plan qualified under Code Section 401(a), as such plan may be amended from time to time.

1.30 PENSION PLAN BENEFIT means the Actuarial Equivalent of a Participant's accrued benefit under the Pension Plan, calculated as if that benefit was payable annually for the life of the Participant commencing on the Participant's Benefit Commencement Date.

1.31 PLAN means the AFLAC Incorporated Supplemental Executive Retirement Plan, as contained herein and all amendments hereto. The Plan is intended to be an unfunded, nonqualified deferred compensation plan covering certain designated employees who are within a select group of key management or highly compensated employees.

1.32 QUALIFYING TERMINATION means a Participant's termination of employment with the Company and all Affiliates following a Change in Control, unless such termination of employment is (i) because of the Participant's death or Disability, (ii) by the Company or an Affiliate for Cause, or (iii) by the Participant other than for Good Reason.

1.33 SINGLE LIFE ANNUITY means the Actuarial Equivalent of a Participant's Annual Retirement Benefit payable monthly during the Participant's lifetime, commencing as of his Benefit Commencement Date and ending after the payment due on the first day of the month coinciding with or immediately preceding the date of his death.

1.34 SURVIVING SPOUSE means, with respect to a Participant, the person who is treated as married to such Participant under the laws of the state in which the Participant resides. The determination of a Participant's

Surviving Spouse shall be made as of the date of such Participant's termination of employment.

1.35 YEAR OF EMPLOYMENT means, with respect to an Eligible Employee, a 12-month period, beginning on his Employment Date or on any anniversary thereof, during which such Eligible Employee remains continuously employed

by, or engaged to provide full-time service to, the Company and/or an Affiliate. If an individual ceases to be an employee of the Company and all Affiliates for any reason and subsequently is reemployed by the Company and/or an Affiliate, his previously earned Years of Employment shall be taken into account only to the extent (if any) specified by the Compensation Committee.

1.36 TOTAL PAYMENTS has the meaning as defined in Section 3.6(e).

1.37 TRADE SECRET means information of or about the Company that would be considered a trade secret under Georgia law; namely, that information which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. Trade Secrets may include, but shall not be limited to, technical or nontechnical data, a formula, pattern, compilation, program, device, method, technique, drawing or process, financial data or plans, product plans, or a list of actual or potential customers or suppliers.

ARTICLE II
ELIGIBILITY AND PARTICIPATION

2.1 SELECTION OF PARTICIPANTS.

The Compensation Committee, in its sole discretion, shall designate which Eligible Employees shall become Participants in the Plan and, for each such Eligible Employee, his Participation Date. The Administrative Committee then shall set forth the name of each Participant on Schedule A hereto. Notwithstanding anything herein to the contrary, all aspects of the selection of Participants shall be in the sole discretion of the Compensation Committee and regardless of title, duties or any other factors, there shall be no requirement whatsoever that any individual or group of individuals be allowed to participate herein.

2.2 CESSATION OF PARTICIPATION.

Unless the Compensation Committee specifies otherwise, a Participant's active participation in the Plan shall cease at the time his employment with the Company and all Affiliates terminates for any reason. In addition, subject to Section 3.6(b), the Compensation Committee, in its sole discretion, may remove any Participant from participation in the Plan due to Cause. Any such removal shall be effective as of the later of (i) the date that the Compensation Committee has taken such action, or (ii) the effective date that the Compensation Committee specifies for such action. A Participant who remains entitled to benefits under the Plan after he terminates employment with the Company and its Affiliates shall remain a retired Participant as long as he is entitled to any portion of his benefits as described in the Plan.

2.3 TERMINATION OF EMPLOYMENT BEFORE EARLY RETIREMENT DATE; REMOVAL FROM PARTICIPATION.

(a) TERMINATION BEFORE EARLY RETIREMENT DATE. Except as provided in Section 3.6, upon a Participant's termination of employment with the Company and all Affiliates before his Early Retirement Date, neither the Participant nor his Surviving Spouse (if any) shall be entitled to any benefit or payment under the Plan.

(b) REMOVAL FROM PARTICIPATION. Notwithstanding anything herein to the contrary, if the Compensation Committee determines, in its sole discretion, that either (i) a Participant's employment or participation in the Plan was terminated by the Company, an Affiliate or the Compensation Committee for Cause, or (ii) the Participant resigned for other than Good Reason in anticipation of such action for Cause to terminate his employment or participation, then the Participant and/or his Surviving Spouse shall forfeit all rights and entitlements under the Plan. The decision of the Compensation Committee as to whether the Participant's discharge or removal was for Cause will be final and binding; provided, no dispute over the reason for such discharge shall affect the finality of the discharge of the Participant by the Company or Affiliate.

ARTICLE III
BENEFITS

3.1 ELIGIBILITY FOR BENEFITS.

Subject to the terms of Section 2.3, a Participant or Surviving Spouse shall be eligible to receive the amount, if any, determined in accordance with the terms of this Article.

3.2 NORMAL RETIREMENT BENEFIT.

(a) GENERAL FORMULA. Upon a Participant's termination of employment with the Company and all Affiliates on or after his Normal Retirement Date for any reason other than Cause or death, the Participant shall be entitled to an Annual Retirement Benefit in an amount equal to the difference between the amount determined under subsection (a)(i) and the amount determined under subsection (a)(ii), as follows:

(i) 60 % of the Participant's Average Annual Compensation; and

(ii) the Participant's Pension Plan Benefit.

(b) GRANDFATHERED BENEFITS. Notwithstanding the terms of subsection (a) hereof, the Annual Retirement Benefit of any Grandfathered Participant who terminates employment on or after his Normal Retirement Date for any reason other than Cause or death shall be the greater of the amount determined under subsection (a) hereof or an amount equal to the difference between the amount determined under subsection (b)(i) and the amount determined under subsection (b)(ii), as follows:

(i) 65 % of the Participant's Final Base Pay; and

(ii) the Participant's Pension Plan Benefit.

3.3 EARLY RETIREMENT BENEFIT.

(a) GENERAL FORMULA. Upon a Participant's termination of employment with the Company and all Affiliates on or after his Early Retirement Date but before his Delayed Early Retirement Date for any reason other than Cause or death, the Participant shall be entitled to an Annual Retirement Benefit in an amount equal to the difference between the amount determined under subsection (a)(i) and the amount determined under subsection (a)(ii), as follows:

(i) 40% of the Participant's Average Annual Compensation; and

(ii) the Participant's Pension Plan Benefit.

(b) GRANDFATHERED BENEFITS. Notwithstanding the terms of subsection (a), the Annual Retirement Benefit of any Grandfathered Participant who terminates employment on or after his Early Retirement Date but before his Delayed Early Retirement Date for any reason other than Cause or death shall be the greater of the amount determined under subsection (a) hereof or an amount equal to the difference between the amount determined under subsection (b)(i) and the amount determined under subsection (b)(ii), as follows:

(i) 50% of the Participant's Final Base Pay; and

(ii) the Participant's Pension Plan Benefit.

3.4 DELAYED EARLY RETIREMENT BENEFIT.

(a) GENERAL FORMULA. Upon a Participant's termination of employment with the Company and all Affiliates on or after his Delayed Early Retirement Date but before his Normal Retirement Date for any reason other than Cause or death, the Participant shall be entitled to an Annual Retirement Benefit in an amount equal to the difference between the amount determined under subsection (a)(i) and the amount determined under subsection (a)(ii), as follows:

(i) 50 % of the Participant's Average Annual Compensation; and

(ii) the Participant's Pension Plan Benefit.

(b) GRANDFATHERED BENEFITS. Notwithstanding the terms of subsection (a), the Annual Retirement Benefit of any Grandfathered Participant who terminates employment on or after his Delayed Early Retirement Date but before his Normal Retirement Date for any reason other than Cause or death shall be the greater of the amount determined under subsection (a) hereof or an amount equal to the difference between the amount determined under subsection (b)(i) and the amount determined under subsection (b)(ii), as follows:

(i) 50% of the Participant's Final Base Pay; and

(ii) the Participant's Pension Plan Benefit.

3.5 PAYMENT OF ANNUAL RETIREMENT BENEFIT.

(a) COMMENCEMENT. A Participant's Annual Retirement Benefit shall commence as soon as practicable after the Participant's Benefit Commencement Date.

(b) NORMAL FORM OF PAYMENT. Except as provided in subsection (c) hereof, a Participant's Annual Retirement Benefit shall be paid in the form of a Single Life Annuity, commencing on the Participant's Benefit Commencement Date.

(c) OPTIONAL FORM OF PAYMENT. A Participant may elect, not later than 6 months before his termination of employment with the Company and all Affiliates, to have his Annual Retirement Benefit paid in the form of a Joint and 50% Survivor Annuity, which shall be the Actuarial Equivalent of the Participant's Annual Retirement Benefit payable in the form of a Single Life Annuity. Notwithstanding any such election, if a Participant who has elected a Joint and 50% Survivor Annuity is not married on the date of his termination of employment, his benefit shall be paid in the form of a Single Life Annuity.

(d) CASH PAYMENTS. All benefit payments hereunder shall be made in cash.

3.6 CHANGE IN CONTROL.

(a) GENERAL. In the event of a Change in Control, the provisions of this Section shall apply to each Participant who was an active Participant in the Plan immediately preceding the date of the Change in Control.

(b) RESTRICTION ON CHANGES. For a period of 3 years following a Change in Control, (i) no Participant may be removed from participation in the Plan pursuant to the terms of Section 2.2, and (ii) the Plan may not be terminated or amended in any manner which would adversely affect in any way the amount of, or the entitlement to, retirement benefits hereunder or remove a Participant from participation hereunder. Notwithstanding any other provisions of the Plan, the foregoing provisions of this subsection may not be amended following a Change in Control without the written consent of a majority in both number and interest of the Participants who are actively employed by the Company or any Affiliate, both immediately prior to the Change in Control and at the date of such amendment.

(c) TERMINATION WITHIN TWO YEARS OF A CHANGE IN CONTROL. If a Participant's employment with the Company and all Affiliates terminates during the 2-year period immediately following the Change in Control and such termination of employment constitutes a Qualifying Termination, the Company shall pay to the Participant, no later than the fifth day following the date of the Participant's Qualifying Termination, a lump-sum cash amount that is the Actuarial Equivalent (determined as of the date of the Qualifying Termination) of the Annual Retirement Benefit to which the Participant would have been entitled had he remained in the employ of the Company or an Affiliate as a Participant in the Plan (i) until he attained his Early Retirement Date, in the case of a Participant who had not yet attained his Early Retirement Date as of the date of his Qualifying Termination, (ii) until he had attained his Delayed Early Retirement Date, in the case of a Participant who had attained his Early Retirement Date but

not his Delayed Early Retirement Date as of the date of the Qualifying Termination, or (iii) until he had attained his Normal Retirement Date, for a participant who had attained his Delayed Early Retirement Date but not his Normal Retirement Date as of the date of the Qualifying Termination.

(d) TERMINATION OR REMOVAL MORE THAN TWO YEARS AFTER A CHANGE IN

CONTROL. If after the 2-year period immediately following a Change in Control and before a Participant's Early Retirement Date (i) the Participant's employment with the Company and all Affiliates terminates and such termination constitutes a Qualifying Termination, or (ii) the Participant is removed from participation in the Plan (pursuant to the terms of Section 2.2 but subject to the terms of subsection (b) hereof), the Company shall pay to the Participant, no later than the fifth day following the date of the Participant's Qualifying Termination or removal from the Plan, a lump-sum cash amount that is the Actuarial Equivalent (determined as of the date of the Qualifying Termination or removal) of the product of (i) the Annual Retirement Benefit to which the Participant would have been entitled had he remained in the employ of the Company or an Affiliate as a Participant in the Plan until his Early Retirement Date, and (ii) a fraction, (A) the numerator of which is the number of complete and partial 12-month periods of employment with the Company and its Affiliates completed by the Participant as of the date of the Qualifying Termination or removal from participation, and (B) the denominator of which is the number of complete and partial 12-month periods between the Participant's first day of employment with the Company and its Affiliates and the Participant's Early Retirement Date.

(e) LIMITATIONS ON PAYMENTS. Notwithstanding any other provisions of the Plan, in the event that any payment or benefit received or to be received by a Participant in connection with a Change in Control or the termination of the Participant's employment, whether pursuant to the terms of the Plan or any other plan, arrangement or agreement with the Company or entity whose actions result in a Change in Control or any affiliate of the Company or such entity (all such payments and benefits, including the payments under this Section 3.6, being hereinafter called "Total Payments") would not be deductible (in whole or part) by the Company, an affiliate or entity making such payment or providing such benefit, as a result of Code Section 280G, then, to the extent necessary to make such portion of the Total Payments deductible (and after taking into account any reduction in the Total Payments made on account of Code Section 280G in such other plan, arrangement or agreement), the payment described in this Section shall be reduced (if necessary, to zero). For purposes of this limitation (i) no portion of the Total Payments shall be taken into account which in the opinion of tax counsel selected by the Company's independent auditors and reasonably acceptable to the Participant does not constitute a "parachute payment" within the meaning of Code Section 280G(b)(2), including by reason of Code Section 280G(b)(4)(A); (ii) the payment under this Section shall be reduced only to the extent necessary so that the Total Payments are not subject to disallowance as deductions, in the opinion of the tax counsel referred to in clause (i); and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Company's independent auditors in accordance with the principles of Code Sections 280G(d) (3) and (4).

3.7 NONCOMPETITION.

The payment of Annual Retirement Benefits to a Participant under the Plan shall immediately cease and be forfeited if the Participant, without the prior consent of the Board, directly or indirectly renders advisory or any other services to, or becomes employed by, or participates or engages in any business competitive with any of the business activities of the Company (or any subsidiary or Affiliate of the Company) in any states or foreign countries in which the Company or any of its subsidiaries or Affiliates do business. For purposes of this Section, "participates or engages" in means acting as an agent, consultant, representative, officer, director, member, independent contractor or employee; or as an owner, partner, limited partner, joint venturer, creditor or shareholder (except as a shareholder holding no more than a 1% interest in a publicly traded entity). As a condition to receiving or continuing to receive benefit payments hereunder, the Compensation Committee, in its sole discretion and at any time, may require any Participant to enter into a noncompete and/or nonsolicitation agreement with such terms and provisions as the Compensation Committee may dictate.

3.8 CONFIDENTIAL INFORMATION.

The payment of an Annual Retirement Benefit to a Participant under the Plan shall immediately cease and be forfeited if the Participant, at any time during or following the Participant's employment with the Company or its Affiliates, discloses any Confidential Information to any other person or entity (except employees of the Company and its Affiliates) without the prior written consent of the Board or Compensation Committee.

3.9 CONSULTATION.

As a condition to the payment of Annual Retirement Benefits hereunder, a Participant shall, at the request of the Compensation Committee, make himself available for consultation to the Company and Affiliates, during the 10 years immediately following his Benefit Commencement Date. In this regard, the Participant shall serve as an independent consultant at reasonable business hours, upon reasonable notice, and subject to the conditions of health. He shall serve without further compensation except necessary and proper business or travel expenses required in connection with such consultation.

3.10 DEATH BENEFIT.

In the event a Participant dies after attaining his Early Retirement Date but before his Benefit Commencement Date, his Surviving Spouse (if any) shall be entitled to receive, commencing as of the first day of the month coinciding with or immediately following the date of the Participant's death, an annual survivor benefit in an amount determined as if the Participant had retired on the day immediately preceding his death and had elected to receive a Joint and 50% Survivor Annuity.

EXH 10.3-12

ARTICLE IV
CLAIMS

4.1 CLAIMS.

(a) INITIAL CLAIM. Claims for benefits under the Plan may be filed in writing with the Compensation Committee. The Compensation Committee shall furnish to the claimant written notice of the disposition of a claim within 90 days after the application therefor is filed; provided, if special circumstances require an extension, the Compensation Committee may extend such 90-day period by up to an additional 90 days, by providing a notice of such extension to the claimant before the end of the initial 90-day period. In the event the claim is denied, the notice of the disposition of the claim shall provide the specific reasons for the denial, citations of the pertinent provisions of the Plan, and, where appropriate, an explanation as to how the claimant can perfect the claim and/or submit the claim for review.

(b) APPEAL. Any Participant or Surviving Spouse who has been denied a benefit shall be entitled, upon request to the Compensation Committee, to appeal the denial of his claim. The claimant (or his duly authorized representative) may review pertinent documents related to the Plan and in the Compensation Committee's possession in order to prepare the appeal. The request for review, together with a written statement of the claimant's position, must be filed with the Compensation Committee no later than 60 days after receipt of the written notification of denial of a claim provided for in subsection (a). The Compensation Committee's decision shall be made within 60 days following the filing of the request for review; provided, if special circumstances require an extension, the Compensation Committee may extend such 60-day period by up to an additional 60 days, by providing a notice of such extension to the claimant before the end of the initial 60-day period. If unfavorable, the notice of decision shall explain the reasons for denial and indicate the provisions of the Plan or other documents used to arrive at the decision.

(c) SATISFACTION OF CLAIMS. Any payment to a Participant or Surviving Spouse shall to the extent thereof be in full satisfaction of all claims hereunder against the Compensation Committee, the Company, and all Affiliates, any of which may require such Participant or Surviving Spouse as a condition to such payment to execute a receipt and release therefor in such form as shall be determined by the Compensation Committee. If receipt and release is required but the Participant or Surviving Spouse (as applicable) does not provide such receipt and release in a timely enough manner to permit a timely distribution in accordance with the general timing of distribution provisions in the Plan, the payment of any affected distribution(s) may be delayed until the Compensation Committee receives a proper receipt and release.

ARTICLE V
SOURCE OF FUNDS

5.1 SOURCE OF FUNDS.

(a) ALLOCATION AMONG AFFILIATES. The obligation to pay benefits hereunder shall be the obligation of the Company and its Affiliates that participate in the Plan and whose employees are Participants entitled to benefits hereunder. The Compensation Committee shall allocate the total liability to pay benefits under the Plan among the Company and its Affiliates that participate in the Plan in such manner and amount as the Compensation Committee in its sole discretion deems appropriate.

(b) GENERAL CREDITORS. Each of the Company and its Affiliates shall provide the benefits described in the Plan and allocable to such entity pursuant to the terms of subsection (a) hereof from its general assets. The Company's and Affiliates' obligations to pay benefits under the Plan constitute mere promises of the Company and its Affiliates to pay such benefits; and a Participant or Surviving Spouse shall be and remain no more than an unsecured, general creditor of the Company.

ARTICLE VI
ADMINISTRATIVE AND COMPENSATION COMMITTEES

6.1 ACTION OF ADMINISTRATIVE COMMITTEE.

Action of the Administrative Committee may be taken with or without a meeting of committee members; provided, action shall be taken only upon the vote or other affirmative expression of a majority of the committee members qualified to vote with respect to such action. If a member of the committee is a Participant or Surviving Spouse, he shall not participate in any decision which solely affects his own benefit under the Plan. For purposes of administering the Plan, the Administrative Committee shall choose a secretary who shall keep minutes of the committee's proceedings and all records and documents pertaining to the administration of the Plan. The secretary may execute any certificate or any other written direction on behalf of the Administrative Committee.

6.2 RIGHTS AND DUTIES OF ADMINISTRATIVE COMMITTEE.

The Administrative Committee shall administer the Plan and shall have all powers necessary to accomplish that purpose, including (but not limited to) the following:

(a) To maintain all the necessary records of the administration of the Plan;

(b) To maintain records regarding Participants' and Surviving Spouses' benefits hereunder;

(c) To effect all disbursements approved by the Compensation Committee pursuant to the Plan;

(d) To delegate to other individuals or entities from time to time the performance of any of its duties or responsibilities hereunder; and

(e) To hire agents, accountants, actuaries, consultants and legal counsel to assist in operating and administering the Plan.

6.3 RIGHTS AND DUTIES OF COMPENSATION COMMITTEE.

The Compensation Committee shall have the exclusive right to construe and to interpret the Plan, to decide all questions of eligibility for benefits and to determine the amount of such benefits, and its decisions on such matters shall be final and conclusive on all parties. The Compensation Committee may establish rules for the regulation of the Plan as are not inconsistent with the terms hereof.

6.4 COMPENSATION, INDEMNITY AND LIABILITY.

The Compensation Committee, the Administrative Committee and their members shall serve as such without bond and without compensation for services hereunder. All expenses of the Compensation Committee and the Administrative Committee shall be paid by the Company. No member of either committee shall be liable for any act or omission of any other member of the committee, nor for any act or omission on his own part, excepting his own willful misconduct. The Company shall indemnify and hold harmless the

Compensation Committee, the Administrative Committee and each member thereof against any and all expenses and liabilities, including reasonable legal fees and expenses, arising out of his membership on the committee, excepting only expenses and liabilities arising out of his own willful misconduct.

6.5 TAXES.

If the whole or any part of any Participant's or Surviving Spouse's benefit hereunder shall become subject to any estate, inheritance, income or other tax which the Company or an Affiliate shall be required to pay or withhold, the Company and such Affiliate shall have the full power and authority to withhold and pay such tax out of any monies or other property in its hand for the account of the Participant or Surviving Spouse whose interests hereunder are so affected. Prior to making any payment, the Company and Affiliates may require such releases or other documents from any lawful taxing authority as they shall deem necessary.

ARTICLE VII
AMENDMENT AND TERMINATION

7.1 AMENDMENTS.

Subject to Section 3.6(b), the Board or the Compensation Committee may amend the Plan in whole or in part at any time and from time to time. An amendment to the Plan may modify its terms in any respect whatsoever; provided, the Board may not amend the Plan to decrease the level of benefits which a Participant or Surviving Spouse would be entitled to receive under Article III, if he terminated employment with the Company and all Affiliates on the later of (i) the date such amendment is adopted, or (ii) the date such amendment is effective.

7.2 TERMINATION OF PLAN.

Subject to Section 3.6(b), the Board shall have the right to discontinue and terminate the Plan at any time, for any reason; provided, such discontinuance or termination shall not have the effect of decreasing the level of benefits which a Participant would be entitled to receive under Article III, if he terminated employment with the Company and all Affiliates on the later of (i) the date the resolution to terminate and discontinue the Plan is adopted, or (ii) the date the termination and discontinuance is effective. Termination and discontinuance of the Plan shall be binding on all Participants and Surviving Spouses.

ARTICLE VIII
MISCELLANEOUS

8.1 TAXATION.

It is the intention of the Company and Affiliates that the benefits payable hereunder shall not be deductible by the Company or Affiliates nor taxable for federal income tax purposes to Participants or Surviving Spouses until such benefits are paid by the Company or Affiliates to such Participants or Surviving Spouses. When such benefits are so paid, it is the intention of the Company and Affiliates that they shall be deductible by the Company and Affiliates under Code Section 162.

8.2 NO EMPLOYMENT CONTRACT.

Nothing herein contained is intended to be nor shall be construed as constituting a contract arrangement between the Company or any Affiliate and any Participant to the effect that the Participant will be employed by the Company or any Affiliate for any specific period of time.

8.3 HEADINGS.

The headings of the various articles and sections in the Plan are solely for convenience and shall not be relied upon in construing any provisions hereof. Any reference to a section shall refer to a section of the Plan unless specified otherwise.

8.4 GENDER AND NUMBER.

Use of any gender in the Plan will be deemed to include all genders when appropriate, and use of the singular number will be deemed to include the plural when appropriate, and vice versa in each instance.

8.5 SUCCESSORS.

The Company and the Affiliates shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company and/or the Affiliates to expressly assume their obligations hereunder in the same manner and to the same extent that the Company and the Affiliates would be required to perform if no such succession had taken place.

8.6 LEGAL EXPENSES.

The Company shall pay or reimburse a Participant for all fees and disbursements of counsel, if any, incurred by the Participant in seeking to obtain or enforce any right or benefit provided by the Plan.

8.7 ASSIGNMENT OF BENEFITS.

The right of a Participant or any other person to receive payments under the Plan shall not be assigned, transferred, pledged or encumbered, except by will or by the laws of descent and distribution and then only to the extent permitted under the terms of the Plan.

8.8 LEGALLY INCOMPETENT.

The Administrative Committee, in its sole discretion, may direct that payment be made to an incompetent or disabled person, whether because of minority or mental or physical disability, to the guardian of such person or to the person having custody of such person, without further liability either on the part of the Company or the Affiliates for the amount of such payment to the person on whose account such payment is made.

8.9 GOVERNING LAW.

The Plan shall be construed, administered and governed in all respects in accordance with applicable federal law and, to the extent not preempted by federal law, in accordance with the laws of the State of Georgia. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

IN WITNESS WHEREOF, the Company has caused the Plan to be executed by its duly authorized officer as of the day and year first above written.

AFLAC INCORPORATED

By: /s/ Daniel P. Amos

Title: Chief Executive Officer, President

EXH 10.3-17

EXHIBIT 13

EXH 13

EXHIBIT 13

The following information is contained in the 1998 Annual Report to Shareholders. The required information incorporated by reference to the preceding pages of this 1998 Form 10-K have been reproduced herein as Exhibit 13 for purposes of electronic filing of this Form 10-K.

PART II

ITEM 5. (a) Market Information:

The Company's common stock is principally traded on the New York Stock Exchange. The Company is also listed on the Pacific Stock Exchange and the Tokyo Stock Exchange.

The high, low and closing quarterly sales prices for the Company's common stock, as published in the U.S. consolidated transaction reporting system, for the last three fiscal years ended December 31, 1998, are as follows:

Quarterly Common Stock Prices

1998	High	Low	Close
4th Quarter	$ 45.31	$ 25.50	$ 43.88
3rd Quarter	38.25	25.13	28.56
2nd Quarter	34.50	29.50	30.31
1st Quarter	33.62	22.69	31.63

1997	High	Low	Close
4th Quarter	$ 28.16	$ 22.13	$ 25.56
3rd Quarter	28.94	24.25	27.13
2nd Quarter	25.69	19.19	23.63
1st Quarter	21.75	18.75	18.75

1996			
4th Quarter	$ 22.00	$ 17.88	$ 21.38
3rd Quarter	18.69	14.13	17.75
2nd Quarter	16.44	14.50	14.94
1st Quarter	16.50	14.42	15.63

ITEM 5. (b) Holders:

	1998	1997	1996
Number of common shares outstanding	265,684,034	266,436,020	275,769,774
Number of registered common shareholders	62,525	57,788	49,474
Approximate number of common shareholders	145,500	128,900	113,300

ITEM 5. (c) Quarterly cash dividends:

	1998	1997
4th Quarter	$.065	$.058
3rd Quarter	.065	.058
2nd Quarter	.065	.058
1st Quarter	.058	.05

For information concerning dividend restrictions, see Management's Discussion and Analysis of Financial Condition, the section concerning shareholders' equity, presented in this Exhibit 13 on page 13-25, and Note 10, Statutory Accounting and Dividend Restrictions, of the Notes to the Consolidated Financial Statements, also presented in this Exhibit 13 on page 13-67.

EXH 13-2

<TABLE>
ITEM 6. SELECTED FINANCIAL DATA
(In millions, except for per-share amounts):
<CAPTION>

For the Year	AFLAC INCORPORATED AND SUBSIDIARIES 1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Revenues:					
Premiums, principally supplemental health insurance	$ 5,943	$ 5,874	$ 5,910	$ 6,071	$ 5,181
Net investment income	1,138	1,078	1,022	1,025	839
Realized investment gains (losses)	(2)	(5)	2	-	-
Gain on sale of television business	-	267	60	-	-
Other income	25	37	106	95	91
Total revenues	7,104	7,251	7,100	7,191	6,111
Benefits and expenses:					
Benefits and claims	4,877	4,833	4,896	5,034	4,257
Expenses	1,676	1,553	1,554	1,556	1,350
Total benefits and expenses	6,553	6,386	6,450	6,590	5,607
Pretax earnings	551	865	650	601	504
Income taxes	64	280	256	252	211
Net earnings	$ 487(1)	$ 585(2)	$ 394(3)	$ 349	$ 293

Per Common Share		1998	1997	1996	1995	1994
Net earnings (basic)		$ 1.83(1)	$ 2.15(2)	$ 1.41(3)	$ 1.20	$ .97
Net earnings (diluted)		1.76(1)	2.08(2)	1.36(3)	1.17	.95
Cash dividends		.253	.224	.194	.169	.149
Shareholders' equity		14.19	12.88	7.71	7.53	5.86
Price range:	High	45.31	28.94	22.00	14.92	12.04
	Low	22.69	18.75	14.13	10.63	8.42
	Close	43.88	25.56	21.38	14.50	10.67
Price/earnings ratio:*	High	29.0x	21.8x	18.3x	12.8x	12.7x
	Low	14.5	14.1	11.8	9.1	8.9
Common shares used for basic EPS (In thousands)		266,305	272,110	280,352	291,355	302,891
Common shares used for diluted EPS (In thousands)		275,872	281,596	288,922	298,984	309,297

EXH 13-3

</TABLE>

<TABLE>
(In millions, except for share and per-share amounts):
<CAPTION>

At Year-End	AFLAC INCORPORATED AND SUBSIDIARIES 1998	1997	1996	1995	1994

<S> <C> <C> <C> <C> <C>

Assets:					
Investments and cash	$ 26,994	$ 22,880	$ 20,744	$ 20,045	$ 15,994
Other	4,189	6,574	4,276	5,172	4,293
Total assets	$ 31,183	$ 29,454	$ 25,020	$ 25,217	$ 20,287
Liabilities and shareholders' equity:					
Policy liabilities	$ 24,034	$ 19,885	$ 20,234	$ 19,514	$ 16,007
Notes payable	596	523	354	327	185
Income taxes	1,865	1,827	1,181	1,398	1,392
Other liabilities	918	3,789	1,125	1,844	951
Shareholders' equity	3,770	3,430	2,126	2,134	1,752
Total liabilities and shareholders' equity	$ 31,183	$ 29,454	$ 25,020	$ 25,217	$ 20,287

Supplemental Data					
Operating earnings**	$ 429	$ 374	$ 347	$ 349	$ 293
Operating earnings per share (basic)**	1.61	1.38	1.24	1.20	.97
Operating earnings per share (diluted)**	1.56	1.33	1.20	1.17	.95
Pretax profit margin***	9.3%	8.6%	8.4%	8.4%	8.3%
After-tax profit margin***	6.0%	5.4%	4.9%	4.8%	4.8%
Operating return on equity****	18.7%	18.8%	19.9%	22.0%	20.4%
Yen/dollar exchange rate at year-end	115.70	130.10	116.10	102.95	99.85
Average yen/dollar exchange rate	130.89	121.07	108.84	94.10	102.26

Notes: (1) Includes gain of $121 ($.46 per basic share, $.44 per diluted share) due to a reduction in deferred income tax liabilities from a tax rate cut in Japan and a charge of $65 ($.24 per basic and diluted share) for a mandated policyholder protection fund in Japan in 1998.

(2) Includes gain of $211 ($.77 per basic share, $.75 per diluted share) from the sale of the broadcast business in 1997.

(3) Includes gain of $48 ($.17 per basic share, $.16 per diluted share) from the sale of the broadcast business in 1996.

(*) Based on diluted operating earnings per share.

(**) Excludes realized investment gains/losses and in 1996 and 1997, the gains from the sale of the television business. Excludes the charge for the policyholder protection fund and the benefit of the tax rate reduction in 1998.

(***) Operating basis.

(****) Based on operating earnings and excluding unrealized gains on investment securities, net.

EXH 13-4

</TABLE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

AFLAC Incorporated is the parent company of American Family Life Assurance Company of Columbus, AFLAC. Our principal business is supplemental health insurance, which is marketed and administered through AFLAC. Most of AFLAC's policies are individually underwritten and marketed at worksites, with premiums paid by the employee. Our operations in Japan (AFLAC Japan) and the United States (AFLAC U.S.) service the two markets for our insurance operations.

RESULTS OF OPERATIONS

We paid a two-for-one stock split on June 8, 1998. All share and per-share amounts in this report have been restated for this split.

Three significant items affected our net earnings during the three-year period ended December 31, 1998.

First, due to a corporate income tax rate reduction in Japan during 1998, the statutory tax rate for AFLAC Japan declined from 45.3% to 41.7%. This tax rate decline resulted in a reduction in our deferred income tax liability as of March 31, 1998, which increased net earnings by $121 million ($.46 per basic share and $.44 per diluted share) in 1998. For additional information on the income tax reduction, see Note 8 of the Notes to the Consolidated Financial Statements.

The second factor affecting net earnings was a policyholder protection fund system mandated by the Japanese government during the first quarter of 1998. The pretax charge for our obligation to the new protection fund was $111 million ($65 million after tax, or $.24 per both basic and diluted shares). For further information regarding this policyholder protection fund, see Note 2 of the Notes to the Consolidated Financial Statements.

Also affecting net earnings was the sale of our television business, which consisted of seven network-affiliated stations. The total pretax gain from the sale was $327 million. The sale of one station closed on December 31, 1996. The pretax and after-tax gains recognized in 1996 on this sale were $60 million and $48 million, respectively. The effect of the after-tax gain on 1996 basic and diluted net earnings per share was $.17 and $.16, respectively. The pretax and after-tax gains recognized during the second quarter of 1997 on the closing of the six remaining stations were $267 million and $211 million, respectively. The effect of the after-tax gain on 1997 basic and diluted net earnings per share was $.77 and $.75, respectively. For further information, see Note 2 of the Notes to the Consolidated Financial Statements.

The results of operations by business segment for the three-year period ended December 31, 1998, were as follows.

SUMMARY OF OPERATING RESULTS BY BUSINESS SEGMENT
(In millions, except for per-share amounts)

	Percentage change over previous year		Years ended December 31,		
	1998	1997	1998	1997	1996
Operating earnings:					
AFLAC Japan	(.4)%	(5.4)%	$ 502	$ 504	$ 533
AFLAC U.S.	24.9	43.4	230	184	129
Television operations			-	4	26
All other business segments			2	(2)	(8)
Total business segments	6.3	1.4	734	690	680
Interest expense, non-insurance operations	1.2	16.7	(10)	(10)	(13)
Corporate and eliminations	23.4	4.9	(60)	(77)	(79)
Pretax operating earnings	10.1	2.6	664	603	588
Income taxes	2.8	(4.9)	235	229	241
Operating earnings	14.6	7.8	429	374	347
Non-operating items:					
Deferred tax benefit from Japanese tax rate reduction			121	-	-
Provision for the Japanese mandated policyholder protection fund, net of tax			(65)	-	-
Gain on sale of television business, net of tax			-	211	48
Realized investment gains (losses), net of tax			2	-	(1)
Net earnings	(16.8)%	48.3%	$ 487	$ 585	$ 394
Operating earnings per basic share	16.7%	11.3%	$1.61	$1.38	$1.24
Operating earnings per diluted share	17.3	10.8	1.56	1.33	1.20
Net earnings per basic share	(14.9)%	52.5%	$1.83	$2.15	$1.41
Net earnings per diluted share	(15.4)	52.9	1.76	2.08	1.36

The following discussion of earnings comparisons focuses on pretax operating earnings and excludes realized investment gains/losses, the charge for the mandated policyholder protection fund, the benefit of the Japanese tax rate reduction and the gains from the sale of the television business. Operating earnings per share referred to in the following discussion are based on the diluted number of average outstanding shares.

FOREIGN CURRENCY TRANSLATION

Due to the relative size of AFLAC Japan, fluctuations in the yen/dollar exchange rate can have a significant effect on our reported results. In years when the yen weakens, translating yen into dollars causes fewer dollars to be reported. When the yen strengthens, translating yen into dollars causes more dollars to be reported.

Throughout 1996, 1997 and most of 1998, the yen weakened in relation to the dollar. The average yen-to-dollar exchange rates were 130.89 in 1998, 121.07 in 1997 and 108.84 in 1996. The weakening of the yen during the three-year period lowered operating earnings by $.05 per share in 1998 compared with 1997, $.09 per share in 1997 compared with 1996 and $.15 per share in 1996 compared with 1995. Despite the weakening of the yen, operating earnings per share increased 17.3% to $1.56 in 1998, 10.8% to $1.33 in 1997 and 2.6% to $1.20 in 1996.

The following table illustrates the effect of foreign currency translation by comparing our reported results with pro forma results as if foreign currency rates had remained unchanged from the previous year.

SELECTED PERCENTAGE CHANGES FOR SUPPLEMENTAL CONSOLIDATED DATA*
(YEARS ENDED DECEMBER 31)

	Including Foreign Currency Changes			Excluding Foreign Currency Changes**		
	1998	1997	1996	1998	1997	1996
Premium income	1.2%	(.6)%	(2.6)%	7.7%	8.5%	10.1%
Net investment income	5.6	5.5	(.3)	11.1	14.0	11.9
Total revenues	1.7	(.7)	(2.1)	8.0	8.2	10.4
Total benefits and expenses	.9	(1.0)	(2.1)	7.4	8.0	10.5
Operating earnings	14.6	7.8	(.4)	18.6	15.2	11.5
Operating earnings per share	17.3	10.8	2.6	21.1	18.3	15.4

* The amounts in this table are presented on an operating basis.
** Amounts excluding foreign currency changes were determined using the same yen/dollar exchange rate for the current year as each respective prior year.

The increases in operating earnings per share reflected earnings contributions in the functional currencies of our core insurance operations in Japan and the United States, our share repurchase program and in 1998 lower income tax expense due to the tax rate reduction in Japan.

Our primary financial objective is the growth of operating earnings per share before the effect of foreign currency translations. In 1996, we set this objective at an annual growth rate of 15% to 17% through the year 2000. In early 1998, we increased our goal for 1998 to 20% growth, which we exceeded. Excluding the effect of currency fluctuations, operating earnings per share increased 21.1% in 1998, 18.3% in 1997 and 15.4% in 1996.

In April 1998, we raised our 1999 objective for growth in operating earnings per share to 20% excluding the impact of currency translation. If that objective is achieved, the following table shows the likely results for operating earnings per share in 1999 when the impact from various foreign currency translations is included.

Annual Average Yen Exchange Rate	Annual Operating Diluted EPS	% Growth Over 1998	Yen Impact on EPS
1999 @ 115.00	$ 1.98	26.9%	$ .11
1999 @ 120.00	1.94	24.4	.07
1999 @ 125.00	1.91	22.2	.04
1999 @ 130.89*	1.87	19.9	-
1999 @ 135.00	1.85	18.6	(.02)

1999 @ 140.00	1.82	16.7	(.05)
1999 @ 145.00	1.80	15.4	(.07)

* Actual 1998 average exchange rate

PROFIT REPATRIATION

Repatriated profits represent a portion of the after-tax earnings reported to the Japanese Financial Supervisory Agency (FSA) as of March 31 each year. Such regulatory basis earnings are determined using accounting principles that differ materially from U.S. generally accepted accounting principles. The differences relate primarily to the valuation of investments, policy benefit and claim reserves, acquisition costs and deferred income taxes. Japanese regulatory earnings and related profit repatriations may therefore vary materially from year to year because of these differences.

AFLAC Japan repatriated profits to AFLAC U.S. of $154 million in 1998, $347 million in 1997 and $217 million in 1996. The profit transfer in 1997 included $125 million of a non-recurring nature. Since the first repatriation in 1989, AFLAC Japan has repatriated $1.2 billion, which has enhanced our flexibility and profitability. We estimate that cumulative profit transfers from 1992 through 1998 have benefited consolidated net earnings by $57 million in 1998, $41 million in 1997 and $26 million in 1996.

We expect that the 1999 profit repatriation will be approximately 20 billion yen ($171 million using the December 31, 1998, exchange rate). In 1999, a substantial portion of profit repatriation will be used for debt service.

SHARE REPURCHASE PROGRAM

The shares purchased under the share repurchase program were financed with bank borrowings and available cash. Interest expense related to the share repurchase program was $10 million in 1998, and $9 million in both 1997 and 1996. Consolidated interest expense, including interest expense from insurance operations, was $13 million in 1998, $14 million in 1997 and $16 million in 1996.

The difference between the percentage changes in net earnings and net earnings per share primarily reflects the impact of the share repurchase program. As of December 31, 1998, we had approximately 7.4 million shares still available for purchase under current repurchase authorizations from the board of directors.

INCOME TAXES

Effective January 1, 1998, the Japanese government changed the income tax provisions for foreign companies operating in Japan, increasing income taxes on investment income and realized gains/losses from securities issued by entities located in their home country. This change increased Japanese income taxes on the income from most of AFLAC Japan's dollar-denominated securities. In addition, in March 1998, the Japanese government enacted a reduction in the Japanese corporate income tax rate. The statutory rate for AFLAC Japan declined from 45.3% to 41.7% beginning May 1, 1998. The net effect of these two Japanese tax changes increased income tax expense on consolidated operating earnings by approximately $10 million for the year ended December 31, 1998 (an increase of approximately $22 million from increased taxes on AFLAC Japan's dollar-denominated investment income, less approximately $12 million from the benefit of the statutory tax rate reduction).

Our combined U.S. and Japanese effective income tax rates on operating earnings were 35.4% in 1998, 37.9% in 1997 and 40.9% in 1996. Japanese income taxes on AFLAC Japan's operating results, which were taxed at Japan's corporate income tax rate of 45.3% through April 30, 1998, and 41.7% thereafter, accounted for most of our income tax expense. The decline in the effective tax rates in 1998 and 1997 resulted primarily from: the weakening of the yen; increased contributions in earnings from the U.S. business segment; and, in 1998, the Japanese tax rate reduction less the effect of increased taxes on AFLAC Japan's dollar-denominated investment income.

The most recent Japanese economic stimulus package announced in late 1998, but not yet enacted, included proposals to further reduce the Japanese statutory corporate income tax rate. Under the proposals being discussed, AFLAC Japan's statutory income tax rate would be reduced to 36.2% effective April 1, 1999. We expect the proposals to be finalized in early 1999. If the Japanese income tax rate decreases, we expect our combined effective income tax rate to remain relatively unchanged in 1999. For further information on the Japanese corporate income tax rate, see Note 8 of the Notes to the Consolidated Financial Statements.

INSURANCE OPERATIONS, AFLAC JAPAN

AFLAC Japan is a branch of AFLAC and the principal contributor to our earnings. AFLAC Japan ranks number one in terms of premium income and profits among all foreign life and non-life insurance companies operating in Japan. AFLAC Japan ranks second in terms of individual policies in force and 16th in assets among all life insurance companies operating in Japan.

The transfer of profits from AFLAC Japan to AFLAC U.S. can distort comparisons of operating results between years. Therefore, the AFLAC Japan summary of operations table on the following page presents investment income, total revenues and pretax operating earnings calculated on a pro forma basis in order to improve comparability between years. The pro forma adjustment represents cumulative investment income foregone by AFLAC Japan on funds transferred to AFLAC U.S. during 1992 through 1998.

EXH 13-10

AFLAC JAPAN
SUMMARY OF OPERATING RESULTS

(In millions)	1998	1997	1996
Premium income	$ 4,738	$ 4,803	$ 4,952
Investment income, as adjusted*	966	929	920
Other income	1	1	2
Total revenues, as adjusted*	5,705	5,733	5,874
Benefits and claims	4,119	4,156	4,294
Operating expenses	1,035	1,037	1,022
Total benefits and expenses	5,154	5,193	5,316
Pretax operating earnings, as adjusted*	551	540	558
Investment income applicable to profit repatriations	(49)	(36)	(25)
Pretax operating earnings	$ 502	$ 504	$ 533
Percentage changes in dollars over previous year:			
Premium income	(1.4)%	(3.0)%	(4.7)%
Investment income*	4.0	.9	(2.2)
Total revenues*	(.5)	(2.4)	(4.3)
Pretax operating earnings*	2.0	(3.2)	(4.2)
Pretax operating earnings	(.4)	(5.4)	(5.1)
Percentage changes in yen over previous year:			
Premium income	6.6%	7.9%	10.2%
Investment income*	12.4	12.3	13.1
Total revenues*	7.6	8.6	10.7
Pretax operating earnings*	10.2	7.8	10.9
Pretax operating earnings	7.6	5.4	9.8
Ratios to total revenues, as adjusted:*			
Benefits and claims	72.2%	72.5%	73.1%
Operating expenses	18.1	18.1	17.4
Pretax operating earnings	9.7	9.4	9.5
Ratio of pretax operating earnings to total reported revenues	8.9%	8.9%	9.1%

* Adjusted investment income, total revenues and pretax operating earnings include estimates of additional investment income of $49 million in 1998, $36 million in 1997 and $25 million in 1996 foregone due to profit repatriations.

EXH 13-11

JAPANESE ECONOMY

Japan's economy has been weak for several years. The economic downturn has spread to several Asian countries since mid-1997. The financial strength of many Japanese financial institutions has deteriorated, and some have experienced bankruptcy. As we have indicated in the past, the weak economy in Japan has resulted in a difficult marketing environment for AFLAC Japan, declining available investment yields for new investments and decreased consumer confidence.

Although the Japanese government has developed various economic stimulus packages, the time required for the Japanese economy to recover remains uncertain.

AFLAC JAPAN SALES

AFLAC Japan produced strong sales results in 1998, despite the weak Japanese economy. New annualized premiums from sales were: $575 million in 1998, up 11.5%; $515 million in 1997, down 28.5%; and $721 million in 1996, down 4.8%. New annualized premiums from sales in yen were: 74.9 billion yen in 1998, up 20.1%; 62.4 billion yen in 1997, down 20.4%; and 78.4 billion yen in 1996, up 10.0%.

AFLAC Japan's new policy sales in yen during 1998 approached their 1996 level. In 1997, new policy sales were adversely affected by a premium rate increase that AFLAC and the insurance industry implemented in the fourth quarter of 1996 as well as the decline of consumer confidence in the life insurance industry following the April 1997 collapse of Nissan Mutual Life Insurance Company.

We have taken several actions to help mitigate the impact of the weak sales environment in Japan. Our newest product, Rider MAX, has become one of our most successful in a very short period of time. This product provides accident and medical/sickness benefits as a rider to our cancer life policy. We also introduced a new economy cancer life policy in January 1997. This plan, which has lower premium rates and benefit levels, was developed to combat the impact of increased premium rates for new issues. In addition, AFLAC Japan increased the use of direct-mail marketing for its products as a supplemental distribution method.

In 1998, we purchased a small Japanese insurance agency. Its main functions will be policyholder-related services and direct marketing programs for AFLAC Japan.

We continue to invest in marketing to improve sales. The incentive pay system for AFLAC Japan's employed sales managers was revised in 1997 to better reward them for improved sales performance. We made additional expenditures in late 1997 and during 1998 for expanded sales promotion efforts in Japan. In addition, we will continue our popular television advertising program. We have also publicized our financial strength ratings in Japan and are recruiting more individual agencies. In 1998, we recruited approximately 2,200 new agencies, most of which are individual agencies, compared with fewer than 700 in 1997. Our goal is to recruit 3,000 new agencies in 1999.

AFLAC Japan's sales mix is changing, although cancer life still accounts for the majority of insurance in force. Cancer life sales accounted for 49.4% of total new sales in yen in 1998, 52.5% in 1997 and 46.7% in 1996. We sold more than 948,000 riders of Rider MAX in 1998, which was its first year of availability. This product accounted for 33.2% of our sales for the year, and 39.9% of our cancer life policies were sold with Rider MAX. The rider we introduced in the fourth quarter of 1995, living benefit life, accounted for 7.2% of total new sales in 1998, 28.3% in 1997 and 39.5% in 1996. Care product sales represented 3.7% of total new sales in 1998, 6.8% in 1997 and 10.6% in 1996.

In September 1997, the Japanese government increased the copayments for the employer-sponsored health care program from 10% to 20% for the primary insured, thereby increasing the portion of the costs the insured must pay. Given the increase in copayments, we believe our products and riders that provide supplemental medical benefits will be especially appealing to consumers.

Our objectives for 1999 are to increase sales in yen by 10% to 15% compared with 1998 and to improve the profit margin. We also expect revenues in yen to increase 6% to 6.5% and our strong policy persistency to continue.

AFLAC JAPAN INVESTMENTS

Investment income is affected by available cash flow from operations, investment yields achievable on new investments and foreign currency exchange rates. Investment income in dollars in 1998 and 1997 was affected by the weaker yen. Despite a general decline in available investment yields, investment income in yen increased 11.0% in both 1998 and 1997. Funds available for investment during the three-year period 1996 through 1998 were reduced by the annual profit repatriations previously discussed. Rates of return on debt securities in Japan remained low in 1998. For instance, the yield on 20-year Japanese government bonds, as measured by a composite index, fluctuated to a low of 1.16% in October 1998 and closed 1998 at a high of 2.97%.

AFLAC Japan's new money rates for investments in debt securities (including dollar-denominated) were 4.19% for 1998, 5.20% for 1997 and 4.07% for 1996. The improvement in AFLAC Japan's new money yield in 1997 resulted from restructuring portions of the existing dollar-denominated investment portfolio and a greater allocation of cash flow to private placement securities, which included dual-currency securities (yen-denominated bonds with a dollar coupon) and perpetual debentures. However, the overall rate of return (net of investment expenses) on AFLAC Japan's average investments and cash at amortized cost has declined. These returns, which were 5.26% in 1998, 5.37% in 1997 and 5.55% in 1996, reflect the cumulative effect of lower investment yields available in Japan since the early 1990's.

By concentrating on selected sectors of the bond market, AFLAC Japan has secured higher yields than 20-year Japanese government bonds would have provided while still adhering to conservative standards for credit quality. We believe that we can invest new money in the near term at an adequate spread over policy premium pricing assumptions for new business and assumed interest rates for policy liabilities. The premium rate increases recently implemented have a positive impact on investment margins and therefore should contribute to stability in the pretax operating profit margin.

INSURANCE DEREGULATION IN JAPAN

In December 1996, the governments of the United States and Japan reached an agreement on deregulation of the Japanese insurance industry. The agreement calls for the gradual liberalization of the industry through the year 2001 and includes provisions to avoid "radical change" in the third sector of the insurance industry, which includes our supplemental insurance products. AFLAC and other foreign-owned insurers, as well as some small to medium-sized Japanese insurers, operate primarily in the third sector. One of the measures for avoiding radical change in the third sector is the prohibition of additional Japanese life and non-life insurance companies from selling cancer or medical insurance until January 1, 2001. AFLAC has inherent competitive advantages through its distribution, products, administrative efficiency and financial soundness that should enable it to grow even in a more competitive environment. However, the ultimate impact of deregulation isn't known.

AFLAC JAPAN - OTHER

The percentage increases in premium income reflect the growth of premiums in force. The increases in annualized premiums in force in yen of 7.2% in 1998, 5.2% in 1997 and 12.2% in 1996 reflect the high persistency of AFLAC Japan's business and the sales of new policies. Annualized premiums in force were: 640.8 billion yen ($5.5 billion) at December 31, 1998; 597.8 billion yen ($4.6 billion) at December 31, 1997; and 568.1 billion yen ($4.9 billion) at December 31, 1996.

The slight decline of the benefit ratio during the three-year period ended December 31, 1998, is primarily attributable to newer products that have somewhat lower loss ratios than the cancer life plan. Annual claims experience and persistency studies continue to support the current reserving assumptions.

Even with Japan's depressed economic conditions, we believe the market for supplemental insurance remains bright. The need for our products in Japan has continued, and we remain optimistic about increasing penetration within existing groups, selling new products, opening new accounts and developing additional supplemental products for the Japanese market.

INSURANCE OPERATIONS, AFLAC U.S.

AFLAC U.S. pretax operating earnings continued to benefit from additional investment income earned on profit transfers received from AFLAC Japan. Estimated investment income earned from profits transferred to and retained by AFLAC U.S. from 1992 through 1998, along with estimated investment income earned from the sales proceeds of the television business, have been reclassified in the presentation on the following page in order to improve comparability between years.

EXH 13-14

AFLAC U.S.
SUMMARY OF OPERATING RESULTS

(In millions)	1998	1997	1996
Premium income	$ 1,198	$ 1,062	$ 946
Investment income, as adjusted*	112	104	86
Other income	4	1	2
Total revenues, as adjusted*	1,314	1,167	1,034
Benefits and claims	749	667	591
Operating expenses	439	392	347
Total benefits and expenses	1,188	1,059	938
Pretax operating earnings, as adjusted*	126	108	96
Investment income applicable to profit repatriations and proceeds from the sale of the television business	104	76	33
Pretax operating earnings	$ 230	$ 184	$ 129
Percentage increases over previous year:			
Premium income	12.8%	12.2%	10.0%
Investment income*	7.8	20.3	10.2
Total revenues*	12.6	12.9	10.0
Pretax operating earnings*	16.1	13.2	15.0
Pretax operating earnings	24.9	43.4	23.0
Ratios to total revenues, as adjusted:*			
Benefits and claims	57.0%	57.1%	57.1%
Operating expenses	33.4	33.6	33.6
Pretax operating earnings	9.6	9.3	9.3
Ratio of pretax operating earnings to total reported revenues	16.2%	14.8%	12.1%

* Excludes estimated investment income of $104 million in 1998 and $76 million in 1997 related to investment of profit repatriation funds retained by AFLAC U.S. and investment of the proceeds from the sale of the television business, and $33 million in 1996 related to investment of profit repatriation funds retained by AFLAC U.S.

EXH 13-15

AFLAC U.S. SALES

The percentage increases in premium income reflect the growth of premiums in force. The increases in annualized premiums in force of 14.6% in 1998, 14.7% in 1997 and 11.1% in 1996 were favorably affected by increased sales at the worksite primarily through cafeteria plans (Internal Revenue Code Section 125) and an improvement in the persistency of several products. Annualized premiums in force were: $1.4 billion at December 31, 1998; $1.2 billion at December 31, 1997; and $1.1 billion at December 31, 1996.

New annualized premiums from sales and policy conversions were: $482 million in 1998, up 20.3%; $401 million in 1997, up 22.7%; and $327 million in 1996, up 17.0%. Accident/disability coverage was the best-selling product for the fifth year in a row, accounting for more than 56% of new sales in 1998, 54% of new sales in 1997 and 48% of new sales in 1996. Cancer expense insurance accounted for more than 25% of new sales in 1998, 24% of new sales in 1997 and 27% of new sales in 1996.

AFLAC U.S. - OTHER

We expect the operating expense ratio, excluding discretionary advertising expenses, to decline in the future due to continued improvements in operating efficiencies. State-of-the-art technology is one way we can control expense growth, and SmartApp is a good example. SmartApp is a laptop-based, point-of-sale system we developed in the early 1990s. Our sales associates use this system to input customer information, capture the customer's signature and electronically transmit the application to headquarters. In some cases, the policy can be "jet-issued," which requires no human intervention. In 1998, we processed approximately 58% of our business with SmartApp, and about 44% of those policies were jet-issued. Our goal for 1999 is to produce 70% of our business via SmartApp. By improving administrative systems and controlling other costs, we have been able to redirect funds to national advertising programs without significantly affecting the operating expense ratio.

The aggregate benefit ratio has been relatively stable. The mix of business has shifted towards accident and hospital indemnity policies, which have lower benefit ratios than other products. We expect future benefit ratios for some of our supplemental products to increase slightly due to our ongoing efforts to improve policy persistency and enhance policyholder benefits.

We expect the pretax operating profit margin to remain approximately the same in 1999.

We continue to believe that there are significant opportunities to market high-quality, affordable supplemental insurance products in the U.S. marketplace.

OTHER OPERATIONS

Corporate operating expenses consist primarily of overhead expenses such as salary costs, provisions for retirement and litigation expenses and professional fees. Corporate expenses have fluctuated in recent years primarily due to changes in the legal environment in certain states and to enhanced benefits, early retirements and revisions in actuarial assumptions for retirement accruals.

On December 31, 1998, we sold our insurance operation in Taiwan, resulting in a nominal gain.

FINANCIAL ACCOUNTING STANDARDS BOARD STATEMENTS

For information regarding new Statements of Financial Accounting Standards (SFAS), see Note 1 of the Notes to the Consolidated Financial Statements.

ANALYSIS OF FINANCIAL CONDITION
BALANCE SHEET

During the last two years, our financial condition has remained strong in the functional currencies of our operations. The investment portfolios of AFLAC Japan and AFLAC U.S. have continued to grow and consist of investment-grade securities.

The yen/dollar exchange rate at the end of each period is used to translate yen-denominated balance sheet items to U.S. dollars for reporting purposes. The exchange rate at December 31, 1998, was 115.70 yen to one U.S. dollar, 12.4% stronger than the December 31, 1997, exchange rate of 130.10. The stronger yen rate increased reported investments and cash by $2.4 billion, total assets by $2.8 billion and total liabilities by $2.7

billion compared with the amounts that would have been reported for 1998 if the exchange rate had remained unchanged from year-end 1997. For additional information on exchange rates, see Note 2 of the Notes to the Consolidated Financial Statements.

MARKET RISKS OF FINANCIAL INSTRUMENTS

Our financial instruments are exposed primarily to three types of market risks: interest rate, equity price and foreign currency exchange rate.

INTEREST RATE RISK

Our primary interest rate exposure is a result of the effect of changes in interest rates on the fair value of our investments in debt securities. We use modified duration analysis, which provides a measure of price percentage volatility, to estimate the amount of sensitivity to interest rate changes in our debt securities. For example, if the current duration of a debt security is five, then the market value of that security will increase by approximately 5% if market interest rates decrease by 100 basis points. Likewise, the value of the debt security will decrease by approximately 5% if market interest rates increase by 100 basis points.

The estimated effect of potential increases in interest rates on the fair values of our debt security investments and notes payable follows:

SENSITIVITY OF FAIR VALUES OF FINANCIAL INSTRUMENTS
TO INTEREST RATE CHANGES
DECEMBER 31

(In millions)	1998 Market Value	1998 +100 Basis Points	1997 Market Value	1997 +100 Basis Points
Debt securities:				
Fixed-maturity securities:				
Yen-denominated	$ 16,748	$ 15,317	$ 14,906	$ 13,634
Dollar-denominated	4,603	4,272	4,101	3,807
Perpetual debentures:				
Yen-denominated	4,250	3,816	3,286	2,943
Dollar-denominated	204	192	145	136
Total	$ 25,805	$ 23,597	$ 22,438	$ 20,520
Notes payable*	$ 578	$ 587	$ 505	$ 520

* Excludes capitalized leases

Should significant amounts of unrealized losses occur because of increases in market yields, we would not expect to realize significant losses because we have the ability to hold such securities to maturity.

The unrealized gains and losses on debt securities, less amounts applicable to policy liabilities and deferred income taxes, are reported in accumulated other comprehensive income. The portion of unrealized gains credited to policy liabilities represents gains that would not inure to the benefit of the shareholders if such gains were actually realized. For further information, see Note 3 of the Notes to the Consolidated Financial Statements.

The following is a comparison of the actuarially assumed interest rates for policy reserves and investment yields (after investment expenses) for the years ended December 31:

COMPARISON OF INTEREST RATES FOR POLICY RESERVES AND INVESTMENT YIELDS
(Net of investment expenses)

	1998		1997		1996	
	U.S.	Japan*	U.S.	Japan*	U.S.	Japan*
Policies issued during year:						
Required interest on policy reserves	6.81%	3.50%	6.80%	3.50%	6.81%	4.28%
New money yield on investments	7.62	3.76	7.53	4.29	7.31	3.83
Policies in force at end of year:						
Required interest on policy reserves	6.41	5.38	6.40	5.46	6.38	5.53
Investment yield	7.44	5.17	7.61	5.34	7.31	5.58

* Represents yen-denominated investments for Japan

We attempt to match the duration of our assets with the duration of our liabilities. For AFLAC Japan, the duration of policy benefit liabilities is longer than that of the related invested assets due to the unavailability of acceptable yen-denominated long-duration securities. At December 31, 1998, the average duration of policy liabilities was approximately 13 years, unchanged from 1997. The average duration of the yen-denominated debt securities was approximately nine years in 1998 and 1997. When our debt securities mature, there is a risk that the proceeds will be reinvested at a yield below that of the interest required for the accretion of policy liabilities. Over the next five years, $3.0 billion at amortized cost, or 14.8%, of AFLAC Japan's yen-denominated debt securities are scheduled to mature.

We have outstanding interest rate swaps on 49.6 billion yen ($428 million) of our variable-interest-rate yen-denominated bank borrowings. These swaps reduce the impact of fluctuations in interest rates on our borrowing costs and effectively change our interest rates from variable to fixed. Therefore, movements in market interest rates should have no material effect on earnings.

At December 31, 1998, we also had yen-denominated bank borrowings in the amount of 17.3 billion yen ($150 million) with a variable interest rate of .87%. The effect on net earnings in 1998 due to changes in market interest rates was immaterial. For further information on our notes payable, see Note 7 of the Notes to the Consolidated Financial Statements.

EQUITY PRICE RISK

Equity securities at December 31, 1998, totaled $177 million, or .7% of total investments and cash on a consolidated basis. We use beta analysis to measure the sensitivity of our equity securities portfolio to fluctuations in the broad market. The beta of our equity securities portfolio is 1.02. For example, if the overall stock market value changed by 10%, the value of AFLAC's equity securities would be expected to change by approximately 10.2%, or $18 million.

CURRENCY RISK

Most of AFLAC Japan's investments and cash are denominated in yen.

When the yen-denominated financial instruments mature or are sold, the proceeds are generally reinvested in yen-denominated securities and are held to fund yen-denominated policy obligations rather than converted into dollars. Therefore, there is no significant foreign currency transaction risk.

In addition to the yen-denominated financial instruments held by AFLAC Japan, AFLAC Incorporated has yen-denominated borrowings that have been designated as a hedge of our investment in AFLAC Japan. The unrealized foreign currency translation gains and losses related to these borrowings are reported in accumulated other comprehensive income.

We attempt to match our yen-denominated assets to our yen-denominated liabilities on a consolidated basis in order to minimize the exposure of our shareholders' equity to foreign currency translation fluctuations.

The following table compares the dollar values of our yen-denominated assets and liabilities at various exchange rates.

DOLLAR VALUE OF YEN-DENOMINATED ASSETS AND LIABILITIES
AT SELECTED EXCHANGE RATES
DECEMBER 31

(In millions)	1998			1997		
	100.70 Yen	115.70* Yen	130.70 Yen	115.10 Yen	130.10* Yen	145.10 Yen
Yen-denominated financial instruments:						
Assets:						
Securities available for sale:						
Fixed maturities	$15,001	$13,057	$11,558	$16,849	$14,906	$13,365
Perpetual debentures	1,286	1,119	991	3,712	3,286	2,945
Equity securities	26	23	20	9	7	7
Securities held to maturity:						
Fixed maturities	4,534	3,947	3,494	-	-	-
Perpetual debentures	4,014	3,494	3,093	-	-	-
Cash and cash equivalents	351	306	270	185	164	147
Securities held as collateral**	-	-	-	3,430	3,034	2,721
Other financial instruments	12	8	8	10	8	8
Total	25,224	21,954	19,434	24,195	21,405	19,193
Liabilities:						

Payables for return of collateral**	-	-	-	3,430	3,034	2,721
Notes payable	664	578	511	563	498	447
Total	664	578	511	3,993	3,532	3,168
Net yen-denominated financial instruments	24,560	21,376	18,923	20,202	17,873	16,025
Other yen-denominated assets	3,600	3,133	2,774	2,964	2,622	2,351
Other yen-denominated liabilities	(27,767)	(24,167)	(21,395)	(22,614)	(20,007)	(17,938)
Total yen-denominated net assets subject to foreign currency fluctuation	$ 393	$ 342	$ 302	$ 552	$ 488	$ 438

* Actual year-end rate
** Off-balance sheet financial instruments in 1998

For information regarding the effect of foreign currency translation on operating earnings per share, see Results of Operations on pages 13-5 through 13-16 and Note 2 of the Notes to the Consolidated Financial Statements.

INVESTMENTS AND CASH

The continued growth in investments and cash reflects the substantial cash flows from operations. Net unrealized gains of $1.3 billion on investment securities at December 31, 1998, consisted of $2.4 billion in gross unrealized gains and $1.1 billion in gross unrealized losses.

AFLAC invests primarily within the Japanese, U.S. and Euroyen fixed-maturity markets. We use specific criteria to judge the credit quality and liquidity of our investments and use a variety of credit rating services to monitor these criteria. Applying those various credit ratings to a standardized rating system based on the categories of a nationally recognized rating service, the percentages of our debt securities, at amortized cost, as of December 31 were as follows:

	1998	1997
AAA	38.1%	44.9%
AA	17.6	18.1
A	31.2	29.7
BBB	13.1	7.3
	100.0%	100.0%

As of December 31, 1998, we held no debt securities rated below "BBB." However, in January 1999, the credit ratings of several major Japanese financial institutions were downgraded. We owned debt securities issued by a Japanese bank in the amount of $454 million, or 1.8% of total debt securities at December 31, 1998. Following the downgrade, these securities were rated "Ba1" by Moody's and "BB+" by Standard & Poor's.

Private placement investments accounted for 43.9% and 36.3% of our total debt securities as of December 31, 1998 and 1997, respectively. AFLAC Japan has made investments in the private placement market to secure higher yields than those available from Japanese government bonds. At the same time, we have adhered to historically conservative standards for credit quality. We require that all private placement issuers have an initial rating of Class 1 or 2 as determined by the Securities Valuation Office of the National Association of Insurance Commissioners (NAIC). Most of AFLAC's private placement issues are issued under medium-term note programs and have standard covenants commensurate with credit rankings, except when internal credit analysis indicates that additional protective and/or event-risk covenants are required.

During the fourth quarter of 1998, we revised our investment management policy regarding the holding-period intent for certain of our private placement debt securities. Our past practice was to hold these securities to their contractual or economic maturity dates. We have now made this our formal policy. Accordingly, debt securities carried at a fair value of $6.4 billion were reclassified as of October 1, 1998, from the

category "available for sale" to "held to maturity." The related unrealized gain of $1.1 billion as of October 1, 1998 on these securities is being amortized over the remaining term of the securities. Securities that are available for sale are reported in the balance sheet at fair value and securities that are held to maturity are reported at amortized cost.

The following table shows an analysis of investment securities (at cost or amortized cost) at December 31:

	AFLAC Japan		AFLAC U.S.	
(In millions)	1998	1997	1998	1997
Available for sale:				
Fixed-maturity securities	$12,886	$13,527	$ 2,813	$ 2,546
Perpetual debentures	1,344	3,011	70	37
Equity securities	22	7	79	73
Total available for sale	14,252	16,545	2,962	2,656
Held to maturity:				
Fixed-maturity securities	3,947	-	-	-
Perpetual debentures	3,494	-	-	-
Total held to maturity	7,441	-	-	-
Total	$21,693	$16,545	$ 2,962	$ 2,656

Mortgage loans on real estate and other long-term investments remained immaterial at both December 31, 1998 and 1997. Cash, cash equivalents and short-term investments totaled $384 million, or 1.4% of total investments and cash, as of December 31, 1998, compared with $279 million, or 1.2% of total investments and cash, at December 31, 1997.

For additional information concerning investments and fair values, see Notes 3 and 4 of the Notes to the Consolidated Financial Statements.

POLICY LIABILITIES

Policy liabilities increased $4.1 billion, or 20.9%, during 1998. AFLAC Japan policy liabilities increased $4.0 billion, or 22.2%, and AFLAC U.S. policy liabilities increased $205 million, or 10.9%. Changes in policy liabilities were primarily due to the addition of new business, the aging of policies in force, the stronger yen and the effect of the market value adjustment for securities available for sale (see Note 3 of the Notes to the Consolidated Financial Statements). The stronger yen at year-end 1998 compared with 1997 increased reported policy liabilities by $2.4 billion. The weaker yen at year-end 1997 compared with 1996 decreased reported policy liabilities by $2.2 billion in 1997.

DEBT

AFLAC Incorporated has an unsecured reducing revolving credit agreement that provides for bank borrowings through July 2001 in either U.S. dollars or Japanese yen. At December 31, 1998, 38.1 billion yen ($329 million) were outstanding under this agreement.

AFLAC Incorporated also has an unsecured revolving credit agreement that provides for bank borrowings through November 2002 in either U.S. dollars or Japanese yen. At December 31, 1998, 28.8 billion yen ($249 million) were outstanding.

The proceeds from these loans were used to fund our share repurchase program. When any portion of these loans is denominated in yen, the principal amounts of the loans in dollars will fluctuate due to changes in the yen/dollar exchange rate.

We have entered into interest rate swaps that effectively change the interest rates on a portion of these loans from variable to fixed. The variable rate on the 34.1 billion yen ($294 million) loan is .95%, and the fixed rate is 2.29% after the effect of the swaps (including loan costs of

25 basis points). The variable rate on the 15.5 billion yen ($134 million) loan is .90%, and the fixed rate is 1.24% after the effect of the swaps (including loan costs of 20 basis points). We make interest payments to the bank based on variable interest rates, and we either pay to or receive from the swap counterparty an amount necessary to equal the fixed rate. The variable interest rate at December 31, 1998, was based on the three-month Tokyo Interbank Offered Rate of .75%, plus loan costs.

We have designated these yen-denominated borrowings as a hedge of our net investment in AFLAC Japan. Foreign currency translation gains/losses on the borrowings are included in accumulated other comprehensive income. Outstanding principal and related accrued interest payable on the yen-denominated borrowings are translated into dollars at end-of-period exchange rates.

Our ratio of debt to total capitalization (debt plus shareholders' equity, excluding the net unrealized gains on investment securities) was 19.6% as of December 31, 1998 and 1997. For further information concerning notes payable, see Note 7 of the Notes to the Consolidated Financial Statements.

SECURITY LENDING

AFLAC Japan uses short-term security lending arrangements to increase investment income with minimal risk. This program increased AFLAC Japan's investment income by approximately $1 million in both 1998 and 1997. For further information regarding such arrangements, see Note 4 of the Notes to the Consolidated Financial Statements.

POLICYHOLDER GUARANTY FUNDS

Under insurance guaranty fund laws in most U.S. states, insurance companies doing business in those states can be assessed for policyholder losses up to prescribed limits that are incurred by insolvent companies with similar lines of business. Such assessments have not been material to us in the past. We believe that future assessments relating to companies in the U.S. currently involved in insolvency proceedings will not materially impact the consolidated financial statements.

The Life Insurance Association of Japan, an industry organization, implemented a policyholder protection fund in 1996 to provide capital

support to insolvent life insurers. AFLAC Japan pledged investment securities to the Life Insurance Association of Japan under this program. During the first quarter of 1998, the Japanese government enacted a mandatory policyholder protection fund system. The life insurance industry will contribute $6.0 billion over a 10-year period for these two funds. We have recorded a liability for our share of these obligations. (See Note 2 of the Notes to the Consolidated Financial Statements.)

SHAREHOLDERS' EQUITY

Our insurance operations continue to provide the primary sources of liquidity. Capital needs can also be supplemented by borrowed funds. The principal sources of cash from insurance operations are premiums and investment income. Primary uses of cash in the insurance operations are policy claims, commissions, operating expenses, income taxes and payments to AFLAC Incorporated for management fees and dividends. Both the sources and uses of cash are reasonably predictable. Our investment objectives provide for liquidity through the ownership of high-quality investment securities. AFLAC insurance policies are generally not interest-sensitive and therefore are not subject to unexpected policyholder redemptions due to investment yield changes. Also, the majority of our policies provide indemnity benefits rather than reimbursement for actual medical costs and thus are not subject to the risks of medical-cost inflation.

The achievement of continued long-term growth will require growth in AFLAC's statutory capital and surplus. We may secure additional statutory capital through various sources, such as internally generated statutory earnings or equity contributions by AFLAC Incorporated from funds generated through debt or equity offerings. The disposition of the television business increased our capital resources. We believe outside sources for additional debt and equity capital, if needed, will continue to be available for capital expenditures, business expansion and the funding of our share repurchase program.

AFLAC Incorporated capital resources are largely dependent upon the ability of AFLAC to pay management fees and dividends. The Georgia Insurance Department imposes certain limitations and restrictions on payments of dividends, management fees, loans and advances by AFLAC to AFLAC Incorporated. The Georgia Insurance Statutes require prior approval for dividend distributions that exceed the greater of statutory earnings for the previous year or 10% of statutory capital and surplus as of the previous year-end. In addition, the Georgia Insurance Department must approve service arrangements and other transactions within the affiliated group. These regulatory limitations are not expected to affect the level of management fees or dividends paid by AFLAC to AFLAC Incorporated. A life insurance company's statutory capital and surplus is computed according to rules prescribed by the NAIC, as modified by the insurance company's state of domicile. Statutory accounting rules are different from generally accepted accounting principles and are intended to emphasize policyholder protection and company solvency.

Currently, prescribed or permitted statutory accounting principles (SAP) used by insurers for financial reporting to state insurance regulators may vary between states and between companies. The NAIC has recodified SAP to promote standardization throughout the industry. These new accounting principles are presently planned by the NAIC to be effective for 2001. The

most significant change to AFLAC is the requirement that insurance companies establish a deferred income tax liability for statutory accounting purposes. We estimate AFLAC's deferred tax liability would be approximately $165 million at December 31, 1998, under the provisions of the recodified SAP. AFLAC's capital and surplus, as determined on the present U.S. statutory accounting basis, was $1.6 billion at December 31, 1998.

The NAIC uses a risk-based capital formula relating to insurance risk, business risk, asset risk and interest rate risk to facilitate identification by insurance regulators of inadequately capitalized insurance companies based upon the types and mixtures of risks inherent in the insurer's operations. AFLAC's NAIC risk-based capital ratio remains high and reflects a very strong capital and surplus position. Also, there are various ongoing regulatory initiatives by the NAIC relating to investments, reinsurance, limited-benefit insurance policies, revisions to the risk-based capital formula and other related matters.

In addition to restrictions by U.S. insurance regulators, the Japanese FSA may impose restrictions on transfers of funds from AFLAC Japan. Payments are made from AFLAC Japan to AFLAC Incorporated for management fees and to AFLAC U.S. for allocated expenses and remittances of earnings. Total funds received from AFLAC Japan were $192 million in 1998, $386 million in 1997 and $254 million in 1996. The FSA may not allow transfers of funds if the payment would cause AFLAC Japan to lack sufficient financial strength for the protection of policyholders. The FSA maintains solvency standards, a version of risk-based capital requirements. AFLAC Japan's solvency margin remains high and reflects a strong capital and surplus position. For additional information on regulatory restrictions on dividends, profit transfers and other remittances, see Note 10 of the Notes to the Consolidated Financial Statements.

RATING AGENCIES

AFLAC is rated "AA" by Standard & Poor's and "Aa3" by Moody's for financial strength. Duff & Phelps rates AFLAC "AA" in claims-paying ability. A.M. Best, an independent rating service that analyzes the financial condition and operating performance of insurance companies, gives AFLAC an "A+" or superior rating.

OTHER

For information regarding pending litigation, see Note 12 of the Notes to the Consolidated Financial Statements.

CASH FLOW

Operating cash flows for AFLAC Japan are translated using average monthly exchange rates for the year. In years when the yen weakens, translating yen into dollars causes fewer dollars to be reported. When the yen strengthens, translating yen into dollars causes more dollars to be reported.

For additional information, see the Consolidated Statements of Cash Flows on pages 13-35 and 13-36.

OPERATING ACTIVITIES

In 1998, consolidated cash flow from operations decreased 4.2% to $2.5 billion, compared with $2.6 billion in 1997 and $2.7 billion in 1996. Net cash flow from operations for AFLAC Japan decreased 5.8% (increased .3% in yen) to $2.2 billion in 1998, compared with $2.3 billion in 1997 and $2.5 billion in 1996. AFLAC Japan represented 89% of the consolidated net cash flow from operations in 1998 and 91% in both 1997 and 1996. The decrease in cash flow from operations in 1998 and 1997 was due to the weaker yen.

INVESTING ACTIVITIES

Consolidated cash flow used by investing activities decreased 7.8% to $2.2 billion in 1998, compared with $2.4 billion in 1997 and $2.5 billion in 1996. The sale of the television business generated cash flow of $351 million in 1997 and $99 million in 1996. AFLAC Japan accounted for 86% of the consolidated net cash used by investing activities in 1998, compared with 81% in 1997 and 93% in 1996.

Operating cash flow is primarily used to purchase debt securities. When market opportunities arise, we dispose of selected debt securities available for sale to improve future investment yields or lengthen maturities. Therefore, dispositions before maturity can vary significantly from year to year. Dispositions before maturity ranged between 4% and 9% of the annual average investment portfolio of debt securities available for sale during the three years ended December 31, 1998.

FINANCING ACTIVITIES

In 1998, net cash used by financing activities was $141 million, compared with $121 million in 1997 and $157 million in 1996. Treasury stock purchases of $125 million in 1998 and $314 million in 1997 were funded by proceeds from new borrowings. In 1996, treasury stock purchases of $204 million were funded by proceeds from new borrowings of $136 million and available cash. Debt repayments of $108 million in 1998, $55 million in 1997 and $36 million in 1996 on yen-denominated loans were made from annual profit repatriations from Japan. In addition to issuing treasury shares for AFLAC Japan stock options, we have sold treasury shares to our dividend reinvestment plan and to the AFLAC Associate Stock Bonus Plan. These dispositions generated proceeds in the amounts of $44 million, $40 million and $35 million for the years 1998, 1997 and 1996, respectively. Cash dividends paid to shareholders amounted to $67 million in 1998, an increase of 10.7% over 1997. Cash dividends paid to shareholders in 1997 were $61 million, an increase of 11.7% over the 1996 cash dividends of $54 million. The 1998 cash dividend of $.253 per share increased 12.9% over 1997. The 1997 cash dividend of $.224 per share represented an increase of 15.5% over the 1996 cash dividend of $.194 per share.

YEAR 2000

The term "year 2000 issue" generally refers to incorrect date calculations that might occur in computer software and hardware as the year 2000 approaches. The use of computer programs that rely on two-digit date fields to perform computations and decision-making functions may cause

systems to malfunction when processing information involving dates after 1999. For example, any computer software that has date-sensitive coding might recognize a code of "00" as the year 1900 rather than the year 2000.

Our efforts to address year 2000 issues began in 1997. We established a Year 2000 Executive Steering Committee, made up of senior management and representatives of our information technology, financial, legal, internal audit and various operational areas to identify and address year 2000 issues throughout our U.S. and Japanese operations. We also established a Year 2000 Project Office consisting of department coordinators from Information Technology, Worldwide Headquarters business operations and AFLAC Japan. The Project Office established both domestic and Japanese plans to address year 2000 readiness and minimize the risk of business disruption caused by year 2000 issues. We also engaged third party consultants to assist AFLAC U.S.

and AFLAC Japan with their year 2000 efforts.

The plans contain five phases: (1) the assessment phase, which includes creating awareness of the issue throughout the company and assessment of all systems, significant business processes, facilities and third party dependencies; (2) the remediation phase, which includes updating or modifying systems which are identified as critical to our efforts to become year 2000 ready; (3) the testing phase, which includes the testing of systems that have been updated or modified; (4) the implementation phase, which includes placing systems into the production environment, as well as additional comprehensive testing to identify and resolve any remaining year 2000 issues; and (5) contingency planning.

We have remediated substantially all of our critical production systems in both the United States and Japan. Verification that the critical production systems have been correctly remediated will continue through the third quarter of 1999 in a year 2000 test environment. The additional testing may raise new issues that require further remediation and implementation activities, all of which are scheduled to be completed in the third quarter of 1999. We intend to develop contingency plans for any critical systems that we determine may not be fully remediated during the second and third quarters of 1999 as testing is finalized. Testing and any further remediation and implementation activities required for non-critical systems will continue through the end of 1999.

We rely on a widely distributed customer base in the United States and Japan for continued payment of premiums. Many of the systems utilized by our group accounts are automated and date dependent. We randomly surveyed group accounts in the United States to determine their year 2000 readiness. AFLAC Japan depends heavily on substantial premium payments that are electronically transmitted by third party payment agents from employers of the insured. We have surveyed our more significant customers in Japan to determine whether such customers expect their ability to pay premiums or transmit policy and claims data in this fashion to be impacted by year 2000 issues. We have not yet conducted any tests with those customers in a year 2000 test environment and have no assurance that they will achieve year 2000 compliance. We intend to contact certain significant Japanese customers during the first quarter of 1999 to recommend data transmission testing. If a large number of customers (in the U.S. and/or Japan) are unable to submit premium payments in a timely or accurate manner due to year 2000 issues, the resulting delays could have a material adverse effect on our financial condition or results of operations. It is not currently possible to predict the probability of any delays occurring or the extent of such delays.

AFLAC owns publicly traded and privately placed fixed-maturity and equity securities in the U.S. and Japan, and other foreign countries. If a material portion of such securities are adversely impacted by year 2000 issues, our investment portfolio may also be adversely impacted.

Since the inception of the year 2000 project, we had incurred costs of approximately $18 million for system upgrades or modifications through December 31, 1998. Of this amount, approximately $6 million was capitalized. The remaining cost to complete the various projects is currently estimated to be $14 million, of which $7 million is expected to be capitalized. We may determine that additional expenditures are necessary as testing continues. Company personnel have spent considerable time and effort on the project, and we intend to continue to devote additional internal resources and personnel to work on the project. However, we believe that any deferral of information technology projects due to the year 2000 effort will not have a material adverse effect on our operations or financial condition.

Due to the uncertainty inherent in year 2000 issues, particularly with regard to Japanese customers' year 2000 readiness and the various governmental functions, public utilities, financial infrastructures and similar outside facilities on which we depend in both the United States and Japan, we are unable to determine at this time whether the consequences of external year 2000 failures will have a material impact on our financial condition or results of operations. Although a year 2000 failure with respect to any single internal or external system may not have a material adverse effect on AFLAC, the failure of multiple systems may cause a material disruption to its business.

All statements made herein regarding our year 2000 efforts are "Year 2000 Readiness Disclosures" made pursuant to the Year 2000 Information and Readiness Disclosure Act, and to the extent applicable, are entitled to the protections of such act.

FORWARD-LOOKING INFORMATION

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" to encourage companies to provide prospective information, so long as those informational statements are identified as forward-looking and are accompanied by meaningful, cautionary statements identifying important factors that could cause actual results to differ materially from those discussed. We desire to take advantage of these provisions. This report contains cautionary statements identifying important factors that could cause actual results to differ materially from those projected in this discussion and analysis, and in any other statements made by company officers in oral discussions with analysts and contained in documents filed with the Securities and Exchange Commission (SEC). Forward-looking statements are not based on historical information and relate to future operations, strategies, financial results or other developments. In particular, statements containing words such as "expect," "anticipate," "believe," "goal," "objective" or similar words as well as specific projections of future results generally qualify as forward-looking. AFLAC undertakes no obligation to update such forward-looking statements.

We caution readers that the following factors, in addition to other factors mentioned from time to time in our reports filed with the SEC, could

cause actual results to differ materially: regulatory developments, assessments for insurance company insolvencies, competitive conditions, new products, ability to repatriate profits from Japan, general economic conditions in the United States and Japan, changes in U.S. and/or Japanese tax laws, adequacy of reserves, credit and other risks associated with AFLAC's investment activities, significant changes in interest rates, fluctuations in foreign currency exchange rates, and the ability of AFLAC, and third parties with whom it does business, to achieve year 2000 readiness for significant systems on a timely basis.

EXH 13-30

<TABLE>
ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
<CAPTION>

AFLAC INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
Years Ended December 31,

(In millions, except for share and per-share amounts)	1998	1997	1996
<S>	<C>	<C>	<C>
Revenues:			
Premiums, principally supplemental health insurance	$ 5,943	$ 5,874	$ 5,910
Net investment income	1,138	1,078	1,022
Realized investment gains (losses)	(2)	(5)	2
Gain on sale of television business	-	267	60
Other income	25	37	106
Total revenues	7,104	7,251	7,100
Benefits and expenses:			
Benefits and claims	4,877	4,833	4,896
Acquisition and operating expenses:			
Amortization of deferred policy acquisition costs	201	180	162
Insurance commissions	773	773	778
Insurance expenses	504	479	437
Provision for mandated policyholder protection fund	111	-	-
Interest expense	13	14	16
Other operating expenses	74	107	161
Total acquisition and operating expenses	1,676	1,553	1,554
Total benefits and expenses	6,553	6,386	6,450
Earnings before income taxes	551	865	650
Income tax expense (benefit):			
Current	277	292	240
Deferred -- operations	(92)	(12)	16
Deferred tax benefit from Japanese tax rate reduction	(121)	-	-
Total income taxes	64	280	256
Net earnings	$ 487	$ 585	$ 394
Net earnings per share:			
Basic	$ 1.83	$ 2.15	$ 1.41
Diluted	1.76	2.08	1.36
Common shares used in computing earnings per share (In thousands):			
Basic	266,305	272,110	280,352
Diluted	275,872	281,596	288,922

Share and per-share amounts reflect the 2-for-1 stock split paid on June 8, 1998. See the accompanying Notes to the Consolidated Financial Statements.
</TABLE>

EXH 13-31

<TABLE>
AFLAC INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31,
<CAPTION>

(In millions)	1998	1997
<S>	<C>	<C>
ASSETS:		
Investments and cash:		
Securities available for sale, at fair value:		
Fixed maturities (amortized cost $15,699 in 1998 and $16,073 in 1997)	$ 17,660	$ 19,007
Perpetual debentures (amortized cost		

$1,414 in 1998 and $3,048 in 1997)	1,323	3,431
Equity securities (cost $101 in 1998 and $80 in 1997)	177	146
Securities held to maturity, at amortized cost:		
Fixed maturities (fair value $3,691)	3,947	-
Perpetual debentures (fair value $3,131)	3,494	-
Mortgage loans and other	9	17
Short-term investments	10	43
Cash and cash equivalents	374	236
Total investments and cash	26,994	22,880
Receivables, primarily premiums	229	213
Receivables for security transactions	43	3
Accrued investment income	316	265
Deferred policy acquisition costs	3,067	2,582
Property and equipment, at cost less accumulated depreciation	427	386
Securities held as collateral for loaned securities	-	3,034
Other	107	91
Total assets	$ 31,183	$ 29,454

See the accompanying Notes to the Consolidated Financial Statements.

(continued)

</TABLE>

<TABLE>

AFLAC INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
December 31,

<CAPTION>

(In millions, except for share amounts)	1998	1997
<S>	<C>	<C>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Policy liabilities:		
Future policy benefits	$ 22,218	$ 18,399
Unpaid policy claims	1,263	1,011
Unearned premiums	309	277
Other policyholders' funds	244	198
Total policy liabilities	24,034	19,885
Notes payable	596	523
Income taxes	1,865	1,827
Payables for return of collateral on loaned securities	-	3,034
Payables for security transactions	173	216
Other	745	539
Commitments and contingencies (Notes 11 and 12)		
Total liabilities	27,413	26,024
Shareholders' equity:		
Common stock of $.10 par value. In thousands: authorized 400,000 shares; issued 317,971 shares in 1998 and 316,380 shares in 1997	32	16

Additional paid-in capital	235	227
Retained earnings	2,862	2,442
Accumulated other comprehensive income:		
Unrealized foreign currency translation gains	219	274
Unrealized gains on investment securities	1,332	1,285
Treasury stock, at average cost	(910)	(813)
Notes receivable for stock purchases	-	(1)
Total shareholders' equity	3,770	3,430
Total liabilities and shareholders' equity	$ 31,183	$ 29,454

Share and per-share amounts reflect the 2-for-1 stock split paid on June 8, 1998.

See the accompanying Notes to the Consolidated Financial Statements.

</TABLE>

EXH 13-33

<TABLE>

AFLAC INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years Ended December 31,

<CAPTION>

(In millions, except for per-share amounts)	1998	1997	1996
<S>	<C>	<C>	<C>
Common stock:			
Balance at beginning of year	$ 16	$ 16	$ 16
Two-for-one stock split	16	-	-
Balance at end of year	32	16	16
Additional paid-in capital:			
Balance at beginning of year	227	209	197
Exercise of stock options	8	6	6
Gain on treasury stock reissued	16	12	6
Two-for-one stock split	(16)	-	-
Balance at end of year	235	227	209
Retained earnings:			
Balance at beginning of year	2,442	1,918	1,578
Net earnings	487	585	394
Cash dividends ($.253 per share in 1998, $.224 in 1997 and $.194 in 1996)	(67)	(61)	(54)
Balance at end of year	2,862	2,442	1,918
Accumulated other comprehensive income:			
Balance at beginning of year	1,559	510	696
Change in unrealized foreign currency translation gains during year, net of income taxes	(55)	44	16
Unrealized gains (losses) on investment securities during year, net of income taxes and reclassification adjustments	47	1,005	(202)
Balance at end of year	1,551	1,559	510
Treasury stock:			
Balance at beginning of year	(813)	(527)	(352)
Purchases of treasury stock	(125)	(314)	(204)
Cost of shares issued	28	28	29
Balance at end of year	(910)	(813)	(527)
Notes receivable for stock purchases	-	(1)	-
Total shareholders' equity	$ 3,770	$ 3,430	$ 2,126

Per-share amounts reflect the 2-for-1 stock split paid on June 8, 1998.
See the accompanying Notes to the Consolidated Financial Statements.
</TABLE>

<TABLE>

AFLAC INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31,

<CAPTION>

(In millions)	1998	1997	1996
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net earnings	$ 487	$ 585	$ 394
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Increase in policy liabilities	2,173	2,310	2,483
Deferred income taxes	(213)	(12)	16
Change in income taxes payable	16	68	15
Increase in deferred policy acquisition costs	(226)	(227)	(265)
Change in receivables and advance premiums	4	8	(32)
Depreciation and amortization expense	43	45	48
Gain on sale of television business	-	(267)	(60)
Provision for mandated policyholder protection fund	111	-	-
Other, net	95	88	95
Net cash provided by operating activities	2,490	2,598	2,694
Cash flows from investing activities:			
Proceeds from investments sold or matured:			
Securities available for sale:			
Fixed-maturity securities sold	941	1,722	1,708
Fixed-maturity securities matured	698	422	560
Equity securities	57	64	17
Securities held to maturity:			
Fixed-maturity securities matured	8	-	-
Mortgage loans and other investments, net	8	4	4
Short-term investments, net	34	6	(6)
Proceeds from sale of television business	-	351	99
Costs of investments acquired:			
Securities available for sale:			
Fixed-maturity securities	(2,966)	(4,141)	(3,942)
Perpetual debentures	(917)	(798)	(912)
Equity securities	(60)	(55)	(23)
Additions to property and equipment, net	(40)	(9)	(10)
Purchase of subsidiary	(8)	-	-
Net cash used by investing activities	$ (2,245)	$ (2,434)	$ (2,505)

(continued)
</TABLE>

<TABLE>

AFLAC INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
Years Ended December 31,

<CAPTION>

(In millions)	1998	1997	1996
<S>	<C>	<C>	<C>
Cash flows from financing activities:			
Proceeds from borrowings	$ 124	$ 409	$ 136
Principal payments under debt obligations	(125)	(203)	(76)
Dividends paid to shareholders	(67)	(61)	(54)

Purchases of treasury stock	(125)	(314)	(204)
Treasury stock reissued	44	40	35
Other, net	8	8	6
Net cash used by financing activities	(141)	(121)	(157)
Effect of exchange rate changes on cash and cash equivalents	34	(16)	(13)
Net change in cash and cash equivalents	138	27	19
Cash and cash equivalents, beginning of year	236	209	190
Cash and cash equivalents, end of year	$ 374	$ 236	$ 209
Supplemental disclosures of cash flow information:			
Cash payments during the year for:			
Interest on debt obligations	$ 12	$ 12	$ 14
Income taxes	210	222	224

Non-cash financing activities included capital lease obligations incurred for computer equipment totaling $7 in 1998, $6 in 1997 and $9 in 1996.

See the accompanying Notes to the Consolidated Financial Statements.

</TABLE>

<TABLE>

AFLAC INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31,

<CAPTION>

(In millions)	1998	1997	1996
<S>	<C>	<C>	<C>
Net Earnings	$ 487	$ 585	$ 394
Other comprehensive income, before income taxes:			
Foreign currency translation adjustments:			
Change in unrealized foreign currency translation gains during year	(84)	43	16
Reclassification adjustment for realized currency loss on sale of subsidiary included in net earnings	-	1	-
Unrealized gains (losses) on investment securities:			
Unrealized holding gains (losses) arising during year	171	1,693	(314)
Reclassification adjustment for realized (gains) losses included in net earnings	3	4	(5)
Total other comprehensive income, before income taxes	90	1,741	(303)
Income tax expense (benefit)			

related to items of other comprehensive income	98	692	(117)
Other comprehensive income, net of income taxes	(8)	1,049	(186)
Total comprehensive income	$ 479	$ 1,634	$ 208

See the accompanying Notes to the Consolidated Financial Statements.

</TABLE>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS: AFLAC Incorporated (the Parent Company) and its subsidiaries (the Company) primarily sell supplemental health insurance in Japan and the United States. The Company's insurance operations are conducted through American Family Life Assurance Company of Columbus (AFLAC), which operates in the United States (AFLAC U.S.) and as a branch in Japan (AFLAC Japan). Most of our insurance policies are individually underwritten and marketed through independent agents at the worksite, with premiums paid by the employee. AFLAC Japan, which conducts its insurance operations in Japanese yen, accounted for 80%, 79% and 82% of the Company's total revenues for 1998, 1997 and 1996, respectively, and 86% and 87% of total assets at December 31, 1998 and 1997, respectively.

BASIS OF PRESENTATION: We prepare our financial statements in accordance with generally accepted accounting principles (GAAP). These principles are established primarily by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants. The preparation of financial statements in conformity with GAAP requires us to make estimates when recording transactions resulting from business operations, based on information currently available. The most significant items on our balance sheet that involve a greater extent of accounting estimates and actuarial determinations subject to changes in the future are: deferred policy acquisition costs, liabilities for future policy benefits and unpaid policy claims, accrued liabilities for unfunded retirement plans and contingent liabilities. As additional information becomes available (or actual amounts are determinable), the recorded estimates may be revised and reflected in operating results. Although some variability is inherent in these estimates, we believe the amounts provided are adequate.

TRANSLATION OF FOREIGN CURRENCIES: The functional currency of AFLAC Japan's insurance operations is the Japanese yen. We translate financial statement accounts that are maintained in foreign currencies into U.S. dollars as follows. Assets and liabilities denominated in foreign currencies are translated at end-of-period exchange rates. Realized gains and losses on security transactions are translated at the exchange rate on the trade dates of the transactions. Other revenues, expenses and cash flows are translated from foreign currencies into U.S. dollars using average exchange rates for the year. The resulting currency translation adjustments are reported in accumulated other comprehensive income. We include realized currency exchange gains and losses resulting from foreign currency transactions in earnings. Realized currency exchange gains and losses were immaterial during the three-year period 1996 through 1998.

AFLAC Japan maintains an investment portfolio of dollar-denominated securities on behalf of AFLAC U.S. The functional currency is the dollar for these investments, the related investment income and realized/unrealized investment gains and losses.

We have designated the yen-denominated notes payable (Note 7) held by the Parent Company as a hedge of our net investment in AFLAC Japan.

Outstanding principal and related accrued interest payable on the yen-denominated borrowings are translated into dollars at end-of-period exchange rates. Currency translation adjustments are reported in accumulated other comprehensive income.

INSURANCE REVENUE AND EXPENSE RECOGNITION: The supplemental health insurance policies we issue are classified as long-duration contracts. The contract provisions generally cannot be changed or canceled during the contract period; however, we may adjust premiums for policies issued in the United States within prescribed guidelines and with the approval of state insurance regulatory authorities.

Insurance premiums for health policies are recognized as earned income ratably over the terms of the policies. When revenues are recorded, the related amounts of benefits and expenses are charged against such revenues, so as to result in recognition of profits in proportion to premium revenues during the period the policies are expected to remain in force. This association is accomplished by means of annual additions to the liability for future policy benefits and the deferral and subsequent amortization of policy acquisition costs.

The calculation of deferred policy acquisition costs and the liability for future policy benefits requires the use of estimates consistent with sound actuarial valuation techniques. For new policy issues, we review our actuarial assumptions and deferrable acquisition costs each year and revise them when necessary to more closely reflect recent experience and studies of actual acquisition costs. For policies in force, we evaluate deferred policy acquisition costs to determine that they are recoverable from future revenues and charge against earnings costs that are not recoverable.

CASH AND CASH EQUIVALENTS: Cash and cash equivalents include cash on hand, money market instruments and other debt instruments with a maturity of 90 days or less when purchased.

INVESTMENTS: Our fixed-maturity securities and perpetual debentures (debt securities) are classified as either held to maturity or available for sale. Securities classified as held to maturity are securities that we have the ability and intent to hold to maturity or redemption and are carried at amortized cost. All other debt securities and our equity securities are classified as available for sale and are carried at fair value. If the fair value is higher than the amortized cost for debt securities or the purchase cost for equity securities, the excess is an unrealized gain; and if lower than cost, the difference is an unrealized loss.

In 1998, we reclassified certain debt securities from "available for sale" to "held to maturity." The related unrealized gains and losses at the date of transfer on these securities are being amortized over the remaining term of the securities. These unamortized unrealized gains and losses, plus the net unrealized gains and losses on securities available for sale, less amounts applicable to policy liabilities and deferred income taxes, are reported in accumulated other comprehensive income. The portion of unrealized gains credited to policy liabilities represents gains that would not inure to the benefit of shareholders if such gains were actually realized. These amounts relate to policy reserve interest requirements and reflect the difference between market investment yields and estimated minimum required interest rates.

Amortized cost of debt securities is based on the purchase price adjusted for accrual of discount or amortization of premium. The amortized cost of debt securities purchased at a discount will equal the face or par value at maturity. Debt securities purchased at a premium will have an amortized cost equal to face or par value at the earlier of a call date or maturity.

Interest is recorded as income when earned and is adjusted for amortization of any premium or discount. Dividends on equity securities are recorded as income on the ex-dividend dates.

For the collateralized mortgage obligations portion of the fixed-maturity securities portfolio, we recognize income using a constant effective yield based on anticipated prepayments and the estimated economic life of the securities. When estimates of prepayments change, the effective yield is recalculated to reflect actual payments to date and anticipated future payments. The net investment in the securities is adjusted to the amount that would have existed had the new effective yield been applied at the time of acquisition. This adjustment is reflected in net investment income.

We identify the cost of each individual investment so that when we sell any of them, we are able to record the gain or loss on that transaction in our Consolidated Statements of Earnings. Effective January 1, 1997, we changed our method of determining the costs of investment securities sold from the first-in, first-out (FIFO) method to the specific identification method. This accounting change had no material effect on net earnings for the years ended December 31, 1997 and 1998.

We continually monitor the difference between the cost and estimated fair value of our investments. If any of our investments experience a decline in value that is other than temporary, we establish a valuation allowance for the decline and record a realized loss in the Consolidated Statements of Earnings.

We loan fixed-maturity securities to financial institutions in short-term security lending transactions. These securities continue to be carried as investment assets on our balance sheet during the term of the loans and are not recorded as sales. We receive other securities as collateral for such loans. Beginning in 1998, the collateral was not recorded as either an asset or liability on our balance sheet due to a required change in accounting standards. In prior years, the collateral was carried as an asset, and a liability was recorded for the return of the collateral.

DEFERRED POLICY ACQUISITION COSTS: The costs of acquiring new business and converting existing policies are deferred and amortized, with interest, over the premium payment periods in proportion to the ratio of annual premium income to total anticipated premium income. Anticipated premium income is estimated by using the same mortality and withdrawal assumptions used in computing liabilities for future policy benefits. In this manner, the related acquisition expenses are matched with revenues. Costs deferred include first-year commissions in excess of renewal commissions and certain direct and allocated policy issue, underwriting and marketing expenses, all of which vary with and are primarily related to the production of new business. Policy acquisition costs deferred were $436 million in 1998, $408 million in 1997 and $427 million in 1996. Of the policy acquisition costs deferred, commissions represented 69% in 1998, 70% in 1997 and 67% in 1996.

INSURANCE LIABILITIES: The liabilities for future policy benefits are computed by a net level premium method using estimated future investment yields, withdrawals and recognized morbidity and mortality tables modified to reflect our experience, with reasonable provision for possible future adverse deviations in experience.

Unpaid policy claims are estimates computed on an undiscounted basis using statistical analyses of historical claim experience adjusted for current trends and changed conditions. The ultimate liability may vary significantly from such estimates. We regularly adjust these estimates as new experience data emerges and reflect the changes in operating results in the year such adjustments are made.

INCOME TAXES: Different rules are used in computing the U.S. and Japanese income tax expenses presented in the accompanying financial statements from those used in preparing the Company's income tax returns. Deferred income taxes are recognized for temporary differences between the financial reporting basis and income tax basis of assets and liabilities, based on enacted tax laws and statutory tax rates applicable to the periods in which the temporary differences are expected to reverse.

DERIVATIVES: We have only limited activity with derivative financial instruments. We do not use them for trading purposes nor do we engage in leveraged derivative transactions. In addition, we do not use derivatives to hedge the foreign-currency-denominated net assets of our foreign insurance operations, except for short-term hedges of our annual profit repatriations. We currently use two types of derivatives -- interest rate swaps and foreign currency forward contracts.

We use the accrual method to account for the interest rate swaps in connection with our bank borrowings. The difference between amounts paid and received under such agreements is reported in interest expense in the Consolidated Statements of Earnings. Changes in the fair value of the swap agreements are not recognized in the financial statements. These swaps reduce the impact of changes in interest rates on our borrowing costs and effectively change our related interest exposure from variable to fixed.

We use short-term foreign currency forward contracts (usually five months or less) in connection with annual profit transfers from AFLAC Japan. These contracts are designated at inception as hedges of our investment in

AFLAC Japan and are accounted for using the deferral method. We record the gains and losses during the period that the contracts are outstanding and at termination of the contracts as unrealized foreign currency translation gains in accumulated other comprehensive income.

EMPLOYEE STOCK OPTIONS: We use the intrinsic value method to value employee stock options. Under this method, compensation cost is recognized only for the excess, if any, of the market price of the stock at the grant date over the amount an employee must pay upon exercise to acquire the stock. Our stock option plan requires that the exercise price be equal to 100% of the fair market value at the date of grant; therefore, no compensation expense is recognized.

TREASURY SHARES: We record treasury shares purchased at cost, which is the market value at the time of the transaction, and as a reduction of shareholders' equity. We use the weighted-average purchase cost to determine the cost of treasury shares that are reissued. We record realized gains or losses in additional paid-in capital when treasury shares are reissued.

STOCK SPLIT: We paid a two-for-one stock split on June 8, 1998. All share and per-share amounts in the accompanying financial statements have been restated for this split.

EARNINGS PER SHARE: We are required to present two earnings per share (EPS) calculations -- basic EPS and diluted EPS -- in the Consolidated Statements of Earnings. Basic EPS is computed by dividing net earnings by the weighted-average number of shares outstanding for the period. Diluted EPS is computed by dividing net earnings by the weighted-average number of shares outstanding for the period plus the shares representing the dilutive effect of stock options and other common stock equivalents.

The components of the weighted-average shares used in the EPS calculations are as follows:

(In thousands of shares)	1998	1997	1996
Average outstanding shares used for calculating basic EPS	266,305	272,110	280,352
Effect of stock options	9,567	9,486	8,570
Average outstanding shares used for calculating diluted EPS	275,872	281,596	288,922

ACCOUNTING CHANGES ADOPTED: We adopted Statement of Financial Accounting Standards (SFAS) No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, on January 1, 1997. This Statement established criteria for determining whether transfers of financial assets are sales or secured borrowings and established reporting requirements for those transactions involving secured obligations and collateral. Beginning in 1998, as required by this standard, we no longer recognize securities held as collateral as an asset, nor the related liability for the return of such collateral for security lending agreements entered into after December 31, 1997. The adoption of SFAS No. 125 had no effect on our net earnings or shareholders' equity.

As required, we adopted SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, in 1998. This Statement requires that companies disclose business segment data on the basis that is used internally by management for evaluating segment performance and allocating resources to segments. This Statement requires that a company report a measure of segment profit or loss, certain specific revenue and expense items, and segment assets. It also requires various reconciliations of total segment information to amounts in the consolidated financial statements. This information is presented in Note 2.

We also adopted SFAS No. 132, Employer's Disclosures about Pensions and Other Postretirement Benefits, in 1998. This Statement revises disclosures about pension and other postretirement benefit plans, but does not change the measurement or financial statement recognition of these plans. This information is presented in Note 11.

As required, we adopted SFAS No. 128, Earnings per Share, in 1997 as described above in this Note under the caption, "Earnings Per Share."

ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED: SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, was issued in June 1998. This Statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in

investment securities and other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. The accounting for changes in the fair value of a derivative will be included in either earnings or other comprehensive income depending on the intended use of the derivative instrument. We are currently evaluating this standard, which is effective January 1, 2000.

The Accounting Standards Executive Committee issued Statement of Position (SOP) 97-3, Accounting by Insurance and Other Enterprises for Insurance-Related Assessments, in December 1997. This SOP provides guidance for determining when an entity should recognize a liability for guaranty fund and other insurance-related assessments. It also provides guidance on how to measure the liability. This SOP is effective for 1999. Our present accounting method for guaranty fund and other insurance-related assessments substantially conforms to the requirements of this SOP.

In March 1998, SOP 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use, was issued. This SOP provides guidance for determining whether costs of software developed or obtained for internal use should be capitalized or expensed as incurred. In the past, we have expensed all such costs when incurred. This SOP is effective beginning in 1999.

RECLASSIFICATIONS: Certain prior-year amounts have been reclassified to conform to the current year presentation.

(2) FOREIGN INFORMATION AND BUSINESS SEGMENT INFORMATION

The Company consists of three reportable business segments: AFLAC Japan insurance; AFLAC U.S. insurance; and prior to April 15, 1997, AFLAC Broadcast Division (the Company's television business in the United States). We primarily sell supplemental health insurance through the AFLAC Japan and AFLAC U.S. operations. Most of our policies are individually underwritten and marketed through independent agents at the worksite, with premiums paid by the employee. These operations also offer various life insurance policies. We completed the sale of our television operations in early 1997, as discussed in this Note.

Operating business segments that are not individually reportable are included in the "All other" category, which includes minor insurance operations in foreign countries other than Japan and our printing subsidiary.

We evaluate our business segments based on GAAP pretax operating earnings. We do not allocate corporate overhead expenses to business segments.

Information regarding components of operations and lines of business for the years ended December 31 follows:

(In millions)	1998	1997	1996
Total revenues:			
AFLAC Japan:			
Earned premiums:			
Cancer life	$ 3,839	$ 4,011	$ 4,315
Other accident and health	413	336	318
Life insurance	486	456	319
Net investment income	917	893	896
Other income	2	1	1

Total AFLAC Japan revenues	5,657	5,697	5,849
AFLAC U.S.:			
Earned premiums:			
Cancer	489	456	429
Other accident and health	686	586	501
Life insurance	23	20	16
Net investment income	216	180	119
Other income	4	1	1
Total AFLAC U.S. revenues	1,418	1,243	1,066
Television operations - U.S.	-	16	92
All other business segments	39	34	36
Total business segments	7,114	6,990	7,043
Realized investment gains (losses)	(2)	(5)	2
Gain on sale of television business	-	267	60
Corporate	30	40	34
Intercompany eliminations	(38)	(41)	(39)
Total	$ 7,104	$ 7,251	$ 7,100

(In millions)	1998	1997	1996
Earnings before income taxes:			
AFLAC Japan	$ 502	$ 504	$ 533
AFLAC U.S.	230	184	129
Television operations - U.S.	-	4	26
All other business segments	2	(2)	(8)
Total business segments	734	690	680
Provision for the Japanese mandated policyholder protection fund	(111)	-	-
Realized investment gains (losses)	(2)	(5)	2
Gain on sale of television business	-	267	60
Interest expense, non-insurance operations	(10)	(10)	(13)
Corporate	(60)	(77)	(79)
Total	$ 551	$ 865	$ 650
Advertising expense:			
AFLAC Japan	$ 22	$ 24	$ 14
AFLAC U.S.	34	23	22
Total	$ 56	$ 47	$ 36

Total assets at December 31 were as follows:

(In millions)	1998	1997
Total assets:		
AFLAC Japan	$ 26,912	$ 25,589
AFLAC U.S.	4,212	3,763
All other business segments	59	75
Total business segments	31,183	29,427
Corporate	4,674	4,249
Intercompany eliminations	(4,674)	(4,222)
Total	$ 31,183	$ 29,454

Total depreciation and amortization expense was $45 million in 1998, $41 million in 1997 and $50 million in 1996. AFLAC Japan accounted for $33 million in 1998, $28 million in 1997 and $26 million in 1996.

Total expenditures for long-lived assets were $47 million in 1998, $11 million in 1997 and $18 million in 1996. The increase in 1998 primarily relates to the construction of an administrative office building for AFLAC U.S.

Receivables consisted primarily of monthly insurance premiums due from individual policyholders or their employers for payroll deduction of premiums. At December 31, 1998, $139 million, or 60.5% of total receivables were related to AFLAC Japan's operations ($120 million at December 31, 1997).

SALE OF TELEVISION BUSINESS: In 1997, we completed the sale of our television business, which consisted of seven network-affiliated television stations. The total pretax gain from the sale of our television business was $327 million. Cash sales proceeds received, after applicable selling expenses, were $449 million. Total sales proceeds also included advertising credits to be used by the Company over a five-year period with a fair value of $6 million. We also received cash for various current assets and liabilities.

The sale of one station closed on December 31, 1996. The pretax and after-tax gains recognized on this sale in the fourth quarter of 1996 were $60 million and $48 million, respectively. The after-tax gain was $.17 per basic share and $.16 per diluted share in 1996. The sale of the remaining six stations closed on April 15, 1997. The pretax and after-tax gains recognized in the second quarter of 1997 were $267 million and $211 million, respectively. The 1997 after-tax gain was $.77 per basic share and $.75 per diluted share.

POLICYHOLDER PROTECTION FUND: During the first quarter of 1998, the Japanese government enacted a mandatory policyholder protection fund system. The life insurance industry is required to contribute $4.2 billion to this fund over a 10-year period. The total charge for our share of the contribution obligation was recognized in the first quarter of 1998 and decreased pretax earnings by $111 million for the year ended December 31, 1998. The after-tax charge was $65 million, or $.24 per basic and diluted share.

During the second quarter of 1997, Nissan Mutual Life Insurance Company, a Japanese insurer, was declared insolvent. All life insurers doing business in Japan had previously agreed to contribute to a voluntary policyholder protection fund that would be used to help offset insurer insolvencies. During the second quarter of 1997, AFLAC Japan recognized a pretax charge of 3.0 billion yen ($25 million) for its obligation to this policyholder protection fund. The after-tax charge was $14 million ($.05 per basic and diluted share). This assessment is payable semiannually over 10 years beginning in 1998.

YEN-TRANSLATION EFFECTS: AFLAC Japan owns U.S. dollar-denominated securities, which we have designated as an economic currency hedge of a portion of our investment in AFLAC Japan. In addition, we have designated the Parent Company's yen-denominated bank borrowings (Note 7) as a hedge of our net investment in AFLAC Japan. The dollar values of our yen-denominated net assets subject to foreign currency translation fluctuations for financial reporting purposes were as follows at December 31 (translated at end-of-year exchange rates):

(In millions)	1998	1997
AFLAC Japan net assets	$ 2,726	$ 2,541
Less:		
AFLAC Japan dollar-denominated net assets	1,805	1,555
Parent Company yen-denominated net liabilities	579	498
Total yen-denominated net assets subject to foreign currency translation fluctuations	$ 342	$ 488

The following table shows the yen/dollar exchange rates used for the three-year period ended December 31, 1998, and their effect on selected financial data.

	1998	1997	1996
Balance Sheets:			
Yen/dollar exchange rate at December 31	115.70	130.10	116.10
Yen percent weakening (strengthening)	(12.4)%	10.8%	11.3%
Exchange effect on total assets (billions)	$ 2.8	$ (2.9)	$ (2.6)
Exchange effect on total liabilities (billions)	$ 2.7	$ (2.8)	$ (2.6)
Statements of Earnings:			
Average exchange rate for the year	130.89	121.07	108.84
Yen percent weakening	7.5%	10.1%	13.5%
Exchange effect on net earnings (millions)	$ (20)	$ (24)	$ (43)
Exchange effect on diluted EPS	$ (.07)	$ (.08)	$ (.15)

OTHER: Payments are made from AFLAC Japan to the Parent Company for management fees and to AFLAC U.S. for allocated expenses and remittances of earnings. These payments totaled $192 million in 1998, $386 million in 1997 and $254 million in 1996. See Note 10 for information concerning restrictions on remittances from AFLAC Japan.

(3) INVESTMENTS

During the fourth quarter of 1998, we revised our investment management policy regarding the holding-period intent for certain of our private placement debt securities. Our past practice was to hold these securities to their contractual or economic maturity dates. We have now made this our formal policy. Accordingly, debt securities carried at a fair value of $6.4 billion were reclassified as of October 1, 1998, from the category "available for sale" to "held to maturity." The related unrealized gain of $1.1 billion as of October 1, 1998, on these securities is being amortized over the remaining term of the securities.

The amortized cost for debt securities, cost for equity securities and the fair values of these investments at December 31 are shown in the following tables:

(In millions)	December 31, 1998 Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale carried at fair value:				
Fixed-maturity securities:				
Yen-denominated:				
Government and guaranteed	$ 6,018	$ 1,515	$ 17	$ 7,516
Municipalities	541	55	-	596
Public utilities	2,884	336	104	3,116
Banks/financial institutions	1,447	30	140	1,337
Other corporate	518	11	37	492
Total yen-denominated	11,408	1,947	298	13,057
U.S. dollar-denominated:				
U.S. government	221	14	-	235
Municipalities	10	1	-	11
Mortgage-backed securities	95	4	-	99
Sovereign and Supranational	161	14	-	175
Banks/financial institutions	1,922	159	3	2,078
Other corporate	1,882	145	22	2,005
Total dollar-denominated	4,291	337	25	4,603
Total fixed-maturity securities	15,699	2,284	323	17,660
Perpetual debentures:				
Yen-denominated:				
Banks/financial institutions	1,216	1	98	1,119
Dollar-denominated:				
Banks/financial institutions	198	6	-	204
Total perpetual debentures	1,414	7	98	1,323
Equity securities	101	82	6	177
Total securities available for sale	$ 17,214	$ 2,373	$ 427	$ 19,160

(In millions)	December 31, 1998 Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held to maturity, carried at amortized cost:				
Fixed-maturity securities:				
Yen-denominated:				
Government	$ 769	$ -	$ 51	$ 718
Municipalities	334	-	24	310
Public utilities	598	-	62	536
Banks/financial institutions	1,148	2	66	1,084
Other corporate	1,098	7	62	1,043
Total fixed-maturity securities	3,947	9	265	3,691
Perpetual debentures:				
Yen-denominated:				
Banks/financial institutions	3,494	12	375	3,131
Total perpetual debentures	3,494	12	375	3,131
Total securities held to maturity	$ 7,441	$ 21	$ 640	$ 6,822

(In millions)	December 31, 1997 Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale carried at fair value:				
Fixed-maturity securities:				
Yen-denominated:				
Government and guaranteed	$ 6,031	$ 1,696	$ 3	$ 7,724
Municipalities	759	124	-	883
Public utilities	2,538	469	-	3,007
Banks/financial institutions	1,941	248	5	2,184
Other corporate	962	146	-	1,108
Total yen-denominated	12,231	2,683	8	14,906
U.S. dollar-denominated:				
U.S. government	314	16	-	330
Municipalities	13	1	-	14
Mortgage-backed securities	312	11	-	323
Sovereign and Supranational	150	11	-	161
Banks/financial institutions	1,505	115	-	1,620
Other corporate	1,548	112	7	1,653
Total dollar-denominated	3,842	266	7	4,101
Total fixed-maturity securities	16,073	2,949	15	19,007
Perpetual debentures:				
Yen-denominated:				
Banks/financial institutions	2,911	376	1	3,286
Dollar-denominated:				
Banks/financial institutions	137	8	-	145
Total perpetual debentures	3,048	384	1	3,431
Equity securities	80	68	2	146
Total securities available for sale	$ 19,201	$ 3,401	$ 18	$ 22,584

Fair values for debt securities were provided by outside securities consultants using market quotations, prices provided by market makers or estimates of fair values obtained from yield data relating to investment securities with similar characteristics. The fair values for equity securities were determined using market quotations on the principal public exchange markets.

The amortized cost and fair values of our investments in fixed-maturity securities at December 31, 1998, by contractual maturity are shown below:

(In millions)	AFLAC Japan		AFLAC U.S.	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available for sale:				
Due in one year or less	$ 197	$ 202	$ 63	$ 63
Due after one year through five years	2,265	2,578	221	234
Due after five years through 10 years	1,532	1,761	238	256
Due after 10 years	8,824	10,043	2,264	2,424
U.S. mortgage-backed securities	69	73	26	26
Total fixed-maturity securities available for sale	$ 12,887	$ 14,657	$ 2,812	$ 3,003
Held to maturity:				
Due in one year or less	$ 23	$ 23	-	-
Due after one year through five years	417	413	-	-
Due after five years through 10 years	399	385	-	-
Due after 10 years	3,108	2,870	-	-
Total fixed-maturity securities held to maturity	$ 3,947	$ 3,691	$ -	$ -

Expected maturities may differ from contractual maturities because some issuers have the right to call or prepay obligations with or without call or prepayment penalties.

In recent years, AFLAC Japan has purchased subordinated perpetual debenture securities issued primarily by European and Japanese banks. These securities are subordinated to other debt obligations of the issuer, but rank higher than equity securities. Although these securities have no contractual maturity, the issue-date fixed-rate interest coupons subsequently increase to a market-interest rate plus 150 to 300 basis points and change to a variable-interest rate basis, generally by the 25th year after issuance, creating an economic maturity date. The economic maturities of the perpetual debentures owned at December 31, 1998, were as follows:

(In millions)	AFLAC Japan		AFLAC U.S.	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value

Available for sale:				
Due after five years through 10 years	$ 160	$ 162	$ 70	$ 73
Due after 15 years	1,184	1,088	-	-
Total perpetual debentures available for sale	$ 1,344	$ 1,250	$ 70	$ 73
Held to maturity:				
Due after one year through five years	$ 160	$ 155	$ -	$ -
Due after five years through 10 years	578	548	-	-
Due after 10 years through 15 years	1,117	1,033	-	-
Due after 15 years	1,639	1,395	-	-
Total perpetual debentures held to maturity	$ 3,494	$ 3,131	$ -	$ -

For AFLAC Japan, the duration of policy benefit liabilities is longer than that of the related investment assets. Therefore, there is a risk that the reinvestment of the proceeds at the maturity of such investments will be at a yield below that of the interest required for the accretion of policy liabilities. At December 31, 1998, the average duration of the yen-denominated policy liabilities was approximately 13 years, unchanged from 1997. The average duration of the yen-denominated debt securities was approximately nine years at both December 31, 1998 and 1997. The weighted-average period to maturity of debt securities of AFLAC Japan at December 31, 1998, was 13.9 years, compared with 13.5 years at December 31, 1997.

Realized and unrealized gains and losses from investments for the years ended December 31 were as follows:

(In millions)	1998	1997	1996
Realized gains (losses) on sale or redemption of securities available for sale:			
Debt securities:			
Gross gains from sales	$ 16	$ 24	$ 21
Gross losses from sales	(35)	(32)	(17)
Net gains from redemptions	1	-	-
	(18)	(8)	4
Equity securities:			
Gross gains from sales	20	16	2
Gross losses from sales	(5)	(12)	(1)
Other long-term assets, net	1	(1)	(3)
Net realized gains (losses)	$ (2)	$ (5)	$ 2
Changes in unrealized gains (losses):			
Debt securities:			
Available for sale	$(1,447)	$ 930	$ (184)
Unamortized unrealized gains on securities transferred to held to maturity	1,224	-	-
Equity securities	10	16	23
Net unrealized gains (losses)	$ (213)	$ 946	$ (161)

The net effect on shareholders' equity of unrealized gains and losses from investment securities at December 31 was:

(In millions)	1998	1997
Unrealized gains on securities available for sale	$ 1,946	$ 3,383
Unamortized unrealized gains on securities transferred to held to maturity	1,224	-
Less:		
Policy liabilities	885	1,272
Deferred income taxes	953	826
Shareholders' equity, net unrealized gains on investment securities	$ 1,332	$ 1,285

The following debt securities individually exceeded 10% of shareholders' equity at December 31:

	1998		1997	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Japan National Government	$ 5,675	$ 7,157	$ 5,178	$ 6,715
The Tokyo Electric Power Co., Inc.	811	927	742	885
Chubu Electric Power Co., Inc.	698	714	444	518
Dai-Ichi Kangyo Bank	454	420	*	*
Sumitomo Bank	404	348	*	*
Credit Suisse First Boston	393	394	*	*

* Less than 10%

AFLAC Japan's investments in Japanese government bonds (at amortized cost) constituted 23.9% and 28.3% of total debt securities at December 31, 1998 and 1997, respectively. Private placement investments held by AFLAC Japan at amortized cost accounted for 41.2% and 34.2% of total debt securities at December 31, 1998 and 1997, respectively. Most of the securities classified as held to maturity and perpetual debentures classified as available for sale constitute private placement investments.

In January 1999, the credit ratings of several major Japanese financial institutions were downgraded. We owned debt securities issued by a Japanese bank in the amount of $454 million, 1.8% of total debt securities at December 31, 1998. Following the downgrade, these securities were rated "Ba1" by Moody's and "BB+" by Standard & Poor's.

The components of net investment income for the years ended December 31 were as follows:

(In millions)	1998	1997	1996
Fixed-maturity securities	$ 985	$ 942	$ 918
Perpetual debentures	158	134	109
Equity securities	2	2	2
Mortgage loans and other	1	2	2
Short-term investments and cash equivalents	8	15	9
Gross investment income	1,154	1,095	1,040
Less investment expenses	16	17	18
Net investment income	$ 1,138	$ 1,078	$ 1,022

At December 31, 1998, debt securities with a fair value of $12 million were on deposit with regulatory authorities. As of December 31, 1998, $54 million, at fair value, of AFLAC Japan's investment securities had been pledged to the Japan policyholder protection fund. The Company retains ownership of all securities on deposit and receives the related investment income.

(4) FINANCIAL INSTRUMENTS

NONDERIVATIVES: The carrying amounts for cash and cash equivalents, receivables, accrued investment income, accounts payable and payables for security transactions approximated their fair values due to the short-term nature of these instruments. Consequently, such instruments are not included in the table presented in this note.

The methods of determining the fair values of our investments in debt and equity securities are described in Note 3. The fair values for mortgage loans and notes payable with fixed interest rates were estimated using discounted cash flow analyses based on current rates for similar loans and borrowings.

We use short-term security lending arrangements in AFLAC Japan to increase investment income with minimal risk. At December 31, 1998 and 1997, AFLAC Japan had security loans outstanding of $3.0 billion at fair value. At December 31, 1998 and 1997, we held Japanese government bonds as collateral for these loaned securities. Prior to 1998, securities received as collateral for such loans were reported separately in assets, at fair value, with a corresponding liability of the same amount for the return of such collateral at termination of the loans. Beginning in 1998, such collateral assets and the related liability are no longer included on the balance sheet under the accounting provisions of SFAS No. 125 (Note 1). The Company's security lending policy requires that the fair value of the securities received as collateral be 105% or more of the fair value of the loaned securities as of the date the securities are loaned and not less than 100% thereafter.

DERIVATIVES: We have only limited activity with derivative financial instruments and do not use them for trading purposes nor engage in leveraged derivative transactions. In addition, we do not use derivatives to hedge the foreign-currency-denominated net assets of our foreign insurance operations, except for short-term hedges of annual profit repatriations (none were outstanding at December 31, 1998 or 1997). See Note 1 for a description of our accounting policies for derivative financial instruments. See Note 2 for additional information on our yen-denominated net assets.

We have outstanding interest rate swaps on 49.6 billion yen ($428 million) of our variable-interest-rate yen-denominated borrowings (Note 7). These swaps reduce the impact of changes in interest rates on our borrowing costs and effectively change our interest rate from variable to fixed. The interest rate swaps have notional principal amounts that equal the anticipated unpaid principal amounts on a portion of these loans. Under these agreements, the Company makes fixed-rate payments at 2.29% on one loan and 1.24% on another loan and receives floating-rate payments (.75% at December 31, 1998, plus loan costs of 25 or 20 basis points, respectively) based on the three-month Tokyo Interbank Offered Rate.

The fair value of interest rate swaps is the estimated amount that we would receive or pay to terminate the swap agreements at the reporting date. We are exposed to nominal credit risk in the event of nonperformance by counterparties to these interest rate swap agreements. The counterparties are primarily Japanese banks with the following credit ratings as of December 31, 1998.

Counterparty Credit Rating	Notional Amount (In millions)
AA	$ 39
A	106
BBB	283

Total	$ 428

The carrying values and estimated fair values of the Company's financial instruments as of December 31 were as follows:

(In millions)	1998 Carrying Amount	1998 Fair Value	1997 Carrying Amount	1997 Fair Value
Assets:				
Fixed-maturity securities	$ 21,607	$ 21,351	$ 19,007	$ 19,007
Perpetual debentures	4,817	4,454	3,431	3,431
Equity securities	177	177	146	146
Mortgage loans	6	8	14	17
Policy loans	1	1	1	1
Securities held as collateral for loaned securities	*	3,101	3,034	3,034
Liabilities:				
Notes payable (excluding capitalized leases)	578	578	505	505
Derivatives - interest rate swaps	*	7	*	8
Payables for return of collateral on loaned securities	*	3,101	3,034	3,034

* Off-balance sheet financial instrument

(5) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

(In millions)	1998	1997
Land	$ 131	$ 111
Buildings	335	290
Equipment	159	147
	625	548
Less accumulated depreciation	198	162
Net property and equipment	$ 427	$ 386

6) POLICY LIABILITIES

The liability for future policy benefits at December 31 consisted of the following:

(In millions)	Policy Issue Year	Liability Amounts 1998	Liability Amounts 1997	Interest Rates Year of Issue	Interest Rates In 20 Years
Health insurance:					
Japan:	1997-98	$ 409	$ 97	3.5%	3.5%
	1995-96	111	67	4.0	4.0
	1994-96	1,763	1,226	4.5	4.5
	1990-94	9,392	7,595	5.5	5.5
	1988-91	711	597	5.25	5.25
	1987-88	1,238	1,043	5.5	5.5
	1985-86	1,051	893	6.75	5.5
	1978-84	2,757	2,391	6.5	5.5
	1974-79	698	616	7.0	5.0
U.S.:	1988-98	705	590	8.0	6.0
	1986-98	542	489	6.0	6.0
	1985-86	26	26	6.5	6.5
	1981-86	258	261	7.0	5.5
	Other	156	158		
Other foreign:		-	41		
Life insurance:					
Japan:	1997-98	114	28	3.5	3.5
	1994-96	373	215	4.0	4.0
	1988-93	652	489	5.25	5.25
	1987-88	136	104	5.5	5.5
	1985-87	210	172	5.65	5.65
U.S.:	1956-98	31	29	4.0-6.0	4.0-6.0
Adjustment for unrealized gains on investments (Note 3)		885	1,272		
	Total	$22,218	$18,399		

The weighted-average interest rates reflected in the Consolidated Statements of Earnings for future policy benefits for Japanese policies were 5.4% in 1998, and 5.5% in both 1997 and 1996; and for U.S. policies, 6.4% for each year in the three-year period ended December 31, 1998.

Changes in the liability for unpaid policy claims are summarized as follows for the years ended December 31:

(In millions)	1998	1997	1996
Unpaid supplemental health claims - beginning of year	$ 987	$ 1,025	$ 1,011
Add claims incurred during the year related to:			
Current year	2,460	2,346	2,366
Prior years	(136)	(159)	(156)
Total incurred	2,324	2,187	2,210
Less claims paid during the year:			
On claims incurred during current year	1,579	1,507	1,471
On claims incurred during prior years	617	626	617
Total paid	2,196	2,133	2,088
Effect of foreign exchange rate changes on unpaid claims	107	(92)	(108)
Unpaid supplemental health claims - end of year	1,222	987	1,025
Unpaid life claims - end of year	41	24	14
Total liability for unpaid policy claims	$ 1,263	$ 1,011	$ 1,039

Amounts shown for prior-year claims incurred during the year primarily result from actual claim settlements at less than the original estimates.

(7) NOTES PAYABLE

A summary of notes payable at December 31 follows:

(In millions)	1998	1997
Unsecured, yen-denominated notes payable to banks:		
Reducing, revolving credit agreement, due annually through July 2001:		
2.29% fixed interest rate	$ 294	$ 349
Variable interest rate (.95% at December 31, 1998)	35	-
Revolving credit agreement due November 2002:		
1.24% fixed interest rate	134	149

Variable interest rate (.90% at December 31, 1998)	115	-
Obligations under capitalized leases, due monthly through 2003, secured by computer equipment in Japan	18	18
Other	-	7
Total notes payable	$ 596	$ 523

The Company has a reducing, revolving credit agreement that provides for bank borrowings through July 2001 in either U.S. dollars or Japanese yen. The current borrowing limit is $325 million. Under the terms of the agreement, the borrowing limit will reduce to $250 million on July 15, 1999, and $125 million on July 15, 2000. At December 31, 1998, 34.1 billion yen ($294 million) was outstanding at a fixed interest rate and 4.0 billion yen ($35 million) was outstanding at a variable interest rate under this agreement.

We also have an unsecured revolving credit agreement that provides for bank borrowings through November 2002 with a borrowing limit of $250 million, payable in either Japanese yen or U.S. dollars. At December 31, 1998, 15.5 billion yen ($134 million) was outstanding at a fixed interest rate and 13.3 billion yen ($115 million) was outstanding at a variable interest rate under this agreement.

The principal amount of the loans at any date will fluctuate due to changes in the yen-to-dollar foreign currency exchange rate.

Since most of these loans are with Japanese banks, we also incur the premium that Japanese banks are charged for short-term money, commonly referred to as the "Japan premium." Interest rate swaps related to the 2.29% and 1.24% (fixed rates after swaps) loans are described in Note 4.

The aggregate contractual maturities of notes payable during each of the years after December 31, 1998, are: 1999, $86 million; 2000, $130 million; 2001, $128 million; and 2002, $252 million.

We were in compliance with all of the covenants of the credit agreements at December 31, 1998.

(8) INCOME TAXES

The income tax effects of the temporary differences that give rise to deferred income tax assets and liabilities as of December 31 were as follows:

(In millions)	1998	1997
Deferred income tax liabilities:		
Deferred acquisition costs	$ 1,023	$ 975
Unrealized gains on investment securities	461	1,332
Other basis differences in investment securities	792	-
Difference in tax basis of investment in AFLAC Japan	-	86
Premiums receivable	67	73
Total deferred income tax liabilities	2,343	2,466
Deferred income tax assets:		
Other basis differences in investment securities	-	153
Difference in tax basis of investment in AFLAC Japan	61	-
Foreign tax credit carryforwards	-	64
Policy benefit reserves	440	498
Policyholder protection fund	49	18
Unfunded retirement benefits	71	72
Other accrued expenses	33	63
Other	223	119
Total gross deferred tax assets	877	987
Less valuation allowance	79	123
Total deferred income tax assets	798	864
Net deferred income tax liability	1,545	1,602
Current income tax liability	320	225

Total income tax liability	$ 1,865	$ 1,827

A valuation allowance is provided when it is more likely than not that deferred tax assets will not be realized. We have established valuation allowances primarily for foreign tax credit and non-insurance loss carryforwards that exceed projected future offsets. Only 35% of non-insurance losses can be offset against life insurance taxable income each year. During 1998, the valuation allowance for deferred tax assets decreased by $44 million (decreased by $40 million in 1997) due to changes in carryforwards of foreign tax credits and non-insurance losses for U.S. federal income tax purposes. No foreign tax credit carryforwards remained at December 31, 1998. Alternative minimum tax credit carryforwards of approximately $10 million are available at December 31, 1998.

The components of income tax expense (benefit) applicable to pretax earnings for the years ended December 31 were as follows:

(In millions)	Japan	U.S.	Total
1998:			
Current	$ 252	$ 25	$ 277
Deferred - operations	(88)	(4)	(92)
Deferred tax benefit from Japanese tax rate reduction	(121)	-	(121)
Total	$ 43	$ 21	$ 64
1997:			
Current	$ 203	$ 89	$ 292
Deferred - operations	(6)	(6)	(12)
Total	$ 197	$ 83	$ 280
1996:			
Current	$ 207	$ 33	$ 240
Deferred - operations	14	2	16
Total	$ 221	$ 35	$ 256

Income tax expense in the accompanying consolidated financial statements varies from the amount computed by applying the expected U.S. tax rate of 35% to pretax earnings. The principal reasons for the differences and the related tax effects for the years ended December 31 are summarized as follows:

(In millions)	1998	1997	1996
Income taxes based on U.S. statutory rates	$ 193	$ 303	$ 228
Deferred tax benefit from Japanese tax rate reduction	(121)	-	-
U.S. alternative minimum tax	12	50	26
Utilization of foreign tax credits	(47)	(91)	(11)
Non-insurance losses generating no current tax benefit	9	-	12
Other, net	18	18	1
Income tax expense	$ 64	$ 280	$ 256

Income taxes are recorded in the Statements of Earnings and directly in certain shareholders' equity accounts. Income tax expense (benefit) for the years ended December 31 was allocated as follows:

(In millions)	1998	1997	1996
Statements of Earnings	$ 64	$ 280	$ 256
Other comprehensive income:			
Change in unrealized foreign currency translation gains on AFLAC Japan's dollar-denominated securities	(29)	-	-
Unrealized gains on investment securities:			
Unrealized holding gains (losses) arising during the year	129	688	(113)
Reclassification adjustment for realized (gains) losses included in net earnings	(2)	4	(4)
Total income taxes allocated to other comprehensive income	98	692	(117)
Additional paid-in capital(exercise of stock options)	(1)	(1)	-
Total income taxes	$ 161	$ 971	$ 139

Effective January 1, 1998, the Japanese government changed the income tax provisions for foreign companies operating in Japan, increasing income taxes on investment income and realized gains/losses from securities issued by entities located in their home country. This change increases Japanese income taxes on the income from most of AFLAC Japan's dollar-denominated securities. In addition, in March 1998, the Japanese government enacted a reduction in the Japanese corporate income tax rate. The statutory rate for AFLAC Japan declined from 45.3% to 41.7% beginning May 1, 1998. The net effect of these two Japanese tax changes increased income tax expense on consolidated operating earnings by approximately $10 million for the year ended December 31, 1998 (an increase of approximately $22 million from increased taxes on AFLAC Japan's dollar-denominated investment income, less approximately $12 million from the benefit of the statutory tax rate reduction).

The Japanese tax rate reduction also increased 1998 net earnings by $121 million ($.46 per basic share, $.44 per diluted share) from the reduction of AFLAC Japan's deferred tax liability as of March 31, 1998, the date of enactment of the reduced tax rate. The deferred tax reduction represented the effect of recalculating Japanese deferred income taxes at the new 41.7% rate on the temporary differences between the financial reporting basis and the Japanese income tax basis of AFLAC Japan's assets and liabilities.

The Japanese income tax change in 1998, relating to the income on AFLAC Japan's dollar-denominated securities issued by U.S. entities, also impacted income tax expense for the two other-comprehensive-income components for the year ended December 31, 1998. Deferred income tax

expense on unrealized gains (losses) for 1998 on debt securities includes $76 million for AFLAC Japan's dollar-denominated securities, of which $59 million related to accumulated unrealized gains existing as of January 1, 1998, the effective date of the tax law change. The deferred income tax benefits of $29 million on changes in unrealized foreign currency translation gains for 1998 represents Japanese income taxes on currency translation gains that arise for Japanese tax purposes from conversion of AFLAC Japan's dollar-denominated investments into yen. This tax benefit is net of a deferred income tax expense of $51 million on accumulated currency translation gains existing as of January 1, 1998.

In late 1998, the Japanese government proposed a further reduction in the Japanese income tax rate. The proposal would reduce AFLAC Japan's income tax rate from 41.7% to 36.2% effective April 1, 1999. The proposal is expected to be finalized in early 1999. Such tax rate reduction is not expected to reduce AFLAC's future consolidated income tax expense. Instead, it will largely result in a shift of income tax expense from Japan to the United States as a result of the U.S. foreign tax credit provisions.

(9) SHAREHOLDERS' EQUITY

On May 4, 1998, the board of directors declared a two-for-one stock split. This split was payable to shareholders of record as of May 22, 1998, and the additional shares were issued on June 8, 1998. All share and per-share amounts in the accompanying financial statements have been restated for this split.

The following is a reconciliation of the number of shares of the Company's common stock for the years ended December 31:

(In thousands of shares)	1998	1997	1996
Common stock - issued:			
Balance at beginning of year	316,380	314,478	312,716
Exercise of stock options	1,591	1,902	1,762
Balance at end of year	317,971	316,380	314,478
Treasury stock:			
Balance at beginning of year	49,944	38,708	28,767
Purchases of treasury stock:			
Open market	3,806	12,737	11,849
Received from employees for taxes on stock option exercises	212	390	280
Shares issued to sales associates stock bonus plan and dividend reinvestment plan	(1,218)	(1,526)	(1,874)
Exercise of stock options	(457)	(365)	(314)
Balance at end of year	52,287	49,944	38,708
Shares outstanding at end of year	265,684	266,436	275,770

SHARE REPURCHASE PROGRAM: Since the inception of the share repurchase program in February 1994, we have purchased 57.4 million shares. Approximately 7.4 million shares are still available for purchase under current authorizations.

STOCK OPTIONS: The Company's stock option plan allows grants for both incentive stock options (ISO) and non-qualifying stock options (NQSO) to employees and NQSO to members of the board of directors. The option period runs for a maximum of 10 years. The exercise price must be equal to 100% of the fair market value at the date of grant; therefore, no compensation expense is recognized. The options are exercisable immediately unless they are placed under a vesting schedule that is determined by the compensation committee of the board of directors at the time of the grant. At December 31, 1998, 10.6 million shares were available for future grants.

The following table summarizes stock option activity:

(In thousands of shares)	Option Shares	Weighted-Average Exercise Price per Share
Outstanding at December 31, 1995	16,403	$ 7.31
Granted	3,660	16.40
Canceled	(128)	12.60
Exercised	(2,333)	5.28
Outstanding at December 31, 1996	17,602	9.43
Granted	1,451	26.73
Canceled	(40)	15.44
Exercised	(2,542)	5.78
Outstanding at December 31, 1997	16,471	11.50
Granted	1,953	30.18
Canceled	(31)	23.74

Exercised	(2,148)	6.92
Outstanding at December 31, 1998	16,245	$ 14.33

(In thousands of shares)	1998	1997	1996
Shares exercisable at end of year	12,946	13,256	13,551

The following table summarizes information about stock options outstanding at December 31, 1998:

(In thousands of shares)	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life (Yrs)	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$ 1.87 - $ 3.67	912	1.3	$ 2.21	912	$ 2.21
3.73 - 8.07	1,823	2.1	5.34	1,823	5.34
9.42	5,188	4.5	9.42	5,188	9.42
9.60 - 14.10	1,518	5.9	12.57	1,512	12.56
15.83	2,586	7.1	15.83	1,691	15.83
16.97 - 27.69	2,280	8.3	23.54	1,532	23.53
30.09 - 38.00	1,938	9.5	30.18	288	30.12
$ 1.87 - $38.00	16,245	5.7	$ 14.33	12,946	$ 11.67

As permitted by SFAS No. 123, we do not recognize compensation cost in the Consolidated Statements of Earnings for employee stock options. Had compensation cost for stock options granted after 1994 been determined using the fair-value-based method, as described in SFAS No. 123, the effect on our net earnings and net earnings per share would approximate the following pro forma amounts:

	1998	1997	1996
Decrease to:			
Net earnings (in millions)	$ 13	$ 12	$ 8
Net earnings per share - basic	.05	.04	.03
Net earnings per share - diluted	.05	.04	.03

The fair value of each option granted after 1994 was estimated on the date of grant using the Black-Scholes multiple option approach with the following assumptions for options granted during the three-year period ended December 31, 1998:

	1998	1997	1996
Expected life from vesting date (years)	3.5-4.4	3.4-6.1	3.7-6.1
Dividend yield	.6%	1.0%	1.0%
Expected volatility	27.3%	20.2%	19.3%
Risk-free interest rate	5.5%	6.0%	7.0%

The pro forma information presented above is not indicative of future amounts. The provisions of SFAS No. 123 were applicable prospectively, and the above pro forma disclosures therefore do not include amortization of the fair value of awards prior to 1995. Also, we expect that additional options will be granted in future years.

VOTING RIGHTS: In accordance with the Parent Company's Articles of Incorporation, shares of common stock are generally entitled to one vote per share until they have been held by the same beneficial owner for a continuous period of 48 months, at which time they become entitled to 10 votes per share.

(10) STATUTORY ACCOUNTING AND DIVIDEND RESTRICTIONS

Net assets of the insurance subsidiaries aggregated $4.6 billion at December 31, 1998, on a GAAP basis. AFLAC Japan accounted for $2.7 billion, or 59.4%, of these net assets.

Our insurance subsidiaries are required to report their results of operations and financial position to state insurance regulatory authorities, and in the case of AFLAC Japan, to the Japanese Financial Supervisory Agency, on the basis of statutory accounting practices prescribed or permitted by such authorities. As determined on a U.S. statutory accounting basis, AFLAC's net income was $231 million in 1998, $335 million in 1997 and $257 million in 1996, and capital and surplus was $1.6 billion and $1.8 billion at December 31, 1998 and 1997, respectively.

Reconciliations of AFLAC's net assets on a GAAP basis to net assets determined on a U.S. statutory accounting basis as of December 31 were as follows:

(In millions)	1998	1997
Net assets on GAAP basis	$ 4,591	$ 4,175
Adjustment of debt securities from fair value to amortized cost	(3,094)	(3,316)
Elimination of deferred policy acquisition costs	(3,059)	(2,577)
Adjustment to policy liabilities	1,788	2,111
Elimination of deferred income taxes	1,578	1,642
Reduction in premiums receivable	(77)	(84)
Establishment of asset valuation reserve	(147)	(117)
Elimination of statutory non-admitted assets	(110)	(84)
Difference in foreign currency translation adjustment	(73)	68
Difference in accrued expenses	139	24
Other, net	112	(71)
Net assets on U.S. statutory accounting basis	$ 1,648	$ 1,771

The Parent Company depends on its subsidiaries for cash flow, primarily in the form of dividends and management fees. Consolidated retained earnings in the accompanying financial statements largely represent undistributed earnings of the insurance subsidiaries. Dividends, management fees (see Note 2) and other payments to the Parent Company by its insurance

subsidiary are subject to various regulatory restrictions and approvals related to safeguarding the interests of insurance policyholders. One of the primary considerations is that the insurance subsidiary must maintain adequate risk-based capital. Also, the maximum amount of dividends that can be paid to shareholders by insurance companies domiciled in the State of Georgia without prior approval of the Commissioner of Insurance is the greater of the net gain from operations for the previous year determined under statutory accounting principles or 10% of statutory equity as of the previous year-end. Dividend payments by AFLAC during 1999 in excess of $213 million would require such approval. Dividends paid by AFLAC during 1998 were $172 million.

A portion of AFLAC Japan annual earnings, as determined on a Japanese statutory accounting basis, can be remitted each year to AFLAC U.S. after complying with risk-based capital provisions and satisfying various conditions imposed by Japanese regulatory authorities for protecting policyholders. Profit remittances to the United States can fluctuate due to changes in the amounts of Japanese regulatory earnings. Among other items, factors affecting regulatory earnings include Japanese regulatory accounting practices and fluctuations in currency translations of AFLAC Japan's U.S. dollar-denominated investments into yen. Earnings were remitted from AFLAC Japan to AFLAC U.S. in the amount of $154 million in 1998, $347 million in 1997 and $217 million in 1996.

Net assets (unaudited) of AFLAC Japan, based on Japanese statutory accounting practices, aggregated $397 million and $400 million at December 31, 1998 and 1997, respectively. Japanese statutory accounting practices differ in many respects from U.S. GAAP. Under Japanese statutory accounting practices, policy acquisition costs are charged off immediately, policy benefit and claim reserving methods are different, deferred income tax liabilities are not recognized, and investment securities are carried at cost less certain market value adjustments.

(11) BENEFIT PLANS

Reconciliations of the funded status of the basic employee defined benefit pension plans with amounts recognized in the accompanying consolidated balance sheets as of December 31 were as follows:

	1998		1997	
(In thousands)	Japan	U.S.	Japan	U.S.
Projected benefit obligation:				
Benefit obligation at beginning of year	$25,627	$50,465	$24,651	$45,492
Service cost	2,188	2,362	2,224	2,450
Interest cost	973	3,491	982	3,132
Actuarial loss	10,190	5,559	1,233	3,652
Benefits paid	(439)	(1,457)	(540)	(800)
Effect of foreign exchange rate changes	4,884	-	(2,923)	-
Other: termination of subsidiary plan	-	-	-	(3,461)
Benefit obligation at end of year	43,423	60,420	25,627	50,465
Plan assets:				
Fair value of plan assets at beginning of year	18,547	45,530	18,445	37,574
Actual return on plan assets	465	2,878	301	7,166
Employer contribution	2,260	1,590	2,480	1,590
Benefits paid	(439)	(1,457)	(540)	(800)
Effect of foreign exchange rate changes	2,608	-	(2,139)	-

Fair value of plan assets at end of year	23,441	48,541	18,547	45,530
Funded status	(19,982)	(11,879)	(7,080)	(4,935)
Unrecognized net actuarial loss	12,144	10,308	1,160	3,539
Unrecognized transition obligation (asset)	502	(840)	523	(961)
Unrecognized prior service cost	972	165	932	182
(Accrued) prepaid benefit cost	$(6,364)	$(2,246)	$(4,465)	$(2,175)

The components of retirement expense and actuarial assumptions for the years ended December 31 are as follows:

	1998		1997		1996	
(In thousands)	Japan	U.S.	Japan	U.S.	Japan	U.S.
Components of net periodic benefit cost:						
Service cost	$2,188	$2,362	$2,224	$2,450	$2,169	$2,591
Interest cost	973	3,491	982	3,132	1,031	3,142
Expected return on plan assets	(450)	(4,086)	(429)	(3,366)	(587)	(2,911)
Recognized net actuarial loss	-	-	-	405	-	491
Amortization of transition obligation (asset)	77	(122)	83	(122)	92	(122)
Amortization of prior service cost	67	16	72	(26)	80	(26)
Net curtailment gain	-	-	-	(377)	-	-
Net periodic benefit cost	$2,855	$1,661	$2,932	$2,096	$2,785	$3,165
Weighted-average actuarial assumptions as of fiscal year-end:						
Discount rate-net periodic benefit cost	4.0%	7.0%	4.0%	7.0%	4.0%	7.0%
Discount rate-benefit obligations	3.0	6.5	4.0	7.0	4.0	7.0
Expected return on plan assets	2.5	9.0	2.5	9.0	2.5	9.0
Rate of compensation increase	3.5	4.0	3.5	4.0	3.5	5.0

In addition to the benefit obligations for funded employee plans, we also maintain unfunded supplemental retirement plans for certain officers and beneficiaries. The expense recognized for these plans was $31 million in 1998, $29 million in 1997 and $37 million in 1996. The accrued retirement liability for the unfunded supplemental retirement plans at December 31, 1998 and 1997, was $223 million and $195 million, respectively. The actuarial present value of projected benefit obligations was $226 million and $199 million at December 31, 1998 and 1997, respectively. The discount rates used were the same as for the funded plans. Such supplemental retirement plans include a lifetime obligation to the surviving spouse of the Company's former chairman of the board. Benefits are payable at .5% of the Company's pretax earnings, as defined in the agreement, for the previous year.

Reconciliation of the benefit obligation of the unfunded retiree medical program and other postretirement benefits with amounts recognized in the accompanying consolidated balance sheets as of December 31 were as follows:

(In thousands)	1998	1997
Benefit obligation:		
Benefit obligation at beginning of year	$ 10,062	$ 9,353
Service cost	320	313
Interest cost	684	674
Actuarial loss	95	275
Benefits paid	(339)	(553)
Unfunded benefit obligation at end of year	10,822	10,062
Unrecognized net actuarial gain	1,032	1,157
Accrued (prepaid) benefit cost	$ 11,854	$ 11,219

The components of expenses for the retiree medical program and actuarial assumptions are as follows:

(In thousands)	1998	1997	1996
Service cost	$ 320	$ 313	$ 296
Interest cost	684	674	630
Recognized net actuarial loss (gain)	(30)	(34)	(41)
Net periodic benefit cost	$ 974	$ 953	$ 885
Discount rate:			
Net periodic cost	7.0%	7.0%	7.0%
Benefit obligations	6.5	7.0	7.0
Effect of 1-percentage point increase in health care cost trend rate:			
On total of service and interest cost components	$ 102	$ 93	$ 86
On postretirement benefit obligation	791	704	466
Effect of 1-percentage point decrease in health care cost trend rate:			
On total of service and interest cost components	(97)	(80)	(75)
On postretirement benefit obligation	(743)	(650)	(425)

The projected health care cost trend rate used in 1998 was 10%, graded to 7% over three years.

STOCK BONUS PLAN: AFLAC U.S. maintains a stock bonus plan for eligible U.S. sales associates. Contributions to the plan, which are determined based on sales of insurance policies, are made by AFLAC U.S. to a trust and are used to purchase the Parent Company's common stock for later distribution to the participants. The vesting requirements are based on years of service. Any shares forfeited reduce future contributions of AFLAC U.S. The net costs of this plan, which are included in deferred policy acquisition costs, amounted to $10 million in both 1998 and 1997, and $9 million in 1996.

(12) COMMITMENTS AND CONTINGENCIES

LITIGATION: We are a defendant in various litigation considered to be in the normal course of business. Some of this litigation is pending in Alabama, where large punitive damages bearing little relation to the actual damages sustained by plaintiffs have been awarded against other companies, including insurers, in recent years. Although the final results of any litigation cannot be predicted with certainty, we believe the outcome of the litigation still pending will not have a material adverse effect on our financial position.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the consolidated financial statements of AFLAC Incorporated and subsidiaries. The statements have been prepared in accordance with generally accepted accounting principles and include amounts based upon management's best estimates and judgments. Informed judgments and estimates are used for those transactions not yet complete or for which the ultimate effects cannot be measured precisely. Financial information elsewhere in this annual report is consistent with the information in the financial statements.

The Company's internal controls are designed to reasonably assure that AFLAC Incorporated's books and records reflect the transactions of the Company, that assets are safeguarded, and that the Company's established policies and procedures are followed. The effectiveness of the controls system is supported by the selection and training of qualified personnel, an organizational structure that provides an appropriate division of responsibility, and a comprehensive internal audit program.

The Company engages KPMG LLP as independent auditors to audit its financial statements and express their opinion thereon. Their audits include reviews and tests of the Company's internal controls to the extent they believe necessary to determine the audit procedures to be performed that support their opinion. Members of that firm also have the right of full access to each member of management in conducting their audits. The report of KPMG LLP appears on the following page.

The audit committee of the board of directors, which is composed of outside directors, serves in an oversight role to assure the integrity and objectivity of the Company's financial reporting process. The committee meets periodically with representatives of management, as well as the independent and internal auditors, to review matters of a material nature related to financial reporting and the planning, results and recommendations of audits. The independent and internal auditors have free access to the audit committee, without management present, to discuss any matter they believe should be brought to the attention of the committee. The committee is also responsible for making recommendations to the board of directors concerning the selection of the independent auditors.

/s/ Daniel P. Amos

Daniel P. Amos
President and Chief Executive Officer

/s/ Kriss Cloninger III

Kriss Cloninger III
Executive Vice President and Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

The Shareholders and Board of Directors
AFLAC Incorporated:

We have audited the accompanying consolidated balance sheets of AFLAC Incorporated and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of earnings, shareholders' equity, cash flows and comprehensive income for each of the years in the three-year period ended December 31, 1998. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AFLAC Incorporated and subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles.

KPMG LLP

Atlanta, Georgia
January 28, 1999

<TABLE>

Unaudited Consolidated Quarterly Financial Data
(In millions, except for per-share amounts)

<CAPTION>

Three Months ended,	March 31, 1998		June 30, 1998		September 30, 1998		December 31, 1998	
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Total revenues	$ 1,757	2.9%	$ 1,704	(15.2)%	$ 1,700	(5.0)%	$ 1,944	11.4%
Net earnings	160	77.9	103	(66.1)	108	12.0	116	21.0
Per common share:								
Net earnings (basic)	$ .60	81.8%	$ .38	(65.8)%	$ .40	14.3%	$ .44	22.2%
Net earnings (diluted)	.58	81.3	.37	(65.4)	.39	14.7	.42	20.0
Cash dividends	.058		.065		.065		.065	

Three Months ended,	March 31, 1997		June 30, 1997		September 30, 1997		December 31, 1997	
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change
Total revenues	$ 1,708	(1.3)%	$ 2,009	15.3%	$ 1,790	.8%	$ 1,745	(5.8)%
Net earnings	90	4.2	303	253.1	96	8.8	96	(28.2)
Per common share:								
Net earnings (basic)	$ .33	10.0%	$ 1.11	270.0%	$ .35	9.4%	$ .36	(25.0)%
Net earnings (diluted)	.32	6.7	1.07	256.7	.34	9.7	.35	(25.5)
Cash dividends	.05		.058		.058		.058	

</TABLE>

EXHIBIT 21

EXH 21

AFLAC INCORPORATED
SUBSIDIARIES

The following list sets forth the subsidiaries of AFLAC Incorporated:

Company	Jurisdiction
AFLAC Insurance Service	Japan
AFLAC International, Inc.	Georgia
AFLAC Broadcast Group, Inc.	Georgia
AFLAC Real Estate Holdings, Inc.	Georgia
American Family Life Assurance Company of Columbus (AFLAC)	Georgia
American Family Life Assurance Company of New York (AFLAC-NY)	New York
Communicorp, Inc.	Georgia

The above subsidiaries are 100% directly owned by AFLAC Incorporated, except:

AFLAC-NY is 100% directly owned by AFLAC.

EXH 21-1

EXHIBIT 23

EXH 23

KPMG LLP
Certified Public Accountants
303 Peachtree Street, N.E.
Suite 2000
Atlanta, GA 30308

INDEPENDENT AUDITORS' CONSENT

The Shareholders and The Board of Directors
AFLAC Incorporated

We consent to incorporation by reference in Registration Statement Nos. 33-64535, 333-69795 and 333-16533 on Form S-3, and 33-41552, 33-44720, 33-53737, 333-01243, 333-69333 and 333-27883 on Form S-8 of AFLAC Incorporated of our report dated January 28, 1999, relating to the consolidated balance sheets of AFLAC Incorporated and Subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of earnings, shareholders' equity, cash flows, and comprehensive income for each of the years in the three-year period ended December 31, 1998, which report appears in the 1998 annual report to shareholders and is incorporated by reference in the December 31, 1998, annual report on Form 10-K of AFLAC Incorporated.

KPMG LLP

Atlanta, Georgia
March 26, 1999

EXH 23-1

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This schedule contains summary financial information extracted from the Company's consolidated financial statements as filed in Form 10-K for the year ended December 31, 1998, and is qualified in its entirety by reference to such financial statements.
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<F2>Includes ($121) deferred tax benefit from Japan tax rate reduction.
<F3>Adjusted for the two-for-one stock split issued June 8, 1998.  Prior
year financial data schedules have not been restated.
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