

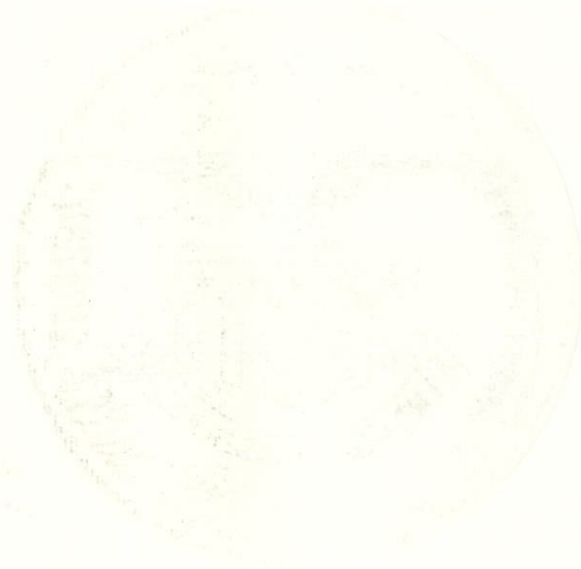
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GEICO

1968 ANNUAL REPORT



THE UNIVERSITY OF CHICAGO

1960-1961



GEICO OPERATIONS OFFICE BUILDING

GOVERNMENT EMPLOYEES INSURANCE COMPANY

WASHINGTON, D. C.

A CAPITAL STOCK INSURANCE COMPANY — NOT AFFILIATED WITH THE UNITED STATES GOVERNMENT

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TRANSFER AGENT

American Security and Trust Company

BOARD OF DIRECTORS

LEO GOODWIN, *Founder Chairman*
*LORIMER A. DAVIDSON, *Chairman*
**DAVID LLOYD KREEGER, *Vice Chairman*
DANIEL J. CALLAHAN, JR.
JOHN M. CHRISTIE
*NORMAN L. GIDDEN
*LEO GOODWIN, JR.
*HARVEY B. GRAM, JR.
PAUL J. HANNA
WILLIAM K. JACOBS, JR.
HOWARD A. NEWMAN
*JEROME A. NEWMAN

*Member of the Executive Committee

**Chairman of the Executive Committee

OFFICERS

LORIMER A. DAVIDSON *Chairman of the Board*
NORMAN L. GIDDEN *President*
HARRY C. CLAY *Vice President, New York Regional Office*
WALTER F. CULVER *Vice President, Branch Offices*
JOHN W. KELLER *Vice President, Operations*
ALVIN E. KRAUS *Vice President, Underwriting*
J. GARDNER LAWLOR *Vice President, Investments*
GEORGE F. LEWIN *Vice President and Secretary*
WILLIAM J. MONCKTON *Vice President, Administration*
WARREN NIGH *Vice President and General Counsel*
RALPH C. PECK *Vice President and Comptroller*
GEORGE A. PEERY *Vice President and Actuary*
EDWARD S. RING *Vice President, Claims*
RAYMOND F. RODGERS *Vice President, Administration*
GEORGE E. SMITH *Vice President, Production*
ROBERT F. SPRINGER *Vice President, Data Processing*
WALTER R. TINSLEY *Vice President, Office Services*
HENRY J. COLLINS *Treasurer*
TONY R. ALLMOND *Assistant Vice President, Data Processing*
L. FRANKLIN ASHBY *Assistant Vice President, Investments*
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THEODORE F. CULP *Assistant Vice President, Claims*
THOMAS N. EXARHAKIS *Assistant Vice President, Production*
BARTLETT R. HENDRICKSON *Assistant Vice President, Underwriting*
WALTER R. HERMAN *Assistant Vice President, Underwriting*
THOMAS W. HOBBS *Assistant Vice President, Administration*
ERNEST M. LUCAS *Assistant Vice President and Assistant General Counsel*
ROSS D. PIERCE *Assistant Vice President, Operations*
JAMES E. REAGAN *Assistant Vice President, Office Services*
CHARLES S. WARD *Assistant Vice President, Claims*
NEAL J. BOYLE *Assistant Comptroller*
CHARLES T. CONNOLLY *Assistant Actuary*
J. RAY DOTSON *Assistant Secretary*
ALBERT M. MCKENNEY *Assistant Treasurer*

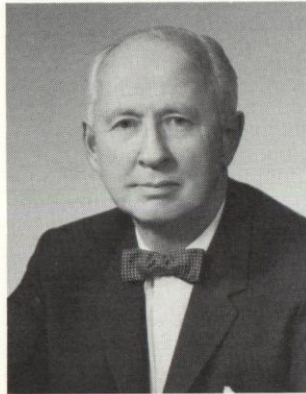


FIVE-YEAR REVIEW

	1968	1967	1966	1965	1964
Net Premiums Written	\$216,663,025	\$188,537,072	\$164,821,194	\$136,659,423	\$113,711,637
Premiums Earned	\$200,871,565	\$176,163,445	\$149,591,898	\$123,723,326	\$104,128,121
Increase in Unearned Premium Reserve	\$ 15,791,460	\$ 12,373,627	\$ 15,229,296	\$ 12,936,097	\$ 9,583,516
Losses and Expenses Incurred	\$192,783,181	\$164,267,647	\$133,558,503	\$113,933,253	\$ 98,796,814
Underwriting Profit before Taxes	\$ 5,721,264	\$ 9,679,435	\$ 14,046,715	\$ 8,241,204	\$ 3,767,350
Investment Income before Taxes (Excluding Capital Gains)	\$ 9,938,325	\$ 8,037,163	\$ 6,626,850	\$ 5,371,101	\$ 4,354,781
Capital Gains before Taxes	\$ 1,091,372	\$ 366,780	\$ 297,450	\$ 496,608	\$ 1,131,979
Total Profit before Taxes	\$ 16,750,961	\$ 18,083,379	\$ 20,971,015	\$ 14,108,913	\$ 9,254,110
Federal Income Tax	\$ 5,041,008*	\$ 5,988,047	\$ 7,914,405	\$ 5,123,281	\$ 3,057,272
Total Profit after Taxes (Excluding Capital Gains)	\$ 10,919,535	\$ 11,819,886	\$ 12,829,851	\$ 8,614,401	\$ 5,348,244
Total Profit after Taxes (Including Capital Gains)	\$ 11,709,953	\$ 12,095,331	\$ 13,056,609	\$ 8,985,632	\$ 6,196,838
Admitted Assets	\$317,211,130	\$266,749,979	\$229,437,607	\$204,254,325	\$171,884,359
Securities Owned at Market Values	\$230,062,883	\$188,274,535	\$160,151,603	\$148,784,184	\$123,265,597
Policyholders' Surplus	\$ 72,086,573	\$ 59,372,051	\$ 51,281,110	\$ 52,760,547	\$ 47,436,589
Outstanding Shares of Stock	5,079,981	4,842,043	4,830,082	3,219,126	3,219,095
Earnings Per Share**	\$ 2.31	\$ 2.38	\$ 2.57	\$ 1.77	\$ 1.22
Cash Dividends Paid	\$ 7,289,805	\$ 6,290,110	\$ 5,071,029	\$ 4,184,824	\$ 3,199,283
Cash Dividends Paid Per Share**	\$ 1.44	\$ 1.24	\$ 1.00	\$.82	\$.63
Stock Dividends Paid	4.5%	—0—	50.0%	—0—	2.5%
Loss Ratio	82.4%	79.5%	74.7%	77.0%	79.6%
Expense Ratio	12.6%	12.9%	13.3%	13.7%	14.0%
Combined Loss and Expense Ratio	95.0%	92.4%	88.0%	90.7%	93.6%

* Includes \$460,246 for the 10% Federal income tax surcharge required under the law enacted on June 28, 1968, retroactive to January 1, 1968.

** Based on number of shares outstanding December 31, 1968.



LORIMER A. DAVIDSON
Chairman of the Board



NORMAN L. GIDDEN
President

1968 ANNUAL REPORT

TO THE SHAREHOLDERS, POLICYHOLDERS AND EMPLOYEES
OF GOVERNMENT EMPLOYEES INSURANCE COMPANY

This thirty-third Annual Report of Government Employees Insurance Company covering the year 1968 is submitted on behalf of the Board of Directors. For the twenty-sixth consecutive year, premiums written and policies in force established new records. Notable milestones were reached during the year when our written and earned premium volume each exceeded two hundred million dollars, and when our total assets passed the three hundred million dollar mark. Although underwriting earnings were substantially lower than in the prior year, this was the twenty-third consecutive year in which our Company earned an underwriting profit. Investment income showed a record increase and contributed significantly to holding the decrease in total profit after taxes to 3.2%.

The following is a summary of 1968 operating results compared with 1967:

	<u>1968</u>	<u>1967</u>
PREMIUMS WRITTEN	\$216,663,025	\$188,537,072
PREMIUMS EARNED	\$200,871,565	\$176,163,445
POLICIES IN FORCE	1,439,798	1,330,397
ASSETS	\$317,211,130	\$266,749,979
UNDERWRITING PROFIT BEFORE TAXES ..	\$ 5,721,264	\$ 9,679,435
INVESTMENT INCOME BEFORE TAXES ...	\$ 9,938,325	\$ 8,037,163
(Excluding Capital Gains)		
CAPITAL GAINS BEFORE TAXES	\$ 1,091,372	\$ 366,780
TOTAL PROFIT AFTER TAXES	\$ 10,919,535	\$ 11,819,886
(Excluding Capital Gains)		
TOTAL PROFIT AFTER TAXES	\$ 11,709,953	\$ 12,095,331
(Including Capital Gains)		

GENERAL RECORD OF THE INDUSTRY

For the fire and casualty insurance industry, 1968 was a year of good growth but in terms of underwriting results was even more disappointing than 1967. Premium volume increased by about 10% to a record \$25 billion, but underwriting losses, fueled by great inflationary pressures and a rising claim volume, rose sharply. Preliminary industry figures indicate an increase in the combined loss and expense ratio of about 1.5 points over 1967 to between 100% and 101%, the highest since 1965.

Underwriting results continued to be unfavorable despite a record industry premium volume of \$25 billion.

The largest component of business written by the fire and casualty industry is automobile insurance which accounts for 45% of the total premium volume. In 1968 the automobile lines were again responsible for a significant portion of the underwriting losses sustained by our industry, a trend unbroken in recent years. Losses again were particularly acute for most companies in the bodily injury and property damage liability lines. The bodily injury premium volume, which represents nearly half of the total automobile premiums written by all stock companies in our industry, increased by almost 10% to approximately \$3.3 billion. This impressive rate of increase was countered by an unprecedented rise in losses that pushed the combined loss and expense ratio to an estimated 104%, a point over the 1967 ratio and the highest in a decade. For stock companies, this line has not been profitable for the last 14 consecutive years, and has caused an accumulated statutory loss of \$1.7 billion on a premium volume of \$30 billion during that period.

For stock companies, the automobile bodily injury liability line was unprofitable for the 14th consecutive year.

The property damage liability volume for stock companies also increased by slightly over 10% in 1968, reaching an estimated \$1.4 billion. However, losses on this coverage were staggering with the combined loss and expense ratio climbing three points over the prior year to approximately 105%, the highest since 1965. This line has now produced unfavorable loss experience for seven consecutive years.

The premium volume of automobile physical damage insurance (the comprehensive and collision lines) expanded by 8% to an estimated \$2.6 billion for stock companies, but loss experience deteriorated sharply in 1968, and the combined loss and expense ratio increased six points to approach 99%.

Severe losses were sustained on the conventional fire insurance and homeowners lines.

Underwriting results on the conventional fire insurance and homeowners lines were likewise disappointing for our industry in 1968. The fire line will show a combined loss and expense ratio of nearly 103%, even though premium volume increased by 10% to approximately \$1.5 billion for the first significant growth since the early 1950's. Preliminary figures indicate that the homeowners line will increase in premium volume by 10% to an estimated \$1.6 billion, but despite a decline of two points in the combined ratio the line remains deeply in the red at 104%. The homeowners line has developed an aggregate underwriting loss of \$900 million since it was introduced on the market in 1955.

GENERAL RECORD OF THE INDUSTRY

Rising insurance losses on the automobile lines in 1968 were due not only to expanding claims volume, but also in large measure to the strong inflationary currents in the national economy. The costs of goods and services increased during the year at an annual rate unsurpassed in the last 17 years. Rising claim volume combined with escalating hospitalization, automobile repair and attendant claim costs outstripped the rate increases that were authorized in 27 states over the course of the year.

Premium rate structures were inadequate against a backdrop of rising claim volume and inflation.

The persistent imbalance between premium rate structures and current statistical loss experience is one of the chronic ills of our industry, and a cogent reason for major improvements in the rate-making process in most states. In this era of spiralling claim costs consistently surpassing the assumptions on which rates are based, the critical delays which too frequently occur between rate filings and ultimate approval by the state regulating authorities cause rate revisions to be outdated in many cases almost as soon as they are implemented and to fall considerably short of the premium required to cover losses and expenses, let alone yield a profit.

More flexible rate-making procedures are clearly needed if our industry is to obtain an adequate premium level. With strong support from our industry several states have taken progressive actions which expedite justified rate revisions, while at the same time allowing competition to become a significant regulating force. Competitive type rating laws which permit insurance companies to file and use new rate schedules without prior regulatory consent, provided that the new rates are not excessive, inadequate or discriminatory, are now in effect in 14 states and will be considered for enactment into legislation in several states during 1969. The prospects for further adoption of competitive type rating laws were recently enhanced when the National Association of Insurance Commissioners reversed their position favoring prior approval of rates on the automobile lines and endorsed the principle of "fair and open competition to produce and maintain reasonable and competitive prices" for insurance. Experience, particularly in California where the concept was adopted twenty years ago, shows that the open competition rate-making procedure will allow timely relief of rate level inadequacies and serve the public interest by broadening market capacity and curtailing the volume channeled into the Automobile Insurance Plans (formerly known as Assigned Risk Plans).

Broad enactment of competitive type rating laws will help solve rate inadequacies.

Apart from its impact on the industry in the form of heavy underwriting losses, another inevitable and undesirable by-product of current deficiencies in rate-making procedures is the increase in the volume of insurance placed under the Automobile Insurance (Assigned Risk) Plans. Although the higher rates charged under these plans are intended to reflect the marginal and substandard nature of the risks, these rates have constantly proved to be seriously deficient in meeting the claim costs of those insured under the plans.

The economic cost of the ever-increasing volume placed under the Automobile Insurance (Assigned Risk) Plans is eloquent testimony of the urgent need for modernizing the rate-making machinery.

To cope with this problem, a constructive program was announced in late 1967 by the National Association of Independent Insurers, of which GEICO and its affiliate Criterion Insurance Company are member companies, which would enable every licensed driver to obtain liability insurance at a premium rate geared to the risk. Under this eminently sound proposal, the Automobile Insurance (Assigned Risk) Plans would be upgraded to yield an adequate premium volume, and expanded to provide coverage for individuals who are unable to obtain insurance on the open market. The NAII proposal was coupled with a call for more stringent driver-licensing procedures and closer enforcement of motor vehicle laws to reduce the menace of the relatively small number of irresponsible motorists who account for a disproportionate share of accidents. Although reaction to the plan has thus far been guarded, there are hopeful indications that it will gain acceptance.

An additional obstacle to the achievement of an adequate rate structure for our industry is rising public resistance against the high costs of insurance. Instead of addressing themselves to the basic causes of this condition — the ever-mounting claim costs attributable primarily to inflation and to improper driving practices — some segments of opinion have impatiently advocated radical changes in the long established practices of the industry, even to the extent of overturning the fundamental legal principles by which automobile insurance has been guided since its very birth.

The pivotal issue, which has caused a serious division of opinion within the industry itself, concerns the present tort liability system of compensating automobile accident victims. One body of critics would discard in whole or in part the principle of negligence, the basic precept of tort law, substituting a compulsory system of reparation to all persons suffering economic loss due to accidental injury by automobile, regardless of fault. Despite strong evidence to the contrary, the proponents of this "no fault" system allege that the present system of tort law is responsible for delays in litigation as well as excessive judgments and legal fees, thus causing the rising insurance costs, and that radical reforms would somehow solve these problems.

One variant of the "no fault" substitute is the Basic Protection Plan proposed in 1965 by Professors Keeton and O'Connell, whereby fault as a determinant for compensation would be eliminated in accidents involving economic loss under \$10,000, while the tort liability system would be retained for loss in excess of that limit. The proposal has been considered by several state legislatures but decisively rejected. In 1968 an even more sweeping variant of the Keeton-O'Connell formula was proposed by the American Insurance Association, a major insurance trade association, which would com-

Excessive underwriting losses on Automobile Insurance (Assigned Risk) Plans are compelling testimony for more equitable rate-making procedures.

Critics continued to assail the tort liability system of compensating automobile accident victims.

GENERAL RECORD OF THE INDUSTRY

Most segments of our industry advocate reforms within the context of tort laws which embody basic rights of our citizenry.

New techniques to improve claims service demonstrate the capacity of our industry to meet public needs.

The Congress of the United States and the Executive Branch of the Federal Government began investigations of the automobile insurance industry.

pletely dismantle the tort liability system and replace it with a system of compulsory first-party indemnity covering all economic loss and hospital and medical expenses resulting from automobile accidents without regard to fault.

Major segments of our industry and its professional organizations, including the National Association of Independent Insurers whose members write the majority of automobile premiums, are firmly opposed to both the Keeton-O'Connell and the AIA plans as oversimplified solutions to a highly complex social and industry problem. The proposition on which these plans are founded — that the tort liability system is beyond redemption and that the system itself is no longer consistent with the needs of the public — is indefensible by any fair standard of measurement.

While vigorously opposing the "no fault" concept, these segments of our industry nevertheless recognize that modernization of the legal-judicial framework within which we operate is urgently needed. But, more importantly, they emphasize that it must be accomplished within the context of tort law which embodies basic constitutional rights of citizens to seek redress for the negligence of others. While the system is not perfect it is sufficiently viable to warrant the strengthening of its weaknesses, rather than the scrapping of a legal institution which has long served the best interests of the public and our industry.

In addition to expanded court facilities to expedite litigation and a less permissive philosophy toward excessive judgments and legal fees, those in our industry who reject the "no fault" concept advocate certain innovations and refinements in the tort liability framework to improve the quality and standards of service to policyholders. The technique of advanced payments adopted by many companies in order to bring prompt financial relief to unfortunate victims of automobile accidents in cases where liability is not in question has produced highly gratifying results and public acclaim. Programs to rehabilitate the injured to productive lives as soon as possible have proven to be not only humane in character, but also highly beneficial to our industry's image. The use of an open-end release which does not foreclose payments for additional losses has greatly enhanced confidence in our industry from claimants who prefer not to sign a general release of all claims for fear that further medical treatment and expenses may be required. The success of these new methods demonstrates the capacity of our industry to meet the challenge of current public needs and negates the demand for radical change.

In 1968 investigative bodies of the United States Congress and the Executive Branch of the Federal Government turned their attention to these and other issues affecting our industry. The Senate Judiciary Antitrust and Monopoly Subcommittee inaugurated hearings to evaluate the current relevance of the McCarran-Ferguson Act which partially exempts automobile insurance from the antitrust laws. In addition, Congress authorized a comprehensive study of the automobile insurance industry by the Department of Transportation.

The scope of this study, which will continue into 1970, includes an analysis of the present system of reparation for victims of automobile accidents, and its alternatives; a critical assessment of existing state regulation and supervision of automobile insurance; and an appraisal of all the ramifications of the present insurance system.

Our industry together with its professional organizations have pledged full support for objective and impartial hearings. The state insurance regulators, through the National Association of Insurance Commissioners, took similar action. The hearings which have the potential of bringing about many beneficial changes provide a national forum for our industry to rebut misconceptions and unwarranted criticism. They provide an unprecedented opportunity to inform the public and Federal and State legislators of the urgent necessity for more effective enforcement of motor vehicle laws, for greater emphasis on traffic safety in both road and vehicular design, and for removing irresponsible and unfit drivers from the highways. In these forums our industry can properly establish the relationship between rising insurance costs and the mounting toll of traffic accidents which in 1968 resulted in the loss of 55,500 lives, nearly two million disabling injuries and attendant economic loss of about \$12 billion.

The objectivity of the Congressional hearings on automobile insurance and the signs of a more understanding attitude among many regulatory authorities give encouragement that at least some of the crucial issues facing our industry will be solved in the months ahead. The financial monstrosities into which Automobile Insurance (Assigned Risk) Plans in most states have evolved and the lack of uniformity in state regulatory statutes which tends to impair efficient operating procedures are problem areas on which considerable attention will be focused. In addition, the hearings afford a unique opportunity for our industry to delineate the numerous progressive steps it has taken to improve services to policyholders, as well as those it proposes to take.

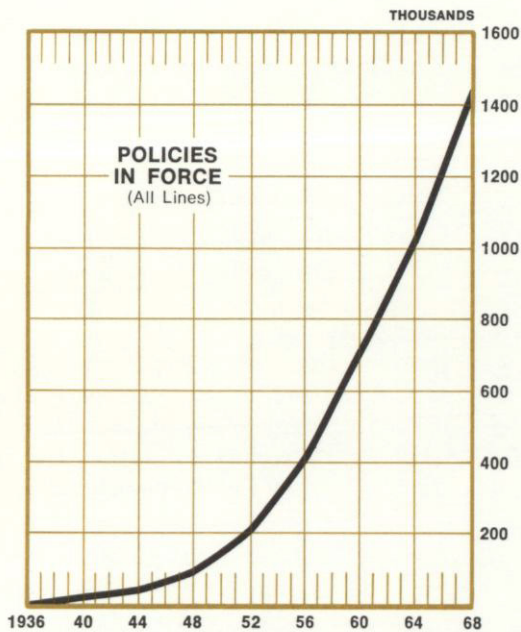
With increasing pressure on the insurance industry from many levels of government and consumer-oriented groups, an accommodation of views on the key issues within the industry is of vital importance in the months ahead. Through discussion and reasonable compromise, it is to be hoped that the industry and the various government agencies will evolve constructive improvements that will strengthen the present insurance system for the benefit of the public as well as the industry, without violent change in its basic elements.

In summary, 1968 for the fire and casualty industry was a year of complex operating problems superimposed on disappointing underwriting results. While the year witnessed a fragmenting of views within the industry as to the best means to adjust to the demands and needs of a changing society, the year witnessed significant advance towards practical solutions to many industry problems. For our Company 1968 was a year of good progress despite a decrease in underwriting profits. The remainder of this report provides a detailed record of our operations in 1968 and a brief forecast of the year ahead.

Congressional investigations provide a forum for our industry to clarify issues and propose beneficial changes.

Strengthening the present insurance system will benefit the public and our own industry.

RECORD OF GEICO



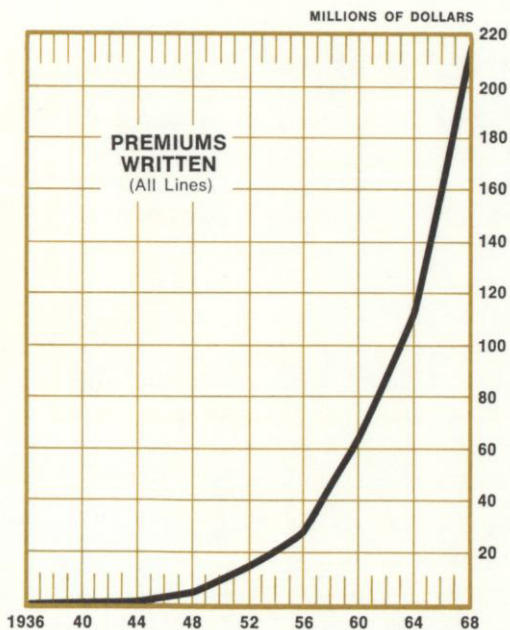
POLICIES IN FORCE

As of December 31, 1968 policies in force on our five lines of insurance totalled 1,439,798, an increase of 8.2% over the 1,330,397 policies in force on December 31, 1967.

These increases were developed principally in the automobile and homeowners lines. We continue to recommend the more economical homeowners package policy instead of separate fire and comprehensive personal liability policies. While this has caused a slight attrition of policies in force in the latter two lines, the homeowners line has increased substantially.

Total policies in force at the end of 1968 were distributed by line as follows:

POLICIES IN FORCE		<u>% Increase (Decrease) Over 1967</u>
AUTOMOBILE	1,233,370	7.5%
HOMEOWNERS	138,074	23.4%
FIRE AND EXTENDED COVERAGE	48,170	(0.4%)
COMPREHENSIVE PERSONAL LIABILITY	15,059	(3.0%)
BOATOWNERS	5,125	25.7%



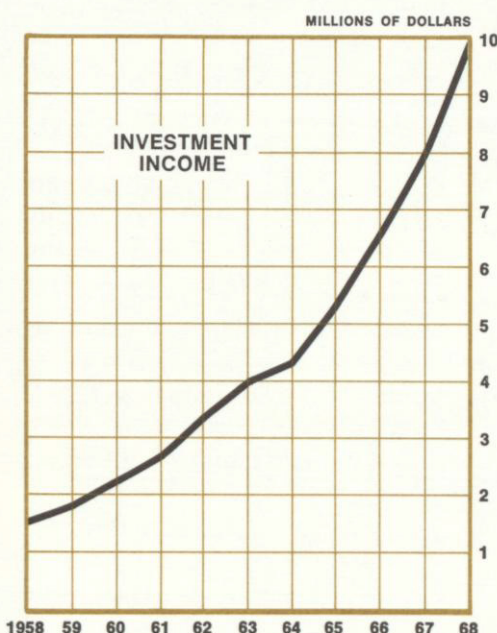
PREMIUMS WRITTEN

Net premiums written on all lines of insurance in 1968 totalled \$216,663,025, an increase of 14.9% over the premiums of \$188,537,072 in 1967. The distribution by line and in percentage of the total written premiums is as follows:

PREMIUMS WRITTEN		<u>% of Total</u>
AUTOMOBILE	\$207,481,768	95.8%
HOMEOWNERS	\$ 7,438,596	3.4%
FIRE AND EXTENDED COVERAGE	\$ 1,253,492	0.6%
COMPREHENSIVE PERSONAL LIABILITY	\$ 203,083	0.1%
BOATOWNERS	\$ 286,086	0.1%

PREMIUMS EARNED

Earned premiums on all lines totalled \$200,871,565 in 1968, an increase of 14.0% over the 1967 earned premiums of \$176,163,445. The automobile lines accounted for \$193,090,368; homeowners \$6,132,493; fire and extended coverage \$1,186,379; comprehensive personal liability \$210,147; and boatowners \$252,178.



UNDERWRITING PROFIT

Underwriting profit before taxes amounted to \$5,721,264 in 1968, a decrease of 40.9% from the comparable 1967 figure of \$9,679,435. After taxes, underwriting profit for 1968 totalled \$2,712,442, a decrease of 46.7% from the comparable 1967 figure of \$5,085,056.

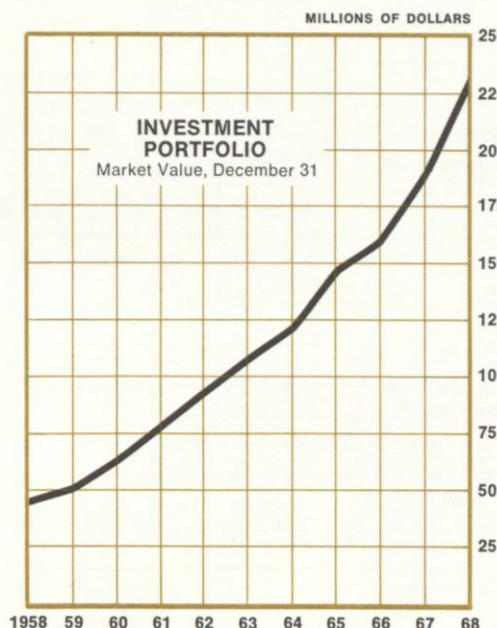
INVESTMENT INCOME

Investment income before taxes in 1968, excluding capital gains, amounted to a record total of \$9,938,325, an increase of 23.7% over the 1967 investment income of \$8,037,163. We estimate that our 1968 investment income after taxes, excluding capital gains, totalled \$8,207,093, an increase of 21.9% over the comparable 1967 figure of \$6,734,830.

Gain on sale of capital assets before taxes in 1968 totalled \$1,091,372 which includes \$783,650 realized from the sale in September 1967 of our Headquarters Building in Washington, D. C. Pre-tax capital gains realized in 1967 totalled \$366,780.

INVESTMENTS

Additions to our investment portfolio and changes in security values during 1968 increased the total market value of our portfolio to \$230,062,883 on December 31, 1968 from \$188,274,535 on December 31, 1967, an increase of 22%. The schedule below summarizes the changes made in our portfolio during 1968, based on year-end market values.

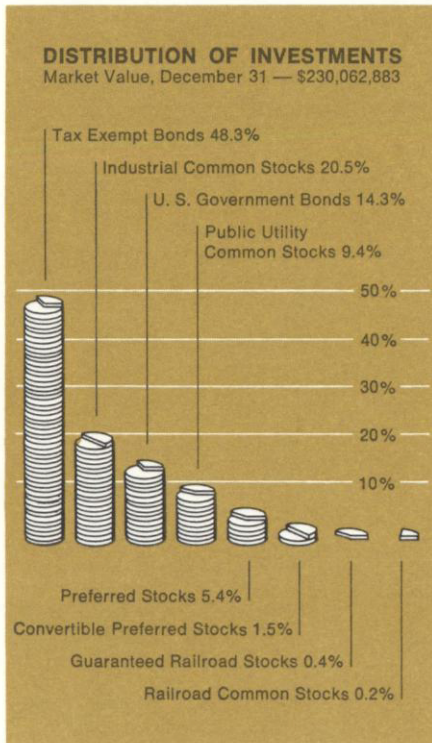


	INVESTMENT PORTFOLIO SUMMARY		
	Dec. 31, 1968	Dec. 31, 1967	Increase (Decrease)
U.S. Government Bonds	\$ 33,064,765.63	\$ 34,016,250.00	\$ (951,484.37)
Tax Exempt Bonds	111,047,405.00	83,234,547.50	27,812,857.50
Guaranteed Railroad Stocks ..	847,400.00	831,250.00	16,150.00
Preferred Stocks	12,460,375.00	14,114,250.00	(1,653,875.00)
Convertible Preferred Stocks.	3,440,075.00	891,375.00	2,548,700.00
Railroad Common Stocks ...	544,112.50	491,925.00	52,187.50
Financial Common Stocks ...	—0—	357,000.00	(357,000.00)
Public Utility Common Stocks	21,517,975.00	15,617,437.50	5,900,537.50
Industrial Common Stocks ..	47,140,775.00	38,720,500.00	8,420,275.00
TOTAL	\$230,062,883.13	\$188,274,535.00	\$41,788,348.13

From this schedule you will note that in 1968 we made substantial increases in our holdings of industrial and public utility common stocks. At 1968 year-end market prices, our holdings of common stocks and convertible preferred stocks comprised 31.58% of our portfolio which compares with 29.79% a year earlier. During 1968 the market prices of high-grade bonds fell to historic lows and we made large increases in our holdings of tax-exempt bonds at highly attractive prices.

On December 31, 1968 our investment portfolio was yielding a return of 4.12% which compares with the 4.13% yield being obtained on December 31,

RECORD OF GEICO



1967. After taxes, the yield was 3.62% compared with the after-tax yield of 3.57% on December 31, 1967.

The investment policy of our Company is formulated by the Board of Directors. It has as its objective the attainment of maximum investment income from those types of investments which possess good marketability, high investment quality and relative price stability. Portfolio operations are administered in conformance with this policy by the Investment Committee of the Board of Directors.

The values of the bonds and stocks in the Statement of Condition are stated on the basis adopted by the Committee on Valuation of Securities of the National Association of Insurance Commissioners. This basis calls for the use of amortized values for bonds and approximately the December 31, 1968 quotations for stocks. A detailed schedule of our Company's investment portfolio as of December 31, 1968, based on year-end market values for all securities, is listed at the conclusion of this report.

EARNINGS

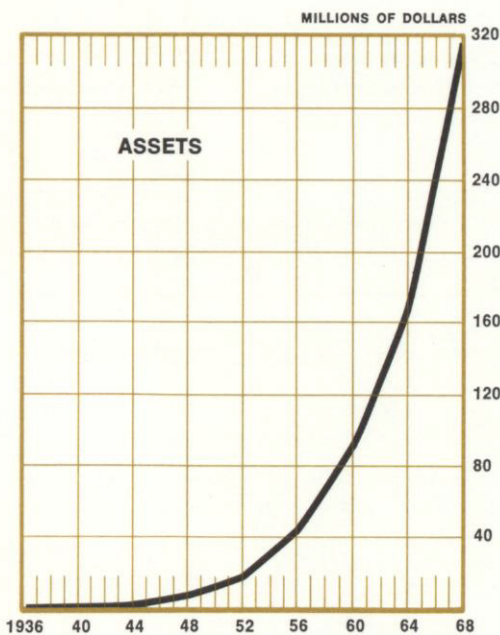
Net earnings after taxes for 1968 amounted to \$11,709,953 which compares with earnings of \$12,095,331 in 1967. Our earnings in 1968 were equivalent to \$2.31 per share on the 5,079,981 shares outstanding on December 31, 1968 which compares with 1967 earnings of \$2.38 per share adjusted to the same number of shares. The Federal income tax surcharge of 10% was responsible for a reduction of nine cents a share in our 1968 earnings.

These earnings do not include any equity in the increase in the unearned premium reserve during the year. A portion of this component is customarily included in the presentation of the earnings of casualty insurance companies. Our unearned premium reserve increased by \$15,791,460 from \$103,910,300 at year-end 1967 to \$119,701,760 on December 31, 1968. The foremost statistical and financial authority in the insurance industry, the Alfred M. Best Company, Inc., generally assigns an equity of 35% in the increase in the unearned premium reserve of casualty companies, but recognizes that different percentages — ranging from 10% to 50% — may be applicable in special circumstances.

If the shareholders' equity in the increase in this reserve is calculated at 25%, the figure which has been used customarily by many financial analysts, our 1968 earnings would be increased by \$3,947,865 and our net earnings for the year would become \$15,657,818 or \$3.08 per share. If the equity of our shareholders in the increase in the unearned premium reserve is calculated at 10%, the lowest figure mentioned by Best, our 1968 earnings would be increased by \$1,579,146 and our net earnings for the year would become \$13,289,099 or \$2.62 per share.

ASSETS

On December 31, 1968 our Company had total admitted assets of \$317,211,130, an increase of 18.9% over the \$266,749,979 in assets at the close of 1967. The adjacent graph illustrates the increase in assets from 1936 through 1968.



CAPITAL STOCK AND DIVIDENDS

At the annual meeting held on March 27, 1968, the shareholders approved an increase in the authorized capital stock of the Company from 5,000,000 shares of \$4 par value common stock to 8,500,000 shares of such stock.

Our Company adheres to the following three-pronged policy with respect to the payment of dividends:

- (1) To pay cash dividends to shareholders in an amount substantially equivalent to our annual net investment income after applicable taxes.
- (2) To pay periodic stock dividends in an amount which, at market value, is generally equivalent to the undistributed earnings for the two preceding years, thus providing a sound and steadily growing capital structure for expanding operations.
- (3) To split the capital stock of the Company when such action is deemed to be in the best interests of the shareholders and the Company, taking into account the market price of the stock, the cash dividend rate and other pertinent factors.

In conformance with the dividend policy described above, the Board of Directors on March 28, 1968 declared a 4½% stock dividend totalling 218,438 shares which was paid on May 24, 1968 to shareholders of record April 12, 1968. The sum of \$873,752 was transferred from the Surplus Account to the Capital Stock Account to reflect the value of the dividend shares.

Regular quarterly cash dividends of 30 cents per share were paid on March 25, June 25 and September 25, 1968. On December 24, 1968, in addition to the regular cash dividend of 30 cents per share, an extra year-end dividend of 25 cents per share was paid. Cash dividends paid to shareholders in 1968 amounted to \$7,289,805 which compares with \$6,290,110 paid in 1967.

In further conformance with our dividend policy, the Board of Directors at a regular meeting held on January 22, 1969, declared a 50% stock dividend payable March 7, 1969 to shareholders of record February 3, 1969, in order to split the stock on a three-for-two basis.

At the meeting held on January 22, 1969, the Board of Directors fixed an annual cash dividend rate of \$1.00 per share on the approximately 7,621,500 shares of capital stock which will be outstanding following payment of the 50% stock dividend and declared a regular quarterly dividend of 25 cents per share payable March 31, 1969 to shareholders of record March 10, 1969. The new \$1.00 annual cash dividend rate on the increased shares represents an increase of 25% in the annual cash dividend rate of \$1.20 preceding the stock split.

LOSS RATIOS	1968	1967
Automobile	82.6%	80.0%
Homeowners	84.0%	74.5%
Fire and Extended Coverage	55.9%	38.2%
Comprehensive Personal Liability	23.7%	34.7%
Boatowners	55.5%	46.9%

LOSS RATIO

Our 1968 ratio of losses incurred to premiums earned on all lines of insurance was 82.4% which compares with 79.5% for the prior year.

The loss ratios for the automobile line, which accounted for 96.1% of our 1968 earned premium, and for our other lines of insurance are shown in the adjacent table.

EXPENSE RATIO

Underwriting expenses represent the total cost of producing and processing insurance written during the year, including state and municipal premium taxes.

The ratio of our 1968 underwriting expenses to premiums written on all lines of insurance was 12.6% which compares with 12.9% for the prior year. Our expense ratio continues to be less than half the average for our industry.

After having recorded a reduction in our expense ratio for the seventh successive year in 1967, we anticipated a slight increase in our expense ratio in 1968 because of the unrelenting inflationary pressures on the cost of most goods and services. However, aided by a modest increase in our premium rate levels and with continued improvements in operating efficiency, we achieved the eighth consecutive reduction in our expense ratio in 1968.

COMBINED LOSS AND EXPENSE RATIO

Our combined loss and expense ratio on all lines of insurance for 1968 was 95.0% which compares with 92.4% for the prior year.

CLAIMS

A total of 489,225 claims were reported to our Claim Department in 1968, an increase of 13.1% over the 432,613 claims reported in 1967.

The number of claims reported during the first half of 1968 was in a relatively satisfactory relationship to the number of automobiles and other property insured. However, a moderate increase in accident and claim frequency developed during the last half of the year which was accentuated by the dramatic rise in the number of automobile thefts.

The sharp increase in the theft of automobiles throughout the country constitutes a problem of crisis proportions. Losses sustained by the public and the insurance companies are magnified by an accident rate for stolen automobiles which is about double the normal accident rate. Furthermore, the expanded activities of professional automobile theft rings have sharply reduced the recovery rate of stolen automobiles. The experience of our Company in 1968 provides shocking corroboration of the magnitude of automobile thefts now plaguing our Nation and our industry:

- Automobile thefts were up 31.8% over 1967.
- The recovery rate of stolen automobiles was down to 69.3% from 76.3% in 1967.
- Automobile thefts in the New York City Metropolitan Area, up 40% over 1967, represented 53.9% of our total automobile theft claims although only 14.6% of our insured automobiles are in that area. The recovery rate for automobiles stolen in the New York City Metropolitan Area was down to 55.6% from 66.6% in 1967.
- The loss ratio for the Comprehensive coverage which provides the theft insurance in the automobile line increased to 102.0% from 79.2% in 1967.
- Our underwriting loss on the Comprehensive coverage in 1968 was \$2,343,613 compared with an underwriting profit of \$1,324,566 in 1967.

It is generally agreed that to reduce this monstrous problem of automobile thefts requires as minimum measures:

- Self-discipline by automobile owners to lock unattended vehicles.
- Enactment of laws to define a "joyriding" theft as a felony.
- Enactment of effective automobile title laws in such key states as New York, Massachusetts and Rhode Island.
- Computer capability to combine and centralize motor vehicle identification data from all 50 states and the District of Columbia.
- The installation of effective anti-theft locking devices on all new automobiles by the manufacturers.
- The expansion of law enforcement personnel assigned to the task of detection and detention of automobile thieves.

We have joined with other major companies in our industry in an action program to achieve these objectives. Although we are hopeful that our efforts will have positive results, the problem is of such magnitude that we cannot reasonably expect any dramatic reversal in the incidence or cost of automobile thefts in the near future.

Claim costs — both loss and expense — continued to rise in 1968 under the persistent and extraordinary inflationary influences on such costs fundamental to claim settlements as hospital and medical services, automobile repair parts and labor, and lost wages resulting from disabling injuries. Although there is national concern and consternation over the increase in these as well as most other costs of living, there appears to be no reliable basis upon which to forecast an improvement of meaningful proportions in 1969.

Our Claim Department continues to adhere to our traditional policy which requires prompt and equitable disposition of all meritorious claims and a strong defense against unwarranted or excessive demands. We have reinforced the effectiveness of this policy by establishing Claim Divisions in our Branch Offices located in urban areas where we have sizeable concentrations of policyholders to supplement the services afforded by more than 1,300 claim attorneys and adjusters throughout the United States. In 1968, 52.1% of the total claims received by our Company were handled by our Claim Divisions in our offices in the District of Columbia, New York City, Baltimore, Chicago, Norfolk, Philadelphia, Los Angeles, San Francisco and San Diego.

Following their successful operations in other areas, we added new drive-in claim facilities during 1968 to our offices in Philadelphia, San Diego, Virginia Beach and Oakland. We now have in operation a total of nine drive-in claim facilities including the units previously installed in the Operations Building in Washington, D.C. and the Los Angeles Branch Office, and the offices established in Paramus, New Jersey and Fairfax, Virginia primarily for this function. Experience has given evidence that substantial benefits flow from this type of facility both for operational economies and improved customer service. We anticipate that in 1969 we will complete the installation of drive-in claim facilities in all Branch Offices and introduce units in other areas where benefits can be gained.

ASSIGNED RISKS

The assigned risk component of our automobile volume, which represented 6.7% of our total written premium in the liability line in 1968, developed a combined loss and expense ratio of 137.1% and a underwriting loss of \$3,006,101. The underwriting results since 1960 for our assigned risk business are shown below:

ASSIGNED RISK LOSS EXPERIENCE			
	<u>% of Liability Premium</u>	<u>Combined Loss & Expense Ratio</u>	<u>Underwriting Loss</u>
1960	6.2%	124.1%	\$ 572,157
1961	6.1%	139.2%	\$1,033,565
1962	5.4%	133.0%	\$1,061,098
1963	5.1%	135.2%	\$1,096,563
1964	5.7%	132.2%	\$1,282,376
1965	7.5%	142.2%	\$1,896,318
1966	7.2%	141.6%	\$2,442,836
1967	7.3%	139.7%	\$3,065,792
1968	6.7%	137.1%	\$3,006,101

Automobile Insurance Plans (formerly known as Assigned Risk Plans) have been established in every state to distribute among all companies, in proportion to the liability premiums written, the burden of providing insurance for the unusually high risk automobile owners who are unable to acquire insurance through conventional sources. However, the premium rate levels authorized for assigned risks have been woefully inadequate over the years to compensate for the excessive losses incurred by this class of business.

Our industry has attempted to achieve a better balance between premium rates and the actual loss experience of assigned risks through innovative programs which have been adopted by most states. Although we can now discern some modest influence of these programs, the objectives sought clearly have not been attained as illustrated by the protracted record of adverse loss experience for assigned risks. Thus, our Company and our industry have been required to provide a substantial and inequitable subsidy to assigned risks.

We will continue to support and join in the efforts of our industry to enlist the cooperation of the state regulatory authorities for more effective solutions to this serious problem.

RESERVES

Our reserve for losses and loss expenses increased to \$110,752,831 on December 31, 1968 from \$89,304,719 on December 31, 1967. We consider this reserve to be adequate to cover the payment of all claims incurred and not finally settled. It also provides for losses which occurred in 1968 but were not reported to us by the end of the year.

The laws of all states require that a reserve be established for premiums written but not yet earned. This reserve represents the unexpired portion of

premiums on all policies in force. Our reserve for unearned premiums of \$119,701,760 on December 31, 1968 represents an increase of \$15,791,460 over the reserve of \$103,910,300 at the end of 1967.

The reserve for taxes of \$4,821,014 at the end of 1968 represents the amount of Federal, state and municipal taxes incurred in 1968 but not payable until 1969.

REAL ESTATE

At the end of 1968 we had a total net real estate investment of \$14,583,379 consisting principally of \$14,193,537 in our Operations Office Building in Chevy Chase, Maryland.

CATEGORIES OF ELIGIBILITY

Until 1958 eligibility for our insurance was confined to military and civilian government employees, a group which represents about 10% of the automobile insurance market. Seeking to broaden our market potential, we instituted an intensive research study to identify other occupational groups which offer significant sales opportunities and which are consistent with our concept of confining eligibility to preferred risk occupational categories. In late 1958 this study culminated in a decision to expand our eligibility to include professional, managerial, technical and administrative personnel not in government service, thereby enlarging our market potential to over 50% of the private passenger automobile owners.

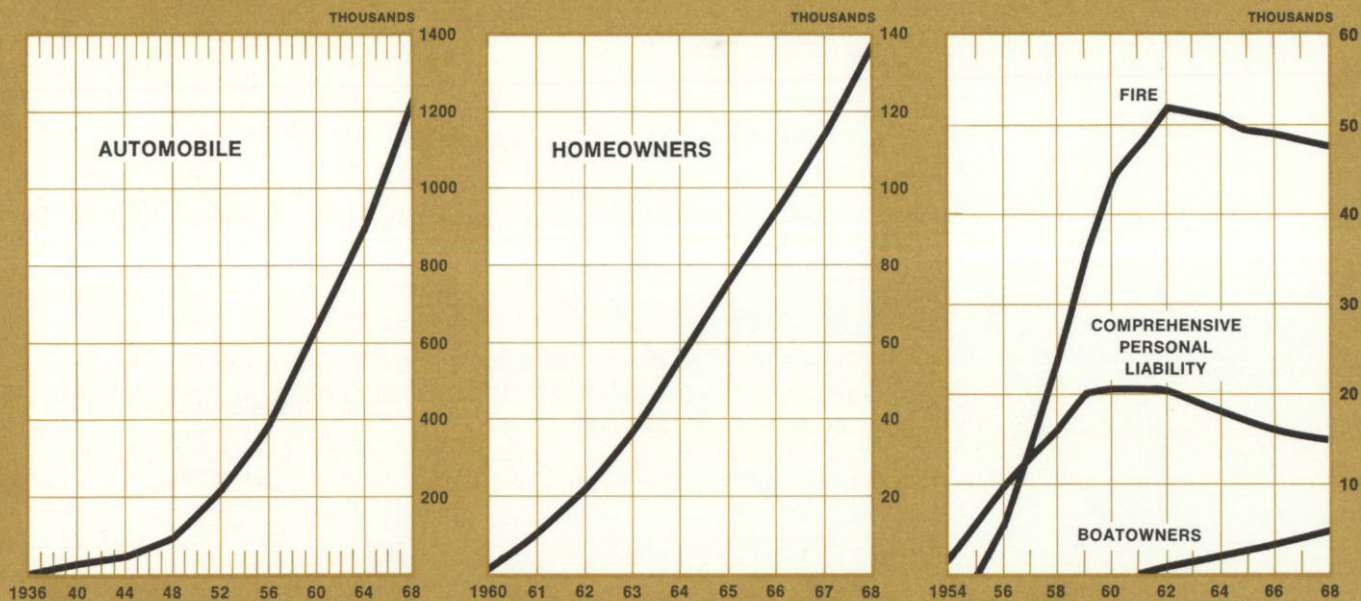
Since embarking on this program in September 1958 to expand the eligibility for our insurance services, we have written automobile insurance for almost 429,000 policyholders who were in occupational classifications previously ineligible. In 1968, 39.7% of all new automobile insurance policies issued by our Company were sold to persons in the non-government categories. The loss experience of the new groups of eligibles continues to develop satisfactorily, conforming closely to the loss experience of our other categories of insureds.

The expansion of our market potential by means of this program has been of major importance to the growth and development of our Company. In 1969 we will continue to broaden and intensify merchandising programs directed to prospects encompassed by the expanded categories of eligibility.

STOCK OPTION PLAN

Under the provisions of the Stock Option Plan which was approved by the shareholders of our Company in 1963, an additional 8,425 shares were optioned in 1968 to 124 key executives, 12 of whom received stock options for the first time. Under the terms of the Stock Option Plan, each executive receiving an option must agree to serve our Company for at least two years. Options may be exercised only in installments beginning in the third year after they are granted and only while the optionee continues in the employ of our Company. By the end of 1968 a total of 93,198 shares of the common stock of the Company had been optioned under this plan to 125 officers and key executives.

In 1968, 52 optionees purchased a total of 19,500 shares under option at prices which varied from \$44.579 to \$59.750 per share.



LINES OF INSURANCE

AUTOMOBILE INSURANCE

The principal line written by our Company is automobile insurance. In 1968 the automobile line developed written premiums of \$207,481,768 which represented 95.8% of the Company's total written premiums. Automobile insurance policies as of December 31, 1968 totalled 1,233,370, an increase of 7.5% over 1967.

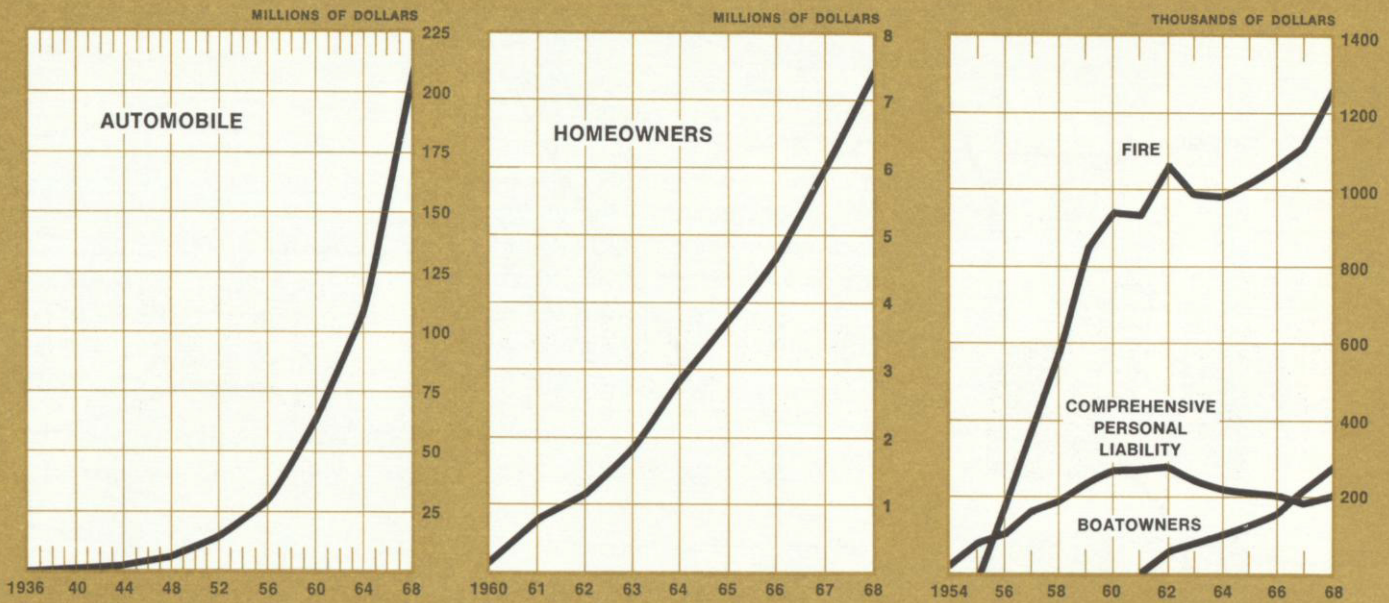
While automobile insurance is also the major insurance component written by the fire and casualty industry, it accounts for only 45% of its total premium volume. Latest industry figures indicate that our Company is the seventh largest stock company insurer of automobiles in the United States.

HOMEOWNERS INSURANCE

Homeowners insurance premiums written in 1968 amounted to \$7,438,596, an increase of 23.4% over 1967 writings of \$6,026,000. Policies in force at year-end totalled 138,074 compared with 115,021 on December 31, 1967. In 1968 we added Oregon to the jurisdictions in which we write homeowners insurance, making this line now available in the District of Columbia and every state except Alaska and Mississippi.

For seven years since 1960 when we began writing the homeowners package policy we had been able to produce a satisfactory loss ratio on this line. However, in 1968 the combined loss and expense ratio on the homeowners coverage increased to 99.4%, up from 89.5% in 1967. Although many companies in our industry suffered severe losses in 1968 on the homeowners and other related fire lines as a result of the serious outbreaks of riots and civil disorders throughout the country, our losses from these causes were negligible. However, despite cautious and conservative underwriting which has dominated our marketing of this line, the failure of approved rate levels to keep pace with current loss experience was the primary reason for the increase in our loss ratio on the homeowners line in 1968. In the face of mounting pressures upon our industry to provide facilities for the acceptance of relatively undesirable risks at standard rates, the prospects are clouded for underwriting profits on the homeowners and other related fire lines unless higher rate levels are authorized to compensate for the mounting losses. However, we will continue to strive for the balance between sus-

PREMIUMS WRITTEN



tained growth and underwriting profit in the homeowners line.

Because the relatively new homeowners policy combines fire, theft and comprehensive personal liability insurance into a single broad coverage package policy at a significant premium reduction, it has attained great public appeal and acceptance. Thus our increase in volume in the more popular homeowners line has resulted in a decline over the years in our policies in force for the separate fire and personal liability lines. This is a trend which we anticipate will continue in the future.

The test which we initiated in 1967 of offering a similar broad form policy which provides coverage for the personal property and liability of those who reside in apartments was continued during 1968. Although our marketing and loss experience data are not yet complete or conclusive, we are encouraged by current developments. Assuming that the test results will justify further marketing of this coverage, we anticipate introducing it into other major metropolitan areas where our field offices are located and the demand is strong.

FIRE INSURANCE

In 1968, written premiums for the fire and extended coverage lines amounted to \$1,253,492 compared with \$1,113,484 in 1967. Policies in force at year-end declined to 48,170 from 48,353 at the end of 1967. This decline, which is anticipated will continue, reflects the public preference for the homeowners package policy which includes the insurance protection afforded by the separate fire and extended coverage policy.

COMPREHENSIVE PERSONAL LIABILITY INSURANCE

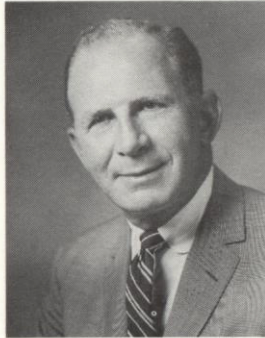
Our separate comprehensive personal liability line developed written premiums of \$203,083 compared with \$189,139 last year. Policies in force totalled 15,059 at year-end, a decrease of 464 from the prior year. We anticipate that this trend will continue because of the greater demand by the public for the broad homeowners package policy which includes the personal liability protection.

BOATOWNERS INSURANCE

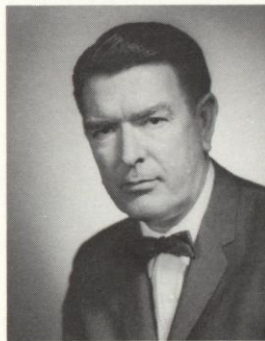
In 1968, premiums written on our boatowners line totalled \$286,086 compared with \$209,624 written in 1967. Policies in force for the year increased to 5,125 from 4,078 at year-end 1967.



Warren Nigh



J. Gardner Lawlor



Harry C. Clay



Francis M. Shea

MANAGEMENT CHANGES

Mr. Warren Nigh, Vice President and General Counsel, retired on January 2, 1969, culminating a career of twenty-eight years during which he made important contributions to the growth and progress of our Company. Mr. Nigh also served as Vice President and General Counsel of our affiliated Companies. We are most fortunate that Mr. Nigh has agreed to accept special assignments in the future, thus enabling us to benefit on those occasions from his unique experience and competence.

The following promotions were voted by the Board of Directors:

On March 28, 1968, Mr. J. Gardner Lawlor was promoted from Assistant Vice President (Investments) to Vice President (Investments). Also on March 28, 1968, Mr. L. Franklin Ashby was promoted to Assistant Vice President (Investments).

On July 5, 1968, Mr. Harry C. Clay, formerly Assistant Vice President (Personnel) was promoted to Vice President in charge of our New York Regional Office.

On January 22, 1969, Mr. Ernest M. Lucas was promoted from Assistant Vice President and Assistant General Counsel to Vice President and General Counsel to succeed Mr. Nigh. Also on January 22, 1969, Mr. Donald K. Smith was promoted to Assistant Vice President and Assistant General Counsel.

THE BOARD OF DIRECTORS

Mr. Francis M. Shea, a Director of Government Employees Insurance Company since 1948, resigned from our Board of Directors on November 26, 1968. Upon accepting Mr. Shea's resignation with regret, the Board of Directors unanimously approved the following resolution:

WHEREAS, Francis M. Shea has since 1948 served Government Employees Insurance Company with outstanding merit and effectiveness as Chairman of the Board from March 1948 to March 1949, Special Counsel to the Board from March 1949 to March 1966, and as a member of several Committees of the Board;

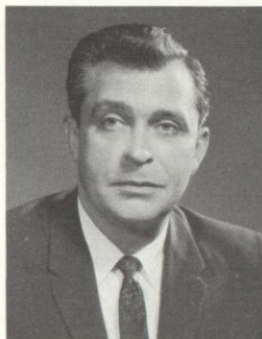
NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors hereby records its grateful recognition of and appreciation for the invaluable contribution Francis M. Shea has made to the Company through his dedicated services.

LICENSED TERRITORY

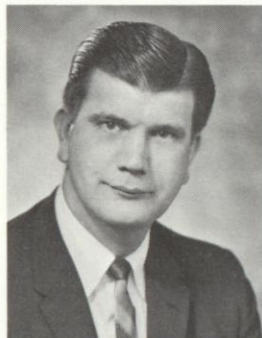
Our Company is licensed to write casualty, fire and inland marine insurance in all 50 states, the District of Columbia and the Territory of Guam.

EXAMINATION BY GEORGIA INSURANCE DEPARTMENT

The Insurance Department of the State of Georgia made an examination of our Company in 1968. A favorable report was returned.



Ernest M. Lucas



L. Franklin Ashby



Donald K. Smith

AWARDS

In 1968, as in years past, our Company was honored for its annual reports to shareholders. Our 1967 Annual Report was selected as the "Overall Winner" in the Annual Report Contest conducted by The Spectator, a leading insurance publication. This is the highest award presented in the judging of the annual reports of stock property insurance companies throughout the United States. In the previous three years our Company was awarded "Honorable Mention" by The Spectator in reporting financial facts in its annual reports.

In June 1968, for the tenth consecutive year, our Company received a "Merit Award" from Financial World Magazine in recognition of "the excellence of its 1967 Annual Report to Shareholders." Our Company has received a total of twenty-five awards during the past ten years for its relations and communications with its shareholders.

THE SHAREHOLDERS

The Board of Directors extends its appreciation to the shareholders for their continued cooperation and loyal support throughout 1968.

POLICYHOLDERS

For over thirty years, our policyholders have been more than generous in the cooperation given our Company and in the high degree of confidence shown in our insurance services. This tradition was again carried forth in 1968.

To the many thousands of our policyholders who are in the Armed Forces, many in Vietnam, we express our best wishes as well as our deepest admiration and respect. We are grateful to these fine men and women who are serving our country with dedication and courage.

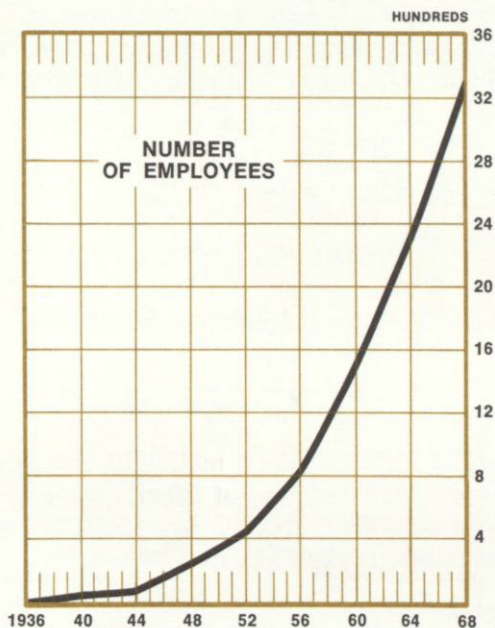
We pledge to all our policyholders the continuation of our long established policy to provide them with the highest quality insurance and the finest service possible.

THE STAFF

On December 31, 1968 our staff was comprised of 3,302 employees, an increase of 4.2% from the 3,169 persons on the staff at the end of 1967. These men and women performed in a commendable and professional manner throughout the year in coping with a variety of problems and difficulties. Their competence contributed in great measure to the continued progress of our Company.

Our country's military requirements continued to make its demands for the services of many members of our staff. During 1968 eighty-two of our employees were on military leave while serving in the Armed Forces, many in the combat areas of Vietnam. These fine young men are a source of great pride to us, and we eagerly look forward to their return.

The Board of Directors acknowledges with appreciation the fine work, loyalty, diligence and initiative of our employees during the year.



AFFILIATES

A record of good progress was continued in 1968 by our four affiliated companies, Government Employees Life Insurance Company, Government Employees Corporation, Criterion Insurance Company and Government Employees Financial Corporation. The details of the 1968 operations of our affiliates are covered in separate reports forwarded to their respective shareholders.

As shareholders have been advised in our Annual Reports and at our annual meetings, a study has been conducted for some time by the Government Employees Companies concerning the prospects of profitably entering into the field of variable annuities. In recent years, the insurance industry's increasing interest in equity products, and particularly in mutual funds, has led to the broadening of our research to embrace mutual funds as well as variable annuities. While no final decision has yet been reached, our studies strongly indicate that many of the regulatory problems which deterred our entrance into the variable annuity field have gradually been diminished, if not wholly solved, and that the addition of equity products to the insurance and financial services now being offered by the Government Employees Companies will further the best interests of our shareholders and our clientele. A final decision on this important matter is expected to be made during 1969, and the shareholders of the Government Employees Companies will of course be promptly advised.

FIELD OFFICE PROGRAM

Our Field Office Program continued to make significant contributions to our Company's growth in 1968, particularly in the development of new business. Almost 64% of all new policies were produced through our expanding network of offices compared with 58% in the prior year. It is important to note that our aggressive direct mail programs continue to provide the major impetus to public interest in the insurance services of our Company. However, our field offices offer important and effective alternatives to the direct mail medium for those prospects who prefer to respond in a more personalized sales environment.

During 1968 a new Sales and Service Office was opened in Moorestown, New Jersey, our second office serving the Metropolitan Philadelphia Area. New Sales Offices which offer our insurance services were opened by our affiliate, Government Employees Corporation, in Anchorage, Alaska; Phoenix, Sierra Vista and Tucson, Arizona; Fairfield, Oxnard, Sacramento and Riverside, California; Savannah, Georgia; Junction City, Kansas; Havelock, North Carolina; Charleston Heights and Columbia, South Carolina; Fort Worth, Texas; and Tacoma, Washington. Our affiliate also opened an office in London, England through which eligible clientele may purchase our stateside insurance in preparation for their return home from overseas assignments.

The services of the Government Employees Insurance Company are now available through 90 offices of the Government Employees Group which are located in 24 states, the District of Columbia, England, West Germany and Okinawa.

Further expansion of our Field Office Program is planned for 1969.

FIELD OFFICES

HOME OFFICE — Washington, D. C.

ALABAMA

Daleville
Huntsville

ALASKA

Anchorage

ARIZONA

Phoenix
Sierra Vista
Tucson

CALIFORNIA

Fairfield
Long Beach
Los Angeles
Oakland
Oceanside
Oxnard
Riverside
Sacramento
San Diego
San Francisco
Seaside

COLORADO

Colorado Springs
Denver

FLORIDA

Cocoa Beach
Ft. Walton Beach
Jacksonville
Key West
Orlando
Panama City
Pensacola
Tampa

GEORGIA

Atlanta
Augusta
Columbus
Savannah
Warner Robins

HAWAII

Honolulu

ILLINOIS

Wilmette

KANSAS

Junction City

KENTUCKY

Radcliff

MARYLAND

Aberdeen
Chevy Chase
Towson
Wheaton

MASSACHUSETTS

Boston

MISSISSIPPI

Biloxi

NEW JERSEY

Eatontown
Moorestown
Paramus
Wrightstown

NEW YORK

New York City
135 W. 50th Street
Empire State Building
90 John Street
Bayshore, L.I.
Hempstead, L.I.
Huntington, L.I.

NORTH CAROLINA

Fayetteville
Havelock
Jacksonville

OHIO

Fairborn
Groveport

OKLAHOMA

Lawton
Oklahoma City

PENNSYLVANIA

Harrisburg
Philadelphia

SOUTH CAROLINA

Burton
Charleston Heights
Columbia
Sumter

TEXAS

El Paso
Ft. Worth
Houston
Killeen
San Antonio
Wichita Falls

VIRGINIA

Arlington
Fairfax
Falls Church
Hampton
Norfolk
Virginia Beach

WASHINGTON

Tacoma

ENGLAND

London

OKINAWA

Ginowan City

WEST GERMANY

Augsburg
Bitburg/Eifel
Frankfurt
Fuerth/Bayern
Heidelberg
Kaiserslautern
Munich
Stuttgart
Wiesbaden

THIRTY-THREE YEAR SUMMARY

(All figures except percent and per share shown in thousands)

Year	Net Premiums Written	Increase in Unearned Premium Reserve	Earned Premiums	Loss Ratio ⁽¹⁾	Expense Ratio ⁽²⁾	Underwriting Profit Before Taxes	Investment Income Before Taxes
1936	\$ 104	\$ 49	\$ 56	60.2%	14.6%	\$ 3	\$ 3
1937	238	83	155	64.9%	38.1%	(49)	8
1938	401	100	301	68.6%	23.8%	(27)	10
1939	566	81	486	64.6%	25.1%	(9)	7
1940	768	121	647	65.8%	21.0%	5	12
1941	1,211	222	989	66.6%	20.3%	16	16
1942	986	(150)	1,137	53.6%	35.9%	67	17
1943	1,101	37	1,064	53.0%	33.4%	50	20
1944	1,316	116	1,200	56.1%	31.0%	131	22
1945	1,639	168	1,470	68.4%	29.9%	(30)	26
1946	2,456	458	1,998	75.8%	15.9%	88	37
1947	4,009	805	3,204	64.8%	13.0%	613	51
1948	5,905	1,002	4,903	57.9%	13.2%	1,278	90
1949	6,615	403	6,212	56.3%	12.9%	1,719	160
1950	8,017	680	7,337	63.0%	14.3%	1,327	233
1951	10,040	1,110	8,931	66.1%	16.5%	1,110	312
1952	15,184	2,561	12,623	67.1%	14.5%	1,585	409
1953	20,959	2,880	18,080	63.9%	14.3%	2,962	533
1954	22,298	664	21,634	54.5%	14.9%	6,073	778
1955	25,785	1,547	24,238	58.6%	15.8%	5,449	892
1956	28,373	1,876	26,497	69.6%	16.1%	3,023	995
1957	36,246	4,447	31,800	76.5%	15.5%	1,374	1,321
1958	46,627	6,096	40,530	66.3%	14.0%	6,354	1,586
1959	56,959	5,616	51,343	69.3%	13.7%	7,060	1,883
1960	65,022	4,223	60,798	66.6%	15.4%	9,293	2,298
1961	75,382	6,441	68,941	73.6%	15.3%	5,569	2,729
1962	83,426	5,031	78,395	75.8%	15.1%	5,054	3,408
1963	96,050	7,105	88,945	75.4%	14.9%	6,149	4,024
1964	113,712	9,584	104,128	79.6%	14.0%	3,767	4,355
1965	136,659	12,936	123,723	77.0%	13.7%	8,241	5,371
1966	164,821	15,229	149,592	74.7%	13.3%	14,047	6,627
1967	188,537	12,374	176,163	79.5%	12.9%	9,679	8,037
1968	\$216,663	\$15,791	\$200,872	82.4%	12.6%	\$ 5,721	\$9,938

(1) Represents Losses and Loss Expenses Incurred to Premiums Earned.

(2) Represents Underwriting Expenses Incurred to Premiums Written.

(3) Excludes any adjustment for Equity in the Increase in Unearned Premium Reserve.

(4) Based on the 5,079,981 shares outstanding December 31, 1968.

(5) After provision for Federal income taxes of \$5,041,008 which includes \$460,246 for new 10% surcharge.



Total Profit After Taxes ⁽³⁾	Earnings Per Share ⁽³⁾⁽⁴⁾	Cash Dividends Paid	Cash Dividends Paid Per Share ⁽⁴⁾	Stock Dividends Paid	Policyholders' Surplus	Total Admitted Assets
\$ 5	\$.001				\$ 213	\$ 296
(41)	(.008)				171	357
(17)	(.003)				152	478
(2)	(.0005)				203	665
15	.003				221	848
22	.004				233	1,226
40	.008				266	1,283
4	.0007	\$ 10	\$.002	100 %	253	1,552
6	.001	20	.004		276	1,851
22	.004			25 %	567	2,400
117	.023				646	3,082
414	.082	30	.006		1,051	4,817
857	.169	92	.018	66 $\frac{2}{3}$ %	1,723	7,013
1,188	.234	138	.027	20 %	2,872	9,182
981	.193	215	.042	16 $\frac{2}{3}$ %	3,632	11,115
830	.16	240	.05	42.86%	4,193	13,759
1,066	.21	300	.06		5,040	19,763
1,506	.30	358	.07	10 %	6,126	27,719
3,545	.70	509	.10	100 %	9,663	35,149
3,400	.67	653	.13	8 %	12,434	41,954
2,253	.44	830	.16	7 $\frac{1}{2}$ %	13,581	45,492
1,695	.33	1,001	.20	4 $\frac{1}{2}$ %	14,141	54,165
4,457	.88	1,268	.25	100 %	19,628	69,063
4,908	.97	1,497	.29	2 %	22,289	81,615
6,416	1.26	1,872	.37	50 %	28,579	94,646
5,481	1.08	2,093	.41	2 $\frac{1}{2}$ %	34,285	112,220
5,555	1.09	2,564	.50	50 %	36,758	127,796
6,612	1.30	2,983	.59		42,279	148,195
6,197	1.22	3,199	.63	2 $\frac{1}{2}$ %	47,437	171,884
8,986	1.77	4,185	.82		52,761	204,254
13,057	2.57	5,071	1.00	50 %	51,281	229,438
12,095	2.38	6,290	1.24		59,372	266,750
\$11,710⁽⁵⁾	\$2.31	\$7,290	\$1.44	4$\frac{1}{2}$%	\$72,087	\$317,211

SUMMARY AND FORECAST

Although net earnings declined moderately, GEICO attained record highs in premiums written and policies in force.

Although net earnings declined moderately, 1968 was a year of good progress for our Company. For the twenty-third consecutive year we were able to produce an underwriting profit, despite the adverse conditions in our economy and in our industry which caused most fire and casualty companies to sustain heavy losses. Investment income established a new record. The volume of premiums written and the number of policies in force attained historic highs. Premium volume exceeded 200 million dollars, and assets exceeded 300 million dollars — each being more than double the amount recorded only five years ago.

Neither persistent underwriting losses nor inadequate rate structures caused competition for the premium dollar to diminish in 1968. The year witnessed numerous marketing innovations as companies sought to improve their competitive posture, principally in those sectors of the market which offer the most promising profit potential. Many of our major competitors tested and adopted direct mail merchandising methods similar to our own as a means of reducing operational costs, as well as to enhance their access to preferred markets. Payroll deduction plans and more sophisticated applications of the group automobile insurance concept, long associated only with the health and life insurance lines, met with increasing receptivity by both the insuring public and state regulatory officials.

The personalized services of GEICO and its affiliates are now available through 90 offices in key markets.

To maintain a position of strength in the intensely competitive casualty market in 1968, we accelerated the expansion of our Field Office Program, and we also increased and refined our direct mail business development programs. New office facilities were established in 17 additional locations, representing the broadest expansion of the Field Office Program in a single year in the history of our Company. The personalized services of our Company and its affiliated companies are now available through 90 offices in key markets of the United States, the District of Columbia, England, West Germany and Okinawa. These offices accounted for 64% of our total new business in 1968, and continue to produce substantial economies and efficiencies in the area of claims handling. Another significant contribution of our Field Office Program is in the development of the expanded eligibility market which accounted for 39.7% of our total new business in 1968.

In 1969 we will further expand our existing field office facilities, establish additional sales and service offices in selected markets, and intensify our advertising support programs for these highly important sources of new business.

GEICO reaffirms its support of fair and impartial Congressional investigations of the insurance industry.

We will also continue to exploit our progressive direct mail techniques which contribute towards our ability to maintain one of the lowest policy acquisition costs in the industry. Great efforts will be concentrated on imaginative and effective marketing programs designed not only to capture new markets but also to conserve our exceptionally high renewal ratio, thereby enabling us to remain abreast of the aggressive competition which now pervades all quarters of the industry.

Criticism of our industry heightened in 1968, culminating in Congressional and state investigations of its practices and regulations. While these proceedings have produced no substantive legislation on either the state or Federal level addressed to the problems under scrutiny, our industry has continued to demonstrate its genuine desire to adopt practical reforms wherever needed to serve the best interests of the insuring public. New methods to assure prompt and equitable claim settlements, new programs to extend the insurance market to marginal risks and a demonstrative awareness of its obligations to a changing society have softened considerably the demands for radical reform of our industry. Nevertheless, many serious problems remain unresolved and must be dealt with in 1969.

Congressional investigation of the automobile insurance industry will continue in 1969. We reaffirm our support of fair and impartial investigations which offer a forum for our industry to rebut unwarranted criticism and to air objectively the basic conditions which make underwriting profits elusive and breed dissatisfaction among thousands of motorists.

Control of inflation in 1969 is vital to improved underwriting results.

We do not expect the investigations to produce drastic regulatory changes or legislation that will materially affect the capability of our industry to function in a competitive environment. While some modifications in the traditional methods of doing business may be anticipated, we are confident that our Company can make whatever adaptations are necessary to continue our long record of growth with a reasonable underwriting profit.

In 1968 rampant inflation obliterated all hopes of an underwriting profit for the industry as a whole. The highest annual rate of increase since 1951 in the costs of goods and services, particularly in the two vital areas of hospital and automobile repair costs, rapidly outstripped premium rate increases granted our industry by many states. A high priority has been assigned by the new Administration in Washington to the difficult task of arresting inflation

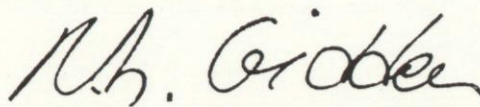
SUMMARY AND FORECAST

While another difficult year is forecast for 1969, further progress is anticipated for our Company.

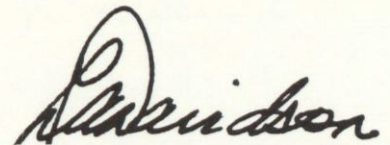
and bringing about price stability. While we must realistically anticipate higher claim costs in 1969, we are hopeful that the new Administration will formulate and implement economic policies that will reduce the rate of inflation.

Although opinion concerning the future of the economy is diverse, the general consensus among government and private quarters is that expansion will continue in 1969 but at a lower rate than in the previous year, and that gradual anti-inflationary controls, while they may slacken growth in the early months, will be applied with sufficient restraint to avert a business recession. Most experts agree that a peaceful settlement of the war in Vietnam, which we fervently hope is nearing fruition, will not cause appreciable dislocations to the economy since defense spending is not expected to be significantly reduced. The fate of the 10% surtax on individual income and corporate profits weighs heavily in the economic outlook, and in the final analysis depends upon whether its extension is necessary to contain inflationary pressures. The final disposition of this issue will have a significant effect upon profit margins in 1969 and it is to be hoped that the state of the economy by mid-year will permit a compromise to be struck whereby the surtax may at least be reduced.

While 1969 will be a difficult year for the industry, we anticipate further progress for our Company. Premium volume and the number of policies in force will continue to grow. Underwriting results will improve if rate increases are promptly authorized where needed and if the rate of inflation is contained. Investment income will increase substantially. The challenges of competition will be met effectively, and our operational costs will continue to be held in favorable balance with premium volume. Many problems of serious magnitude remain unresolved but we enter 1969 confident that the new year will bring improving conditions for the industry and continued growth of our Company.



President



Chairman of the Board

March 1, 1969
Washington, D.C.

STATEMENT OF CONDITION

	December 31, 1968	December 31, 1967
ASSETS		
Cash in banks and on hand	\$ 9,047,243.48	\$ 9,058,901.52
U. S. Government bonds	34,490,490.78	35,496,477.39
State and municipal bonds	116,205,289.34	87,513,625.82
Stocks	86,750,100.00	71,363,920.00
Mortgage loans on real estate	—0—	1,989,949.92
Premiums in course of collection (not over 90 days old)	52,594,212.95	44,317,733.16
Real estate	14,583,378.95	14,587,606.71
Interest accrued	1,529,488.64	1,218,995.75
Federal income taxes recoverable	—0—	174,694.87
Electronic data processing equipment	661,854.97	876,400.64
Amounts receivable on sale of securities	1,223,613.51	—0—
Due from affiliates	125,457.06	151,673.63
Total admitted assets	<u>\$317,211,129.68</u>	<u>\$266,749,979.41</u>
 LIABILITIES, CAPITAL AND SURPLUS		
Reserve for losses and loss expenses	\$110,752,830.52	\$ 89,304,719.45
Reserve for unearned premiums	119,701,760.01	103,910,300.33
Reserve for deferred capital gains	—0—	783,650.09
Reserve for policyholders' dividends	1,134,062.66	995,638.45
Reserve for taxes	4,821,014.05	3,650,149.06
Reserve for expenses	1,134,219.85	884,309.50
Other liabilities	7,580,669.54	7,849,161.85
Total liabilities	<u>\$245,124,556.63</u>	<u>\$207,377,928.73</u>
Capital stock — \$4.00 par value: \$ 20,319,924.00		\$ 19,368,172.00
Authorized 8,500,000 shares		
Outstanding 1968 — 5,079,981 shares		
Outstanding 1967 — 4,842,043 shares		
Surplus	<u>51,766,649.05</u>	<u>40,003,878.68</u>
Total capital and surplus	<u>72,086,573.05</u>	<u>59,372,050.68</u>
Total liabilities, capital and surplus	<u>\$317,211,129.68</u>	<u>\$266,749,979.41</u>

SUMMARY OF OPERATIONS

	Year Ending December 31, 1968	Year Ending December 31, 1967
UNDERWRITING		
Premiums written	\$216,663,024.71	\$188,537,072.16
Increase in unearned premium reserve ..	15,791,459.68	12,373,627.45
Earned premiums	\$200,871,565.03	\$176,163,444.71
Losses and loss expenses incurred	\$165,458,265.63	\$140,034,741.99
Underwriting expenses incurred	27,324,915.68	24,232,905.46
Policyholders' dividends incurred	2,045,595.84	1,781,121.47
Miscellaneous underwriting charges	321,524.12	435,240.76
	195,150,301.27	166,484,009.68
Profit from underwriting	\$ 5,721,263.76	\$ 9,679,435.03
 INVESTMENTS		
Interest, dividends and rental income	\$ 11,704,797.29	\$ 9,896,459.37
Investment expenses incurred (including real estate expenses)	1,766,472.30	1,859,296.06
Net investment income	\$ 9,938,324.99	\$ 8,037,163.31
Gain on sale of capital assets	1,091,372.41	366,780.45
Profit from investments	11,029,697.40	8,403,943.76
Total profit for year before Federal income taxes	\$ 16,750,961.16	\$ 18,083,378.79
Provision for Federal income taxes ..	5,041,007.84	5,988,047.40
Net profit after provision for Federal income taxes	\$ 11,709,953.32	\$ 12,095,331.39

SURPLUS ACCOUNT

Year Ending December 31, 1968

SURPLUS, JANUARY 1, 1968		\$40,003,878.68
ADDITIONS TO SURPLUS DURING YEAR:		
Net profit from operations	\$11,709,953.32	
Proceeds from exercise of stock options (excess over par value)	849,442.59	
Gains from sales to round out fractional interests created by stock dividend (excess over par value)	28,581.37	
Unrealized gain due to statutory regulations — Decrease in investment in non-admitted assets	660,903.95	
Increase in excess of market value over cost of stocks owned	6,625,054.28	
Increase due to Federal income tax adjustment	<u>50,411.19</u>	
		<u>19,924,346.70</u>
		\$59,928,225.38
DEDUCTIONS FROM SURPLUS DURING YEAR:		
Cash dividends to shareholders	\$ 7,289,804.65	
Stock dividends to shareholders	<u>871,771.68</u>	
		<u>8,161,576.33</u>
SURPLUS, DECEMBER 31, 1968		<u>\$51,766,649.05</u>

INVESTMENT PORTFOLIO SUMMARY

December 31, 1968

BONDS	Market Value	Percent
U. S. Government Bonds	\$ 33,064,765.63	14.3
New Housing Authority Bonds	16,990,357.50	7.4
State and Municipal Bonds	94,057,047.50	40.9
Total	<u>\$144,112,170.63</u>	<u>62.6</u>
 PREFERRED AND GUARANTEED RAILROAD STOCKS		
Guaranteed Railroad Stocks	\$ 847,400.00	.4
Preferred Stocks	12,460,375.00	5.4
Convertible Preferred Stocks	3,440,075.00	1.5
Total	<u>\$ 16,747,850.00</u>	<u>7.3</u>
 COMMON STOCKS		
Industrial Common Stocks	\$ 47,140,775.00	20.5
Railroad Common Stocks	544,112.50	.2
Public Utility Common Stocks	21,517,975.00	9.4
Total	<u>\$ 69,202,862.50</u>	<u>30.1</u>
Total Bonds and Stocks	<u>\$230,062,883.13</u>	<u>100.0</u>

INVESTMENT PORTFOLIO

December 31, 1968

Par Value	U. S. GOVERNMENT BONDS		Market Value Dec. 31, 1968
\$ 4,000,000.00	U. S. Treasury Notes, 5½%	May 15, 1969	\$ 3,983,750.00
4,000,000.00	U. S. Treasury Notes, 6%	August 15, 1969	3,985,000.00
3,000,000.00	U. S. Treasury Notes, 5½%	May 15, 1970	2,976,562.50
2,000,000.00	U. S. Treasury Notes, 5%	November 15, 1970	1,948,750.00
2,500,000.00	U. S. Treasury Notes, 5¼%	May 15, 1971	2,436,718.75
1,000,000.00	U. S. Treasury Notes, 5¾%	November 15, 1971	975,312.50
2,500,000.00	U. S. Treasury Notes, 4¾%	May 15, 1972	2,381,250.00
3,500,000.00	U. S. Treasury Bonds, 4%	August 15, 1972	3,271,406.25
2,500,000.00	U. S. Treasury Bonds, 4¼%	May 15, 1974	2,302,343.75
1,000,000.00	U. S. Treasury Notes, 5¾%	November 15, 1974	967,812.50
2,000,000.00	U. S. Treasury Notes, 5¾%	February 15, 1975	1,936,250.00
3,000,000.00	U. S. Treasury Notes, 6%	May 15, 1975	2,978,437.50
3,475,000.00	U. S. Treasury Bonds, 2¾%	April 1, 1980-75	2,921,171.88
<u>\$34,475,000.00</u>			<u>\$33,064,765.63</u>

*NEW HOUSING AUTHORITY BONDS

\$ 50,000.00	New Housing Authority, (S. C.),	2¾%	November 1, 1969	\$ 49,500.00
120,000.00	New Housing Authority, (N. J.),	2¾%	January 1, 1970-69	118,500.00
100,000.00	New Housing Authority, (S. C.),	2½%	January 1, 1970-69	98,750.00
160,000.00	New Housing Authority, (Ga.),	2½%	May 1, 1970-69	157,600.00
100,000.00	New Housing Authority, (D. C.),	3¾%	May 1, 1970	100,000.00
55,000.00	New Housing Authority, (S. C.),	2¾%	November 1, 1970-69	53,762.50
100,000.00	New Housing Authority, (Ill.),	2½%	December 1, 1970-69	98,000.00
100,000.00	New Housing Authority, (N. Y.),	3¾%	January 1, 1971-69	100,000.00
100,000.00	New Housing Authority, (Fla.),	2¾%	February 1, 1971-69	96,750.00
25,000.00	New Housing Authority, (Texas),	2½%	April 1, 1971-69	24,187.50
30,000.00	New Housing Authority, (Texas),	2½%	April 1, 1971-69	29,025.00
175,000.00	New Housing Authority, (Texas),	2¾%	May 1, 1971-69	170,625.00
265,000.00	New Housing Authority, (Md.),	2¾%	July 1, 1971-69	255,062.50
65,000.00	New Housing Authority, (Ariz.),	2¼%	August 1, 1971-69	62,400.00
50,000.00	New Housing Authority, (S. C.),	2¾%	November 1, 1971-69	48,000.00
100,000.00	New Housing Authority, (N. Y.),	2¾%	January 1, 1972-69	97,250.00
105,000.00	New Housing Authority, (Ga.),	2¾%	April 1, 1972-69	102,112.50
45,000.00	New Housing Authority, (Texas),	2½%	April 1, 1972-69	42,862.50
115,000.00	New Housing Authority, (Ky.),	2¾%	May 1, 1972-69	111,837.50
181,000.00	New Housing Authority, (R. I.),	2¾%	June 1, 1972-69	175,570.00
100,000.00	New Housing Authority, (Minn.),	2¾%	August 1, 1972-69	93,750.00
145,000.00	New Housing Authority, (La.),	2¾%	August 1, 1972-69	137,025.00
100,000.00	New Housing Authority, (La.),	2¾%	August 1, 1972-69	96,250.00
100,000.00	New Housing Authority, (Minn.),	3½%	August 1, 1972-69	99,000.00
130,000.00	New Housing Authority, (R. I.),	2¾%	December 1, 1972-69	125,775.00
100,000.00	New Housing Authority, (Texas),	2¾%	December 1, 1972-69	97,000.00
100,000.00	New Housing Authority, (Ky.),	2¾%	January 1, 1973-69	93,750.00
165,000.00	New Housing Authority, (Ill.),	3¾%	June 1, 1973	165,000.00
100,000.00	New Housing Authority, (La.),	2¾%	August 1, 1973-69	95,000.00
36,000.00	New Housing Authority, (Texas),	2¼%	August, 1973-69	33,120.00
100,000.00	New Housing Authority, (N. Y.),	2%	October 1, 1973-69	91,000.00
100,000.00	New Housing Authority, (N. C.),	2¾%	December 1, 1973-69	95,750.00
100,000.00	New Housing Authority, (Ky.),	2½%	January 1, 1974-69	92,500.00
200,000.00	New Housing Authority, (Fla.),	2¾%	April 1, 1974-69	190,500.00
100,000.00	New Housing Authority, (S. C.),	3%	December 1, 1974-69	95,250.00
100,000.00	New Housing Authority, (N. Y.),	3½%	January 1, 1975	97,500.00
135,000.00	New Housing Authority, (Ind.),	2¾%	April 1, 1975-69	126,900.00
125,000.00	New Housing Authority, (Ky.),	2¾%	May 1, 1975-69	117,187.50
100,000.00	New Housing Authority, (Mo.),	2¾%	August 1, 1975-69	89,500.00
175,000.00	New Housing Authority, (La.),	2¾%	August 1, 1975	161,437.50

*The faith of the United States is pledged to the payment of such annual contributions as may be necessary to pay principal and interest on these bonds.

INVESTMENT PORTFOLIO

	Par Value	* NEW HOUSING AUTHORITY BONDS (Continued)		Market Value Dec. 31, 1968
\$	100,000.00	New Housing Authority, (Calif.),	2 5/8 % , November 1, 1975-69	\$ 91,750.00
	45,000.00	New Housing Authority, (Fla.),	3 % , November 1, 1975-69	42,300.00
	452,000.00	New Housing Authority, (Texas),	2 7/8 % , December 1, 1975-69	421,490.00
	30,000.00	New Housing Authority, (Fla.),	3 1/2 % , November 1, 1976-69	28,950.00
	100,000.00	New Housing Authority, (S. C.),	3 % , December 1, 1976-69	93,000.00
	145,000.00	New Housing Authority, (Fla.),	2 3/4 % , April 1, 1977-76	131,950.00
	270,000.00	New Housing Authority, (Conn.),	2 1/4 % , August 1, 1977-69	230,850.00
	135,000.00	New Housing Authority, (Minn.),	2 1/8 % , August 1, 1977-69	114,075.00
	50,000.00	New Housing Authority, (Texas),	3 7/8 % , August 1, 1977-69	49,375.00
	25,000.00	New Housing Authority, (Fla.),	3 7/8 % , November 1, 1977-69	24,687.50
	117,000.00	New Housing Authority, (Texas),	2 3/8 % , December 1, 1977-69	100,327.50
	155,000.00	New Housing Authority, (Fla.),	2 3/4 % , April 1, 1978-76	139,500.00
	177,000.00	New Housing Authority, (Texas),	2 1/8 % , June 1, 1978-69	146,467.50
	30,000.00	New Housing Authority, (Fla.),	3 1/2 % , November 1, 1978-69	28,575.00
	50,000.00	New Housing Authority, (S. C.),	3 % , December 1, 1978-69	45,500.00
	50,000.00	New Housing Authority, (S. C.),	2 1/2 % , January 1, 1979-69	42,375.00
	186,000.00	New Housing Authority, (Texas),	2 1/8 % , June 1, 1979-69	150,660.00
	50,000.00	New Housing Authority, (Ill.),	3 7/8 % , June 1, 1979-74	48,875.00
	157,000.00	New Housing Authority, (Ga.),	2 % , July 1, 1979-69	125,600.00
	60,000.00	New Housing Authority, (Texas),	3 7/8 % , August 1, 1979-69	58,650.00
	50,000.00	New Housing Authority, (La.),	2 5/8 % , August 1, 1979-76	43,625.00
	25,000.00	New Housing Authority, (Fla.),	3 7/8 % , November 1, 1979-69	24,437.50
	100,000.00	New Housing Authority, (D. C.),	3 3/4 % , May 1, 1980-74	95,750.00
	65,000.00	New Housing Authority, (Ohio),	3 7/8 % , May 1, 1980-74	63,050.00
	125,000.00	New Housing Authority, (P. R.),	2 1/8 % , June 1, 1980-69	98,750.00
	100,000.00	New Housing Authority, (Ill.),	3 3/4 % , June 1, 1980-69	95,750.00
	95,000.00	New Housing Authority, (Texas),	2 5/8 % , September 1, 1980-69	81,225.00
	30,000.00	New Housing Authority, (Fla.),	3 1/2 % , November 1, 1980-69	27,975.00
	110,000.00	New Housing Authority, (Ill.),	2 1/2 % , December 1, 1980-69	89,925.00
	125,000.00	New Housing Authority, (Tenn.),	2 7/8 % , December 1, 1980-69	109,375.00
	235,000.00	New Housing Authority, (Texas),	2 7/8 % , December 1, 1980-69	205,625.00
	195,000.00	New Housing Authority, (Texas),	2 1/2 % , April 1, 1981-69	158,925.00
	50,000.00	New Housing Authority, (Ohio),	3 7/8 % , May 1, 1981-74	48,250.00
	171,000.00	New Housing Authority, (Texas),	2 1/8 % , June 1, 1981-69	132,097.50
	250,000.00	New Housing Authority, (Texas),	2 7/8 % , December 1, 1981-69	215,625.00
	250,000.00	New Housing Authority, (R. I.),	2 7/8 % , June 1, 1982-69	213,750.00
	96,000.00	New Housing Authority, (Texas),	2 1/8 % , June 1, 1982-69	72,480.00
	325,000.00	New Housing Authority, (Texas),	2 7/8 % , December 1, 1982-69	276,250.00
	62,000.00	New Housing Authority, (S. C.),	3 % , December 1, 1982-69	53,630.00
	60,000.00	New Housing Authority, (Calif.),	3 1/2 % , April 1, 1983-75	54,750.00
	158,000.00	New Housing Authority, (Texas),	2 1/8 % , June 1, 1983-69	116,920.00
	70,000.00	New Housing Authority, (N. J.),	3 5/8 % , August 1, 1983-69	64,575.00
	58,000.00	New Housing Authority, (Texas),	2 5/8 % , September 1, 1983-69	47,270.00
	60,000.00	New Housing Authority, (Texas),	2 1/8 % , October 1, 1983-69	44,400.00
	438,000.00	New Housing Authority, (Texas),	2 7/8 % , December 1, 1983-69	366,825.00
	50,000.00	New Housing Authority, (Mont.),	3 5/8 % , April 1, 1984-75	45,750.00
	80,000.00	New Housing Authority, (Fla.),	3 5/8 % , May 1, 1984-75	73,200.00
	137,000.00	New Housing Authority, (Texas),	2 1/8 % , June 1, 1984-69	98,982.50
	60,000.00	New Housing Authority, (Ohio),	2 1/2 % , July 1, 1984-69	45,900.00
	105,000.00	New Housing Authority, (N. C.),	2 1/8 % , August 1, 1984-69	75,862.50
	70,000.00	New Housing Authority, (N. J.),	3 5/8 % , August 1, 1984-69	64,050.00
	78,000.00	New Housing Authority, (Texas),	2 1/8 % , October 1, 1984-69	56,355.00
	70,000.00	New Housing Authority, (Ga.),	3 1/2 % , May 1, 1985-75	62,650.00
	168,000.00	New Housing Authority, (Texas),	2 1/8 % , June 1, 1985-69	119,280.00
	150,000.00	New Housing Authority, (Ala.),	3 7/8 % , July 1, 1985-73	141,000.00
	85,000.00	New Housing Authority, (Texas),	2 1/8 % , August 1, 1985-69	60,350.00
	50,000.00	New Housing Authority, (Conn.),	3 1/2 % , August 1, 1985-75	44,750.00
	200,000.00	New Housing Authority, (N. J.),	2 5/8 % , September 1, 1985-69	158,500.00
	100,000.00	New Housing Authority, (Miss.),	3 7/8 % , December 1, 1985-73	94,000.00
	65,000.00	New Housing Authority, (Ala.),	2 % , July 1, 1986-69	44,200.00
	100,000.00	New Housing Authority, (Ohio),	2 3/8 % , July 1, 1986-69	72,500.00
	100,000.00	New Housing Authority, (Va.),	2 1/2 % , August 1, 1986-69	74,000.00
	185,000.00	New Housing Authority, (Texas),	2 5/8 % , September 1, 1986-69	144,300.00

* The faith of the United States is pledged to the payment of such annual contributions as may be necessary to pay principal and interest on these bonds.



Par Value	*NEW HOUSING AUTHORITY BONDS (Continued)	Market Value Dec. 31, 1968
\$ 155,000.00	New Housing Authority, (Texas), 2½%, December 1, 1986-69	\$ 120,125.00
150,000.00	New Housing Authority, (S. C.), 2¾%, January 1, 1987-69	118,875.00
100,000.00	New Housing Authority, (N. Y.), 3¾%, January 1, 1987-74	93,000.00
146,000.00	New Housing Authority, (Texas), 2½%, August 1, 1987-69	100,010.00
100,000.00	New Housing Authority, (Va.), 2½%, August 1, 1987-69	73,000.00
225,000.00	New Housing Authority, (Texas), 2½%, September 1, 1987-69	173,812.50
165,000.00	New Housing Authority, (Texas), 2½%, December 1, 1987-69	126,637.50
140,000.00	New Housing Authority, (Ala.), 3¾%, June 1, 1988-79	120,050.00
151,000.00	New Housing Authority, (Texas), 2½%, September 1, 1988-69	114,760.00
55,000.00	New Housing Authority, (Texas), 3½%, December 1, 1988-74	48,812.50
110,000.00	New Housing Authority, (N. Y.), 3¾%, January 1, 1989-74	100,650.00
135,000.00	New Housing Authority, (Fla.), 2¾%, April 1, 1989-69	103,612.50
100,000.00	New Housing Authority, (Va.), 2½%, August 1, 1989-69	70,250.00
185,000.00	New Housing Authority, (Tenn.), 3½%, February 1, 1990-81	158,175.00
330,000.00	New Housing Authority, (Texas), 2½%, December 1, 1990-69	248,325.00
125,000.00	New Housing Authority, (N. Y.), 3½%, January 1, 1991-77	98,437.50
120,000.00	New Housing Authority, (Ala.), 3½%, March 1, 1991-79	94,500.00
70,000.00	New Housing Authority, (N. J.), 2½%, April 1, 1991-69	47,250.00
100,000.00	New Housing Authority, (Tenn.), 3½%, May 1, 1991-75	83,750.00
115,000.00	New Housing Authority, (Okla.), 4¾%, May 1, 1991-82	116,437.50
385,000.00	New Housing Authority, (Mo.), 2½%, December 1, 1991-69	256,987.50
120,000.00	New Housing Authority, (N. Y.), 3½%, January 1, 1992-75	99,600.00
50,000.00	New Housing Authority, (N. Y.), 3¾%, January 1, 1992-76	40,625.00
230,000.00	New Housing Authority, (N. Y.), 3¾%, January 1, 1992-80	186,875.00
125,000.00	New Housing Authority, (Ala.), 3½%, March 1, 1992-79	97,187.50
150,000.00	New Housing Authority, (Fla.), 3¼%, April 1, 1993-79	118,500.00
125,000.00	New Housing Authority, (Alaska), 3½%, April 1, 1993-81	105,625.00
90,000.00	New Housing Authority, (Ill.), 3½%, June 1, 1993-75	74,250.00
155,000.00	New Housing Authority, (Ga.), 3½%, June 1, 1993-81	127,875.00
100,000.00	New Housing Authority, (Ill.), 3¾%, June 1, 1993-81	86,000.00
150,000.00	New Housing Authority, (N. Y.), 3¾%, July 1, 1993-81	129,000.00
120,000.00	New Housing Authority, (Ill.), 4¾%, December 1, 1993-82	123,000.00
125,000.00	New Housing Authority, (Texas), 4¼%, February 1, 1994-82	115,937.50
25,000.00	New Housing Authority, (N. J.), 3¾%, April 1, 1994-74	21,750.00
125,000.00	New Housing Authority, (Alaska), 3¾%, April 1, 1994-81	104,375.00
100,000.00	New Housing Authority, (Ga.), 4¾%, May 1, 1994-82	100,000.00
65,000.00	New Housing Authority, (Fla.), 3¾%, June 1, 1994-74	56,550.00
100,000.00	New Housing Authority, (Ill.), 3¾%, June 1, 1994-75	83,250.00
125,000.00	New Housing Authority, (N. J.), 3½%, June 1, 1994-81	101,875.00
75,000.00	New Housing Authority, (Va.), 3¾%, August 1, 1994-74	62,437.50
100,000.00	New Housing Authority, (N. C.), 4¾%, November 1, 1994-81	94,500.00
120,000.00	New Housing Authority, (Fla.), 4%, March 1, 1995-82	106,500.00
110,000.00	New Housing Authority, (Pa.), 3½%, April 1, 1995-81	89,375.00
100,000.00	New Housing Authority, (Ala.), 4¾%, May 1, 1995-82	102,000.00
100,000.00	New Housing Authority, (Va.), 3¾%, July 1, 1995-74	86,750.00
100,000.00	New Housing Authority, (D. C.), 3¾%, May 1, 1996-74	84,000.00
100,000.00	New Housing Authority, (Nebr.), 4¾%, May 1, 1996-82	99,250.00
145,000.00	New Housing Authority, (Ark.), 3¾%, June 1, 1996-79	113,462.50
100,000.00	New Housing Authority, (N. J.), 3¾%, September 1, 1996-74	82,000.00
135,000.00	New Housing Authority, (Colo.), 4¾%, December 1, 1996-82	133,987.50
150,000.00	New Housing Authority, (N. J.), 3¾%, February 1, 1997-74	128,625.00
100,000.00	New Housing Authority, (Okla.), 4¾%, May 1, 1997-83	99,250.00
170,000.00	New Housing Authority, (Ark.), 4%, June 1, 1997-81	148,750.00
110,000.00	New Housing Authority, (Minn.), 3¾%, September 1, 1997-73	94,325.00
110,000.00	New Housing Authority, (Ga.), 4%, November 1, 1997-80	96,250.00
150,000.00	New Housing Authority, (Ark.), 3¼%, June 1, 1998-79	112,125.00
150,000.00	New Housing Authority, (Ga.), 4%, November 1, 1998-81	129,750.00
200,000.00	New Housing Authority, (N. J.), 3¾%, April 1, 1999-69	153,500.00
195,000.00	New Housing Authority, (Fla.), 3¾%, May 1, 1999-75	156,975.00
\$19,654,000.00		\$16,990,357.50

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INVESTMENT PORTFOLIO

Par Value	STATE AND MUNICIPAL BONDS	Market Value Dec. 31, 1968
\$ 150,000.00	State of Alabama, (Road & Bridge), 1½%, April 1, 1969	\$ 149,250.00
245,000.00	State of Alabama, (Seaport Facilities), 3%, March 1, 1971-69	237,037.50
100,000.00	State of Alabama, (Various Purposes), 3%, April 1, 1971-69	96,750.00
150,000.00	State of Alabama, (Seaport Facilities), 3.10%, March 1, 1978-69	132,000.00
100,000.00	State of Alabama, (Waterway), 3¾%, April 1, 1979-69	88,750.00
225,000.00	State of Alabama, (Public School Capital Imp.), 4¼%, July 1, 1979-75	213,187.50
200,000.00	State of Alaska, (Various Purposes), 6%, April 1, 1969	201,000.00
110,000.00	State of Alaska, (Various Purposes), 6%, April 1, 1970	112,200.00
100,000.00	State of Alaska, (Various Purposes), 3%, July 1, 1971	96,500.00
100,000.00	State of Alaska, (General Obligation, 1st Series), 4%, May 1, 1977	93,500.00
100,000.00	State of Alaska, (General Obligation), 6%, May 1, 1978-77	107,500.00
100,000.00	State of Alaska, (General Obligation), 6%, May 1, 1980-77	107,500.00
200,000.00	State of Alaska, (General Obligation, 1st Series), 4¼%, May 1, 1982-77	181,500.00
100,000.00	State of Alaska, (General Obligation, 1st Series), 4½%, May 1, 1987-77	90,750.00
50,000.00	State of Alaska, (Ferries, Roads & Highways), 3.80%, July 1, 1990-76	40,250.00
100,000.00	State of Arkansas, (Highway Refunding), 3¼%, April 1, 1969	99,750.00
160,000.00	State of California, (Veterans' Welfare, Series R), 5%, April 1, 1969	160,800.00
100,000.00	State of California, (Construction, Series G), 5%, January 1, 1970	100,750.00
55,000.00	State of California, (Construction, Series B), 3¼%, December 1, 1970	54,175.00
310,000.00	State of California, (Various Purposes), 5%, January 1, 1971	313,100.00
100,000.00	State of California, (Construction, Series G), 5%, January 1, 1972	101,500.00
637,000.00	State of California, (Veterans' Welfare, Series D), 2½%, August 1, 1972-69	594,002.50
100,000.00	State of California, (Construction, Series G), 5%, January 1, 1973	102,000.00
363,000.00	State of California, (Veterans' Welfare, Series D), 2½%, August 1, 1973-69	331,237.50
358,000.00	State of California, (Veterans' Welfare, Series H), 2¼%, February 1, 1974-72	317,725.00
342,000.00	State of California, (Veterans' Welfare, Series H), 2¼%, February 1, 1975-72	296,685.00
120,000.00	State of California, (School), 1%, May 1, 1975-71	94,800.00
100,000.00	State of California, (Water Resources Dev.), 5%, September 1, 1975	102,500.00
150,000.00	State of California, (School Building Aid, Series EE), 5%, November 1, 1975	154,125.00
130,000.00	State of California, (School), 1%, May 1, 1976-71	98,800.00
150,000.00	State of California, (School Building Aid, Series EE), 5%, November 1, 1976	154,500.00
100,000.00	State of California, (Construction, Series C), 4%, June 1, 1978	95,000.00
265,000.00	State of California, (Veterans' Welfare, Series AA), 3¾%, August 1, 1979	244,462.50
280,000.00	State of California, (Veterans' Welfare, Series BB), 3¾%, April 1, 1980	255,500.00
50,000.00	State of California, (School), 3¼%, May 1, 1982-78	42,125.00
145,000.00	State of California, (Veterans' Welfare, Series AA), 4%, August 1, 1984-81	130,862.50
100,000.00	State of Connecticut, (Gen. St. Purposes, Series B), 3¼%, July 1, 1971	98,000.00
228,000.00	State of Connecticut, (Prior Lien Exp. Rev. & Fuel Tax), 2¾%, Jan. 1, 1973-69	214,890.00
100,000.00	State of Connecticut, (Highway System, Series A), 2.90%, October 1, 1974	93,500.00
325,000.00	State of Connecticut, (Various Purposes), 2½%, December 1, 1975	286,000.00
100,000.00	State of Connecticut, (Flood Relief Housing), 3¾%, October 1, 1978	92,000.00
479,000.00	State of Connecticut, (Prior Lien Exp. Rev. & Fuel Tax), 2¾%, Jan. 1, 1979-69	413,137.50
200,000.00	State of Connecticut, (Gen. St. Purposes, Series B), 3.65%, May 1, 1984	178,000.00
100,000.00	State of Connecticut, (Reg.), 4.10%, November 1, 1986	93,000.00
100,000.00	State of Connecticut, (Reg.), 4¼%, March 1, 1987	93,250.00
205,000.00	State of Connecticut, (Prior Lien Exp. Rev. & Fuel Tax), 2.90%, Jan. 1, 1994-69	142,987.50
125,000.00	State of Connecticut, (Expressway, G. O.), 3¼%, January 1, 1996-69	94,687.50
120,000.00	State of Delaware, (Various Purposes), 1.60%, November 1, 1971	111,300.00
260,000.00	State of Delaware, (Various Purposes), 1.70%, April 1, 1972	238,550.00
200,000.00	State of Delaware, (Various Purposes), 1.70%, April 1, 1973	179,000.00
165,000.00	State of Delaware, (Various Purposes), 3%, December 1, 1975	152,212.50
100,000.00	State of Delaware, (Highway Imp., Series B), 2.60%, March 1, 1976	89,750.00
300,000.00	State of Delaware, (Various Purposes), 2.80%, October 1, 1981	249,750.00
100,000.00	State of Georgia, (St. Office Bldg. Authority), 3.40%, September 1, 1980-73	87,250.00
200,000.00	State of Hawaii, (Various Purposes), 3.10%, May 1, 1969	199,500.00
50,000.00	State of Hawaii, (Pub. Imp.), 2½%, July 2, 1971	47,500.00
50,000.00	State of Hawaii, (Pub. Imp.), 3.70%, October 15, 1971	49,250.00
50,000.00	State of Hawaii, (Pub. Imp.), 2¼%, November 1, 1973	44,625.00
105,000.00	State of Hawaii, (General Obligation, Series I), 3.40%, December 1, 1974	98,962.50
150,000.00	State of Hawaii, (General Obligation, Series F), 3¼%, May 15, 1976	137,625.00
100,000.00	State of Hawaii, (General Obligation, Series F), 3¼%, May 15, 1977	90,500.00
100,000.00	State of Hawaii, (General Obligation, Series K), 3.90%, May 15, 1984	89,250.00
901,000.00	State of Illinois, (Service Recognition, Series A), 1¾%, May 1, 1972	828,920.00



Par Value	STATE AND MUNICIPAL BONDS (Continued)	Market Value Dec. 31, 1968
\$ 215,000.00	State of Illinois, (Various Purposes), 2¾%, April 1, 1974	\$ 199,950.00
50,000.00	Indiana Toll Road Commission, (Revenue), 3½%, January 1, 1994-69	37,250.00
200,000.00	State of Iowa, (Service Compensation), 2½%, December 1, 1976	173,000.00
60,000.00	Kansas Turnpike Authority, 3¾%, October 1, 1994-69	43,800.00
350,000.00	Commonwealth of Kentucky, (General Obligation), 2.90%, July 1, 1969	348,250.00
150,000.00	Commonwealth of Kentucky, (Road), 3%, July 1, 1971-69	145,500.00
185,000.00	Commonwealth of Kentucky, (Road), 3%, July 1, 1985-69	146,612.50
288,000.00	Commonwealth of Kentucky, (Road), 3%, July 1, 1986-69	223,920.00
240,000.00	Commonwealth of Kentucky, (Veterans' Bonus), 3.70%, July 1, 1987-81	205,200.00
130,000.00	Commonwealth of Kentucky, (Veterans' Bonus), 3¾%, July 1, 1988-81	110,825.00
150,000.00	Commonwealth of Kentucky, (Various Purposes), 3½%, July 1, 1989-85	122,250.00
100,000.00	State of Louisiana, (Cap. Constr. & Imp. Commission), 5%, Oct. 1, 1969	100,750.00
100,000.00	State of Louisiana, (Cap. Constr. & Imp. Commission), 3.70%, Oct. 1, 1970	99,000.00
100,000.00	State of Louisiana, (Highway, Series LR), 3.70%, October 15, 1973-69	97,000.00
300,000.00	State of Maine, (Highway & Bridge), 3%, March 15, 1972	289,500.00
270,000.00	State of Maine, (Highway & Bridge), 2¾%, July 15, 1972	255,825.00
275,000.00	State of Maine, (Highway & Bridge), 3¾%, July 1, 1986	244,062.50
49,000.00	Maine Turnpike Authority, 4%, January 1, 1989-69	41,527.50
210,000.00	State of Maine, (Univ. of Maine), 3½%, February 1, 1998	164,325.00
150,000.00	State of Maryland, (Gen. Pub. School Constr.), 3%, June 15, 1971	145,875.00
127,000.00	State of Maryland, (Various Purposes), 2¾%, May 1, 1972	119,062.50
400,000.00	State of Maryland, (Port Auth. Loan), 3%, September 1, 1972	384,000.00
189,000.00	State of Maryland, (Bridge & Tunnel Revenue), 2.70%, October 1, 1972-69	178,132.50
215,000.00	State of Maryland, (Various Purposes), 2¾%, April 1, 1974	198,875.00
200,000.00	State of Maryland, (Gen. Pub. School Constr.), 3%, July 1, 1975	185,000.00
125,000.00	State of Maryland, (Various Purposes), 3.70%, July 15, 1981	114,375.00
100,000.00	State of Maryland, (Various Purposes), 3.70%, July 15, 1982	90,500.00
45,000.00	State of Maryland, (Bridge & Tunnel Revenue), 3%, October 1, 1994-69	45,450.00
45,000.00	Commonwealth of Massachusetts, (Metro. Water Dist.), 1.70%, Oct. 1, 1970	43,087.50
200,000.00	Commonwealth of Massachusetts, (Reg.), 1%, December 1, 1970-69	188,500.00
225,000.00	Commonwealth of Massachusetts, (Highway Imp.), 2%, November 1, 1972	200,812.50
387,000.00	Commonwealth of Massachusetts, (Various Purposes), 2.30%, Nov. 1, 1974	340,560.00
378,000.00	Commonwealth of Massachusetts, (Various Purposes), 2.30%, Nov. 1, 1975	326,025.00
100,000.00	Commonwealth of Massachusetts, (Various Purposes), 1¾%, Oct. 1, 1983	67,000.00
56,000.00	Commonwealth of Massachusetts, (Housing), 1¾%, October 1, 1986-69	34,580.00
225,000.00	Commonwealth of Massachusetts, (Housing), 1¾%, January 1, 1990-69	128,250.00
105,000.00	Commonwealth of Massachusetts, (Housing), 1¾%, January 1, 1991-69	57,750.00
172,000.00	Commonwealth of Massachusetts, (Housing), 2½%, October 1, 1991-69	110,940.00
25,000.00	State of Michigan, (Trunk Line Highway), 4¼%, March 1, 1973	24,625.00
405,000.00	State of Michigan, (Highway, Series I), 2%, October 1, 1973-69	357,412.50
120,000.00	State of Michigan, (Dedicated Tax), 2%, November 1, 1973-70	105,300.00
208,000.00	State of Michigan, (Highway, Series I), 2%, October 1, 1974-69	179,400.00
336,000.00	State of Michigan, (Highway, Series I), 2%, October 1, 1975-69	282,240.00
250,000.00	State of Michigan, (Highway, Series I), 2%, October 1, 1976-69	204,375.00
200,000.00	State of Minnesota, (State Building), 4½%, January 1, 1969	200,000.00
150,000.00	State of Minnesota, (State Building), 2.70%, January 1, 1971	145,500.00
100,000.00	State of Minnesota, (School), 3½%, December 1, 1973	96,500.00
100,000.00	State of Minnesota, (Highway), 3.10%, April 1, 1976	92,000.00
175,000.00	State of Minnesota, (Capital Imp.), 2¾%, February 1, 1978	152,250.00
390,000.00	State of Minnesota, (Capital Imp.), 2¾%, February 1, 1982	316,875.00
60,000.00	State of Mississippi, (Port Imp.), 6%, July 1, 1970	61,650.00
60,000.00	State of Mississippi, (Port Imp.), 6%, July 1, 1971	62,400.00
60,000.00	State of Mississippi, (Highway, 32nd Series), 6%, February 1, 1972	62,400.00
183,000.00	State of Mississippi, (General Obligation, Series A), 4.30%, June 1, 1972	183,000.00
105,000.00	State of Mississippi, (Highway, 32nd Series), 6%, August 1, 1972	109,987.50
300,000.00	State of Mississippi, (School, Series F), 3¾%, May 1, 1977	270,000.00
250,000.00	State of Mississippi, (School, Series F), 3¾%, May 1, 1979	218,750.00
100,000.00	State of Mississippi, (General Obligation), 4%, January 1, 1980	93,750.00
134,000.00	State of Mississippi, (General Obligation), 4%, January 1, 1982	123,615.00
100,000.00	State of Mississippi, (Various Purposes), 3.30%, February 1, 1987	81,000.00
50,000.00	State of Missouri, (State Building), 2¾%, May 1, 1979	40,250.00
50,000.00	State of Montana, (Veterans' Compensation), 3¾%, July 1, 1970	49,375.00
200,000.00	State of Montana, (Limited Obligation, Series #1), 3.40%, Sept. 1, 1990-73	158,500.00
135,000.00	State of Nevada, (General Obligation), 5½%, July 1, 1979-78	144,112.50

INVESTMENT PORTFOLIO

	Par Value	STATE AND MUNICIPAL BONDS (Continued)	Market Value Dec. 31, 1968
\$	145,000.00	State of Nevada, (General Obligation), 5½%, July 1, 1980-78	\$ 154,425.00
	175,000.00	State of New Hampshire, (Highway), 2.80%, December 1, 1972	166,687.50
	300,000.00	State of New Hampshire, (Various Purposes), 2.60%, February 1, 1979	255,750.00
	115,000.00	State of New Hampshire, (Various Purposes), 1⅞%, April 1, 1979	89,125.00
	220,000.00	State of New Hampshire, (Turnpike), 2¼%, March 1, 1980	172,700.00
	120,000.00	State of New Hampshire, (Turnpike), 2¼%, March 1, 1981	92,100.00
	100,000.00	State of New Hampshire, (Turnpike), 2¼%, March 1, 1983	73,750.00
	100,000.00	State of New Jersey, (St. Higher Education), 3⅜%, January 1, 1971	98,250.00
	406,000.00	New Jersey Highway Authority, (State Gtd., Series B), 2½%, Jan. 1, 1972-69	382,655.00
	343,000.00	New Jersey Highway Authority, (State Gtd., Series B), 2½%, Jan. 1, 1973-69	317,275.00
	297,000.00	New Jersey Highway Authority, (State Gtd., Series B), 2½%, Jan. 1, 1974-69	268,785.00
	215,000.00	State of New Jersey, (Various Purposes), 2½%, March 1, 1974	194,575.00
	100,000.00	State of New Jersey, (Water Development), 3%, April 1, 1977	90,250.00
	180,000.00	New Jersey Highway Authority, (State Gtd., Series A), 3%, Jan. 1, 1978-69	160,200.00
	125,000.00	State of New Jersey, (Water Development), 3.10%, April 1, 1978	112,187.50
	88,000.00	New Jersey Highway Authority, (State Gtd., Series A), 3%, Jan. 1, 1981-69	74,580.00
	264,000.00	New Jersey Highway Authority, (State Gtd., Series B), 2¾%, Jan. 1, 1983-69	211,200.00
	478,000.00	New Jersey Highway Authority, (State Gtd., Series B), 2⅞%, Jan. 1, 1984-69	382,400.00
	149,000.00	New Jersey Highway Authority, (State Gtd., Series A), 3%, Jan. 1, 1984-69	121,062.50
	356,000.00	New Jersey Highway Authority, (State Gtd., Series B), 2⅞%, Jan. 1, 1986-69	276,790.00
	184,000.00	New Jersey Highway Authority, (State Gtd., Series B), 2⅞%, Jan. 1, 1987-69	141,680.00
	80,000.00	New Jersey Highway Authority, (State Gtd., Series B), 2⅞%, Jan. 1, 1988-69	60,600.00
	217,000.00	New Jersey Highway Authority, (State Gtd., Series A), 2¾%, Jan. 1, 1988-69	161,122.50
	245,000.00	State of New Mexico, (Severance Tax Revenue), 2.70%, July 1, 1969	243,775.00
	100,000.00	State of New Mexico, (Severance Tax Revenue), 2.70%, July 1, 1972	94,250.00
	250,000.00	State of New Mexico, (Severance Tax Revenue), 4%, January 1, 1978	236,250.00
	250,000.00	State of New Mexico, (Severance Tax Revenue), 4%, January 1, 1979	234,375.00
	59,000.00	State of New York, (Housing), 1.60%, June 18, 1974	50,592.50
	250,000.00	State of New York, (Park & Recreation), 2½%, January 1, 1975	221,875.00
	212,000.00	State of New York, (Housing), 1¾%, November 1, 1977	166,420.00
	100,000.00	State of New York, (Trans. Cap. Facilities), 5%, July 15, 1978	103,750.00
	300,000.00	State of New York, (Trans. Cap. Facilities), 5%, September 1, 1978	311,250.00
	200,000.00	State of New York, (Pure Waters), 5%, July 15, 1979	207,500.00
	375,000.00	State of New York, (Housing), 4½%, December 1, 1979	374,062.50
	120,000.00	State of New York, (Housing), 1.60%, June 18, 1983	78,600.00
	145,000.00	State of New York, (Housing), 1¾%, June 15, 1986	89,537.50
	136,000.00	State of New York, (Housing), 1¾%, June 15, 1990	76,840.00
	400,000.00	State of New York, (Housing), 1¾%, March 15, 1991	220,000.00
	114,000.00	State of New York, (Housing), 1.90%, May 15, 1992	63,270.00
	110,000.00	State of New York, (Housing), 2½%, April 1, 1996-95	66,550.00
	55,000.00	State of New York, (Housing), 2½%, April 1, 1998-95	32,312.50
	100,000.00	State of New York, (Housing), 1¼%, May 15, 2001-92	37,500.00
	401,000.00	New York State Thruway Authority, (State Gtd.), 2.60%, Oct. 1, 1976-69	354,885.00
	757,000.00	New York State Thruway Authority, (State Gtd.), 2.60%, June 1, 1977-69	709,687.50
	460,000.00	New York State Thruway Authority, (State Gtd.), 2¾%, Oct. 1, 1981-69	377,200.00
	321,000.00	New York State Thruway Authority, (State Gtd.), 2¾%, June 1, 1982-69	258,405.00
	366,000.00	New York State Thruway Authority, (State Gtd.), 2¾%, Oct. 1, 1982-69	294,630.00
	374,000.00	New York State Thruway Authority, (State Gtd.), 2¾%, June 1, 1983-69	297,330.00
	475,000.00	New York State Thruway Authority, (State Gtd.), 2¾%, June 1, 1984-69	371,687.50
	305,000.00	New York State Thruway Authority, (State Gtd.), 2¾%, Jan. 1, 1986-69	232,562.50
	225,000.00	New York State Thruway Authority, (State Gtd.), 3½%, Jan. 1, 1988-69	187,875.00
	296,000.00	New York State Thruway Authority, (State Gtd.), 2.70%, Jan. 1, 1993-69	203,500.00
	130,000.00	State of North Carolina, (Road), 1¼%, January 1, 1970	126,100.00
	175,000.00	State of North Carolina, (Road), 2%, July 1, 1970	169,312.50
	300,000.00	State of North Carolina, (Capital Imp.), 2¾%, October 1, 1975	273,000.00
	125,000.00	State of Ohio, (Veterans), 3%, May 15, 1969	124,687.50
	325,000.00	State of Ohio, (Highway Imp., Series B), 3%, October 15, 1970	320,125.00
	160,000.00	State of Ohio, (Veterans), 3%, May 15, 1971	156,000.00
	250,000.00	State of Ohio, (Highway Imp., Series B), 3.10%, April 15, 1972	241,250.00
	100,000.00	State of Ohio, (Major Thoroughfare Constr., Series I), 2.70%, Sept. 15, 1972	95,000.00
	100,000.00	State of Ohio, (Capital Imp. Constr., Series A), 2.70%, June 15, 1977-69	88,250.00
	200,000.00	State of Ohio, (Turnpike Revenue), 3¼%, June 1, 1992-69	165,500.00
	300,000.00	State of Oklahoma, (Institutional Bldg., Series C), 3.85%, July 15, 1986-77	265,500.00



Par Value	STATE AND MUNICIPAL BONDS (Continued)	Market Value Dec. 31, 1968
\$ 177,000.00	State of Oregon, (Veterans' Welfare), 3¼%, April 1, 1970-69	\$ 175,230.00
105,000.00	State of Oregon, (Veterans' Welfare), 3½%, October 1, 1971-69	102,637.50
433,000.00	State of Oregon, (Veterans' Compensation), 1¾%, October 1, 1972-69	390,782.50
185,000.00	State of Oregon, (Veterans' Welfare), 3¼%, October 1, 1974-69	173,900.00
110,000.00	State of Oregon, (Veterans' Welfare), 3¼%, February 1, 1976-71	101,200.00
125,000.00	State of Oregon, (Highway), 2.60%, March 1, 1976-72	110,312.50
100,000.00	State of Oregon, (Veterans' Welfare), 3%, March 1, 1979	86,500.00
155,000.00	Commonwealth of Pennsylvania, (Series O), 3¼%, August 1, 1971	150,737.50
155,000.00	Commonwealth of Pennsylvania, (Series O), 3¾%, August 1, 1972	149,962.50
150,000.00	Commonwealth of Pennsylvania, (Series O), 3¾%, August 1, 1975-73	140,250.00
150,000.00	Commonwealth of Pennsylvania, (Turnpike Extension), 3%, June 1, 1982-69	121,500.00
400,000.00	Commonwealth of Pennsylvania, (Series S), 4¼%, July 15, 1989-78	363,000.00
200,000.00	Commonwealth of Puerto Rico, (Pub. Imp., Series B), 5%, July 1, 1973	204,000.00
200,000.00	Commonwealth of Puerto Rico, (Pub. Imp.), 3.90%, July 1, 1981	181,000.00
75,000.00	State of Rhode Island & Providence Plantations, (U. of R.I.), 3%, Mar. 1, 1970	74,062.50
200,000.00	State of Rhode Island & Providence Plantations, (Var. Pur.), 4¼%, Oct. 1, 1978	192,000.00
50,000.00	State of Rhode Island & Providence Plantations, (Sewer), 4%, Sept. 1, 1981	46,250.00
40,000.00	State of Rhode Island & Providence Plantations, (Sewer), 2½%, May 1, 1987	27,200.00
135,000.00	State of Rhode Island & Providence Plantations, (Sewer), 2½%, May 1, 1988	90,112.50
100,000.00	State of South Carolina, (School), 1.80%, October 1, 1970	96,250.00
100,000.00	State of South Carolina, (School), 1.80%, October 1, 1971	94,000.00
100,000.00	State of South Carolina, (School), 3%, December 1, 1971	97,250.00
155,000.00	State of South Carolina, (School), 2.35%, December 1, 1972	143,762.50
75,000.00	State of South Carolina, (School), 2.10%, November 1, 1973	67,312.50
100,000.00	State of South Carolina, (School), 2.35%, December 1, 1974	89,000.00
125,000.00	State of South Carolina, (School), 2.35%, December 1, 1975	109,062.50
100,000.00	State of South Carolina, (School), 3%, December 1, 1975	92,500.00
100,000.00	State of South Carolina, (Institution), 3.10%, December 1, 1980-77	87,500.00
125,000.00	State of South Carolina, (School), 2½%, December 1, 1982-77	95,625.00
300,000.00	State of South Carolina, (Institution), 3¼%, December 1, 1984-77	254,250.00
125,000.00	State of Tennessee, (Highway), 2.70%, March 1, 1971	121,250.00
145,000.00	State of Tennessee, (Various Purposes), 3.60%, January 1, 1975	139,200.00
100,000.00	State of Tennessee, (Highway), 3.30%, May 1, 1976	93,250.00
240,000.00	State of Tennessee, (Highway), 3.20%, February 1, 1981	208,800.00
130,000.00	State of Texas, (Veterans' Land, Series 1952), 2¼%, June 1, 1970	126,750.00
100,000.00	State of Texas, (College Student Loan), 4%, August 1, 1973	99,250.00
15,000.00	State of Texas, (Veterans' Land, Series 1950), 1¾%, June 1, 1975-69	12,712.50
165,000.00	State of Texas, (Veterans' Land, Series 1950-A), 1.70%, June 1, 1975-69	139,425.00
105,000.00	State of Texas, (Veterans' Land), 1¾%, June 1, 1975	88,987.50
140,000.00	State of Texas, (Water, Series 1959), 4%, August 1, 1977	136,500.00
325,000.00	State of Texas, (Veterans' Land, Series 1953-A), 2.70%, June 1, 1980	272,187.50
100,000.00	State of Texas, (Veterans' Land, Series 1953), 2.40%, June 1, 1981	77,500.00
50,000.00	State of Texas, (Veterans' Land, Series 1950-A), 1.70%, June 1, 1983-69	33,625.00
100,000.00	State of Texas, (Veterans' Land, Series 1961), 3.10%, Dec. 1, 1984-75	82,750.00
25,000.00	State of Texas, (Veterans' Land, Series 1950-A), 1.70%, June 1, 1985-69	16,000.00
85,000.00	State of Texas, (Veterans' Land, Series 1951), 2%, June 1, 1985-69	57,162.50
58,000.00	State of Texas, (Veterans' Land, Series 1952), 2%, June 1, 1985-69	39,005.00
25,000.00	State of Texas, (Veterans' Land, Series 1958), 2.90%, June 1, 1985-69	20,000.00
55,000.00	State of Texas, (Veterans' Land, Series 1958-A), 2.90%, June 1, 1985-73	44,000.00
155,000.00	State of Texas, (Veterans' Land, Series 1953-A), 2¾%, June 1, 1987-69	117,800.00
295,000.00	State of Texas, (Veterans' Land, Series 1953-A), 2¾%, June 1, 1988-69	220,512.50
100,000.00	State of Utah, (Building), 3%, July 1, 1979	88,000.00
100,000.00	State of Utah, (Building), 3%, January 1, 1980	87,000.00
200,000.00	State of Vermont, (Pub. Imp.), 3%, April 1, 1970	197,500.00
200,000.00	State of Vermont, (Highway Construction), 2.70%, March 1, 1974	185,500.00
150,000.00	State of Vermont, (School Building), 1½%, September 1, 1974	127,875.00
200,000.00	State of Vermont, (Pub. Imp.), 2.70%, March 1, 1978	174,000.00
100,000.00	State of Virginia, (Toll Revenue), 3%, September 1, 1994-69	92,500.00
40,000.00	State of Washington, (Pub. Bldg., Series A), 3½%, May 1, 1969	40,000.00
523,000.00	State of Washington, (Veterans' Compensation), 2% January 1, 1970-69	511,232.50
185,000.00	State of Washington, (Pub. Sch. Plant Facilities), 4%, November 1, 1971	182,687.50
50,000.00	State of West Virginia, (Road), 2%, March 1, 1971	47,125.00
100,000.00	State of West Virginia, (Road), 4%, December 1, 1973	97,750.00
50,000.00	State of West Virginia, (Road), 2%, March 1, 1978	39,125.00

INVESTMENT PORTFOLIO

Par Value	STATE AND MUNICIPAL BONDS (Continued)	Market Value Dec. 31, 1968
\$ 200,000.00	State of West Virginia, (Road), 3½%, December 1, 1981	\$ 173,000.00
100,000.00	State of West Virginia, (Road), 3¼%, May 1, 1982	83,250.00
125,000.00	Albany County, New York, (South Mall Constr.), 3¾%, April 1, 1978	115,937.50
85,000.00	Allegheny County, Pennsylvania, (Various Purposes), 2%, April 1, 1971	80,112.50
100,000.00	Allegheny County, Pennsylvania, (Various Purposes), 1¾%, April 1, 1972	91,250.00
200,000.00	Allegheny County, Pennsylvania, (Various Purposes), 4¼%, July 1, 1987	179,500.00
50,000.00	Arlington County, Virginia, (Various Purposes), 2½%, January 1, 1969	50,000.00
100,000.00	Arlington County, Virginia, (Water), 3½%, June 1, 1974	95,250.00
200,000.00	Arlington County, Virginia, (Various Purposes), 3¾%, March 1, 1975	192,000.00
145,000.00	Arlington County, Virginia, (Various Purposes), 3½%, June 1, 1975	137,025.00
50,000.00	Arlington County, Virginia, (Water), 1%, January 1, 1977	37,375.00
61,000.00	Baltimore County, Maryland, (Various Purposes), 3%, June 1, 1979	52,765.00
45,000.00	Baltimore County, Maryland, (Metro. District), 2¾%, September 1, 1983	35,437.50
125,000.00	Camden County, New Jersey, (General Obligation), 3.15%, June 1, 1970	123,125.00
100,000.00	Cook County, Illinois, (County Home), 4%, December 1, 1970	99,750.00
100,000.00	Cook County, Illinois, (Expressway, Series C), 2¾%, October 1, 1972	94,000.00
100,000.00	Erie County, New York, (Gen. Imp.), 2¾%, February 15, 1974	93,250.00
100,000.00	Erie County, New York, (Gen. Imp.), 2¾%, February 15, 1975	92,000.00
100,000.00	Essex County, New Jersey, (Imp.), 2.60%, May 1, 1969	99,750.00
150,000.00	Essex County, New Jersey, (Imp.), 2.60%, May 1, 1970	147,375.00
185,000.00	Essex County, New Jersey, (Pub. Imp.), 2.20%, September 1, 1970	178,987.50
250,000.00	Essex County, New Jersey, (Imp.), 2.60%, May 1, 1972	236,875.00
100,000.00	Essex County, New Jersey, (Imp.), 2.60%, May 1, 1973	93,250.00
100,000.00	Essex County, New Jersey, (Imp.), 3%, October 1, 1976	91,000.00
140,000.00	Essex County, New Jersey, (Imp.), 3.35%, May 1, 1980	124,250.00
150,000.00	Fairfax County, Virginia, (School), 5¾%, April 1, 1972	154,875.00
100,000.00	Fairfax County, Virginia, (School), 6%, February 1, 1973	104,750.00
380,000.00	Fairfax County, Virginia, (School), 3¾%, March 1, 1975	359,100.00
280,000.00	Fairfax County, Virginia, (Various Purposes), 6%, March 1, 1975	297,500.00
200,000.00	Fairfax County, Virginia, (School), 3%, April 1, 1975	181,500.00
225,000.00	Fairfax County, Virginia, (Various Purposes), 6%, March 1, 1977	241,875.00
155,000.00	Fairfax County, Virginia, (School), 2.90%, April 1, 1979	129,812.50
250,000.00	Fairfax County, Virginia, (Sewer, Series F), 6%, July 1, 1980	271,250.00
100,000.00	Fairfax County, Virginia, (Sewer), 2.90%, July 1, 1987-69	72,750.00
400,000.00	Hamilton County, Ohio, (Highway), 3¼%, November 1, 1974	376,000.00
125,000.00	Harris County, Texas, (Home & School), 3.80%, June 10, 1980-76	113,437.50
125,000.00	Harris County, Texas, (Home & School), 3.80%, June 10, 1981-76	112,187.50
100,000.00	Middlesex County, New Jersey, (Gen. Imp.), 3.05%, November 1, 1973	93,750.00
100,000.00	Milwaukee County, Wisconsin, (Expressway), 2.90%, February 1, 1980	86,000.00
200,000.00	Monterey County, California, (General Obligation), 6%, July 1, 1972	211,500.00
25,000.00	Montgomery County, Maryland, (School), 5%, April 1, 1969	25,125.00
200,000.00	Montgomery County, Maryland, (School), 5%, February 1, 1973	204,500.00
100,000.00	Montgomery County, Maryland, (School), 5%, February 1, 1975	103,000.00
200,000.00	Montgomery County, Maryland, (Various Purposes), 3.40%, February 1, 1985	169,000.00
100,000.00	Nassau County, New York, (Sewer), 3¾%, September 1, 1969	100,000.00
143,000.00	Nassau County, New York, (Various Purposes), 2.40%, May 15, 1972	134,062.50
125,000.00	Nassau County, New York, (Sewer), 4.20%, September 1, 1976	122,500.00
180,000.00	Nassau County, New York, (Sewer), 3.10%, April 15, 1977	162,450.00
100,000.00	Nassau County, New York, (Pub. Imp., Series N), 3.40%, March 1, 1979	90,000.00
125,000.00	Nassau County, New York, (Sewer), 3.10%, April 15, 1979	109,687.50
140,000.00	Nassau County, New York, (Various Purposes), 3.40%, November 15, 1989	112,000.00
120,000.00	Onondaga County, New York, (County Office), 2.40%, September 1, 1970	116,400.00
100,000.00	Palm Beach County, Florida, (Courthouse & Jail), 6%, October 1, 1971	104,500.00
100,000.00	Palm Beach County, Florida, (Courthouse & Jail), 6%, October 1, 1978	110,750.00
100,000.00	Prince Georges County, Maryland, (School), 5%, March 1, 1969	100,250.00
210,000.00	Prince Georges County, Maryland, (Various Purposes), 5%, March 1, 1972	214,200.00
150,000.00	Prince Georges County, Maryland, (School), 5%, March 1, 1973	153,375.00
100,000.00	Prince Georges County, Maryland, (School), 5%, March 1, 1976	102,750.00
220,000.00	Prince Georges County, Maryland, (Various Purposes), 5%, March 1, 1977	226,600.00
100,000.00	Prince Georges County, Maryland, (School), 4¼%, March 1, 1979	96,750.00
245,000.00	Prince Georges County, Maryland, (Various Purposes), 3.10%, March 1, 1980	211,312.50
100,000.00	Prince Georges County, Maryland, (School), 3.10%, March 1, 1982	83,500.00
470,000.00	Santa Clara County, California, (Series A), 3%, November 1, 1974	435,925.00
115,000.00	Suffolk County, New York, (Imp.), 3%, August 1, 1969	114,425.00



Par Value	STATE AND MUNICIPAL BONDS (Continued)	Market Value Dec. 31, 1968
\$ 250,000.00	Suffolk County, New York, (Pub. Imp.), 3.80%, August 1, 1970	\$ 248,750.00
275,000.00	Suffolk County, New York, (Pub. Imp.), 3.70%, August 1, 1986	232,375.00
100,000.00	Suffolk County, New York, (Pub. Imp.), 3.70%, August 1, 1990	82,000.00
100,000.00	York County, Pennsylvania, (General Obligation), 2.90%, September 15, 1979-75	86,750.00
100,000.00	York County, Pennsylvania, (General Obligation), 2.95%, September 15, 1980-75	85,500.00
160,000.00	Albuquerque Municipal School District, New Mexico, 2¾%, June 15, 1969	159,200.00
410,000.00	Boston Metropolitan District, Massachusetts, 1½%, March 1, 1981-76	277,775.00
100,000.00	Cleveland City School District, Ohio, (School Bldg.), 3%, December 1, 1970	98,000.00
100,000.00	Cleveland Heights City School District, Ohio, 2%, December 1, 1970	95,500.00
61,000.00	Colorado River Municipal Water District, Texas, 2¾%, January 1, 1976-69	51,697.50
150,000.00	Columbus City School District, Ohio, 1¾%, October 20, 1969	147,375.00
100,000.00	Cook County Forest Preserve District, Illinois, 2¾%, May 1, 1972	95,000.00
35,000.00	Delaware River Port Authority, (1st Series), 3¼%, December 15, 1970-69	34,300.00
72,000.00	Delaware River Port Authority, (1st Series), 3½%, December 15, 1983-69	68,040.00
115,000.00	Fort Worth Independent School District, Texas, 5%, July 1, 1970	116,437.50
275,000.00	Greenville County School District, South Carolina, 2¾%, December 1, 1971	262,625.00
100,000.00	Kansas City School District, Missouri, 3.70%, March 1, 1982	90,250.00
100,000.00	Kansas City School District, Missouri, 3¾%, March 1, 1986-82	88,000.00
45,000.00	Minneapolis-St. Paul Metro. Airports Comm., Minnesota, 2¼%, Jan. 1, 1975-69	39,037.50
100,000.00	Niagara Falls City School District, New York, 2.30%, March 1, 1971	95,250.00
130,000.00	Niagara Falls City School District, New York, 2.30%, March 1, 1983	92,950.00
125,000.00	Omaha School District, Nebraska, 2.80%, May 15, 1980-69	105,937.50
295,000.00	Palm Beach County School District, Florida, 3%, August 1, 1981-74	244,850.00
90,000.00	Port of New York Authority, (Cons. 1st Series), 3%, November 1, 1982-69	66,600.00
105,000.00	Port of New York Authority, (Cons. 2nd Series), 2¾%, September 1, 1984-69	71,400.00
55,000.00	Port of New York Authority, (Cons. 6th Series), 3%, May 1, 1986-69	39,600.00
440,000.00	Power Authority of the State of New York, (Series A), 2¾%, Jan. 1, 1975-69	386,100.00
110,000.00	Richmond-Petersburg Turnpike Authority, Virginia, 3.45%, July 1, 1995-69	99,550.00
125,000.00	Salt Lake County School District, Utah, 2.70%, June 1, 1971	120,625.00
270,000.00	Santa Clara County Flood Control & Water Dist., California, 5%, June 1, 1984	273,375.00
205,000.00	Sioux City Independent School District, Iowa, 2¾%, November 1, 1971	197,825.00
311,000.00	Triborough Bridge & Tunnel Authority, 2½%, January 1, 1969	311,000.00
212,000.00	Triborough Bridge & Tunnel Authority, 2½%, July 1, 1969	209,880.00
135,000.00	Washington Sub. Sanitary Dist., Maryland, (Var. Pur.), 5%, August 1, 1970	136,687.50
130,000.00	City of Albuquerque, New Mexico, (Various Purposes), 4%, March 1, 1969	130,000.00
250,000.00	City of Albuquerque, New Mexico, (Gen. Oblig. Refunding), 3%, July 1, 1969	249,375.00
260,000.00	City of Albuquerque, New Mexico, (Various Purposes), 6%, July 1, 1972	273,650.00
103,000.00	City of Albuquerque, New Mexico, (Various Purposes), 3¾%, July 1, 1981-71	92,700.00
25,000.00	City of Alexandria, Virginia, (Pub. Imp.), 3%, March 1, 1974	23,250.00
100,000.00	City of Amarillo, Texas, (Various Purposes), 4¾%, December 1, 1971	101,250.00
60,000.00	City of Anchorage, Alaska, (Street Imp.), 4½%, July 1, 1969	60,150.00
100,000.00	City of Anchorage, Alaska, (Street & Sanitary Sewer), 5%, January 1, 1971	100,750.00
25,000.00	City of Annapolis, Maryland, (Water & Sewer), 2%, April 1, 1974	21,875.00
85,000.00	City of Asheville, North Carolina, (Water), 6%, May 1, 1969	85,637.50
81,000.00	City of Asheville, North Carolina, (Water), 6%, May 1, 1970	82,822.50
50,000.00	City of Asheville, North Carolina, (Water), 4%, May 1, 1984	44,375.00
170,000.00	City of Atlanta, Georgia, (Various Purposes), 2½%, September 1, 1969	168,300.00
100,000.00	City of Atlanta, Georgia, (Various Purposes), 2½%, September 1, 1970	97,250.00
100,000.00	City of Atlanta, Georgia, (School), 3.40%, August 1, 1977	92,500.00
186,000.00	City of Atlanta, Georgia, (Various Purposes), 2½%, September 1, 1978	154,380.00
164,000.00	City of Atlanta, Georgia, (Various Purposes), 3¼%, December 1, 1980	143,500.00
270,000.00	City of Atlanta, Georgia, (School), 3.60%, August 1, 1990	225,450.00
70,000.00	City of Augusta, Georgia, (Various Purposes), 4%, November 1, 1975	67,725.00
50,000.00	City of Austin, Texas, (Various Purposes), 1¾%, January 1, 1975	42,500.00
25,000.00	City of Austin, Texas, (Various Purposes), 2¾%, July 1, 1976	22,375.00
100,000.00	City of Baltimore, Maryland, (School), 2½%, August 15, 1969	99,000.00
305,000.00	City of Baltimore, Maryland, (Various Purposes), 2½%, August 15, 1970	296,612.50
265,000.00	City of Baltimore, Maryland, (Various Purposes), 2½%, August 15, 1971	251,750.00
135,000.00	City of Baltimore, Maryland, (School), 2¾%, August 1, 1973	125,887.50
150,000.00	City of Baltimore, Maryland, (Public Building), 2½%, September 1, 1973	136,125.00
100,000.00	City of Baltimore, Maryland, (Redevelopment), 3½%, August 15, 1974	95,250.00
150,000.00	City of Baltimore, Maryland, (Incinerator Plant), 2¾%, September 1, 1974	137,250.00
200,000.00	City of Baltimore, Maryland, (Water), 3½%, September 15, 1974	190,500.00
100,000.00	City of Baltimore, Maryland, (Water), 2¾%, September 15, 1977	87,000.00

INVESTMENT PORTFOLIO

		STATE AND MUNICIPAL BONDS (Continued)	
	Par Value		Market Value Dec. 31, 1968
\$	50,000.00	City of Beaumont, Texas, (School), 3¼%, July 1, 1976	\$ 45,375.00
	100,000.00	City of Binghamton, New York, (Gen. Imp.), 2.60%, February 1, 1974	92,500.00
	25,000.00	City of Birmingham, Alabama, (School), 2%, April 1, 1973-69	22,312.50
	25,000.00	City of Birmingham, Alabama, (School), 1%, April 1, 1973-69	21,375.00
	25,000.00	City of Birmingham, Alabama, (Highway Imp.), 2¾%, February 1, 1977	21,750.00
	225,000.00	City of Birmingham, Alabama, (Various Purposes), 3.40%, April 1, 1978-69	201,937.50
	110,000.00	City of Birmingham, Alabama, (School Imp.), 2¾%, April 1, 1984-69	83,875.00
	120,000.00	City of Birmingham, Alabama, (Capital Imp., Series T), 3¾%, June 1, 1995-75	94,800.00
	190,000.00	City of Boston, Massachusetts, (Various Purposes), 2¼%, April 1, 1969	189,050.00
	58,000.00	City of Boston, Massachusetts, (Various Purposes), 2%, April 1, 1973	51,765.00
	165,000.00	City of Boston, Massachusetts, (Various Purposes), 3½%, May 1, 1973	157,987.50
	100,000.00	City of Boston, Massachusetts, (Urban Redevelopment), 2¾%, June 1, 1973	92,500.00
	145,000.00	City of Boston, Massachusetts, (Various Purposes), 3½%, October 1, 1973	138,475.00
	45,000.00	City of Boston, Massachusetts, (Various Purposes), 2½%, October 1, 1975	38,812.50
	215,000.00	City of Bridgeport, Connecticut, (Various Purposes), 3%, March 15, 1971	209,625.00
	100,000.00	City of Bridgeport, Connecticut, (School), 3%, March 15, 1976	92,000.00
	195,000.00	City of Buffalo, New York, (Gen. Imp.), 2%, May 1, 1969	193,537.50
	110,000.00	City of Buffalo, New York, (Gen. Imp.), 2%, May 1, 1970	106,700.00
	140,000.00	City of Buffalo, New York, (Various Purposes), 2½%, August 1, 1971	133,350.00
	200,000.00	City of Buffalo, New York, (Gen. Imp.), 4.20%, September 1, 1971	200,000.00
	210,000.00	City of Buffalo, New York, (Various Purposes), 2.80%, March 1, 1975	192,675.00
	100,000.00	City of Buffalo, New York, (Water), 3.10%, September 1, 1984	82,000.00
	250,000.00	City of Burbank, California, (Electric Works), 3%, December 1, 1974-73	230,625.00
	100,000.00	City of Charleston, South Carolina, (Auditorium), 3%, April 1, 1969	99,750.00
	100,000.00	City of Charlottesville, Virginia, (Water), 2½%, August 1, 1969	99,250.00
	75,000.00	City of Chicago, Illinois, (Bridge), 1¾%, January 1, 1970-69	75,000.00
	85,000.00	City of Chicago, Illinois, (Various Purposes), 2%, January 1, 1970-69	85,000.00
	50,000.00	City of Chicago, Illinois, (Bridge), 1¾%, January 1, 1970	48,625.00
	110,000.00	City of Chicago, Illinois, (Various Purposes), 2%, January 1, 1970	107,250.00
	175,000.00	City of Chicago, Illinois, (Airport), 4%, January 1, 1973	171,937.50
	200,000.00	City of Chicago, Illinois, (Pub. Transportation), 5%, January 1, 1975	204,000.00
	250,000.00	City of Chicago, Illinois, (Sewer), 5%, January 1, 1979	276,250.00
	125,000.00	City of Cincinnati, Ohio, (Various Purposes), 1¾%, September 1, 1970	120,000.00
	185,000.00	City of Cincinnati, Ohio, (Various Purposes), 3¼%, October 1, 1973	176,675.00
	175,000.00	City of Cincinnati, Ohio, (Expressways Imp), 3¼%, November 1, 1974	164,937.50
	210,000.00	City of Cincinnati, Ohio, (Various Purposes), 1¾%, September 1, 1977	166,950.00
	35,000.00	City of Cincinnati, Ohio, (Waterworks Imp.), 2½%, November 1, 1988	23,625.00
	55,000.00	City of Cincinnati, Ohio, (Waterworks Imp.), 1¾%, September 1, 1990	31,075.00
	135,000.00	City of Cleveland, Ohio, (Various Purposes), 2½%, November 1, 1969	133,312.50
	200,000.00	City of Cleveland, Ohio, (Pub. Auditorium Imp.), 2¾%, November 1, 1970	195,000.00
	205,000.00	City of Cleveland, Ohio, (Various Purposes), 2½%, November 1, 1971	193,725.00
	115,000.00	City of Cleveland, Ohio, (Various Purposes), 2¾%, October 1, 1977	99,762.50
	135,000.00	City of Cleveland, Ohio, (Various Purposes), 2¾%, September 1, 1978	115,087.50
	120,000.00	City of Cleveland, Ohio, (Water Revenue, Series F), 2½%, August 1, 1981-69	91,200.00
	165,000.00	City of Columbus, Georgia, (Various Purposes), 4.30%, September 1, 1989	149,737.50
	200,000.00	City of Columbus, Ohio, (Various Purposes), 3½%, December 1, 1973	189,000.00
	60,000.00	City of Columbus, Ohio, (Waterworks Enlargement), 2%, September 1, 1979	45,750.00
	100,000.00	City of Columbus, Ohio, (Waterworks Enlargement), 2%, September 1, 1980	74,000.00
	60,000.00	City of Corpus Christi, Texas, (Various Purposes), 3%, March 1, 1974	55,800.00
	185,000.00	City of Dallas, Texas, (Various Purposes), 2¼%, May 1, 1971	176,212.50
	40,000.00	City of Dallas, Texas, (Various Purposes), 3¼%, July 1, 1972	38,700.00
	25,000.00	City of Dallas, Texas, (Waterworks Imp., Series 324), 3¼%, July 1, 1973	23,937.50
	90,000.00	City of Dallas, Texas, (Ind. School District), 2¼%, June 1, 1974	79,650.00
	110,000.00	City of Dallas, Texas, (General Obligation), 3.10%, March 1, 1977	100,100.00
	100,000.00	City of Davenport, Iowa, (Corporate), 3%, July 1, 1978	88,500.00
	25,000.00	City of Dayton, Ohio, (Bridge Imp.), 1¾%, October 1, 1979	18,750.00
	30,000.00	City of Dayton, Ohio, (Bridge Imp.), 1¾%, October 1, 1980	21,825.00
	225,000.00	City & County of Denver, Colorado, (Water), 2%, September 1, 1969	222,187.50
	400,000.00	City & County of Denver, Colorado, (Various Purposes), 2¾%, July 1, 1971	386,000.00
	100,000.00	City & County of Denver, Colorado, (San. Sewer Syst.), 2¼%, Sept. 1, 1974-69	88,250.00
	85,000.00	City & County of Denver, Colorado, (Water), 4½%, November 1, 1980	83,300.00
	200,000.00	City & County of Denver, Colorado, (Water), 2.90%, February 1, 1983-69	161,500.00
	85,000.00	City & County of Denver, Colorado, (Water), 3.20%, February 1, 1989-69	66,300.00
	145,000.00	City of Detroit, Michigan, (Various Purposes), 2½%, September 15, 1969	143,550.00



STATE AND MUNICIPAL BONDS (Continued)		Market Value Dec. 31, 1968
Par Value		
\$ 100,000.00	City of Detroit, Michigan, (Various Purposes), 4%, September 15, 1969	\$ 100,000.00
50,000.00	City of Detroit, Michigan, (Public Library, Series C), 5%, September 15, 1969 ..	50,375.00
125,000.00	City of Detroit, Michigan, (Various Purposes), 4½%, October 15, 1970	125,625.00
110,000.00	City of Detroit, Michigan, (Various Purposes), 5%, February 15, 1971	110,825.00
220,000.00	City of Detroit, Michigan, (Various Purposes), 5%, November 1, 1974	224,400.00
85,000.00	City of Detroit, Michigan, (Various Purposes), 2¾%, September 15, 1975	76,075.00
100,000.00	City of Detroit, Michigan, (Various Purposes), 5½%, May 1, 1976	105,250.00
100,000.00	City of Duluth, Minnesota, (Refunding), 3%, September 1, 1969	99,500.00
25,000.00	City of El Paso, Texas, (Library), 2½%, March 1, 1972	23,375.00
100,000.00	City of El Paso, Texas, (Various Purposes), 5%, July 1, 1972	101,750.00
325,000.00	City of Eugene, Oregon, (Imp., Series W), 5.10%, June 1, 1971	331,500.00
45,000.00	City of Fairbanks, Alaska, (Pub. Imp.), 5%, October 1, 1969	45,337.50
50,000.00	City of Fairbanks, Alaska, (Pub. Imp.), 4¼%, October 1, 1972	49,500.00
50,000.00	City of Fairfax, Virginia, (Funding), 6%, April 1, 1975	53,500.00
40,000.00	City of Fairfax, Virginia, (Funding), 6%, April 1, 1976	43,100.00
185,000.00	City of Flint, Michigan, (Various Purposes), 2¾%, April 1, 1974	171,587.50
100,000.00	City of Fort Lauderdale, Florida, (Excise Tax Revenue), 5%, Sept. 1, 1970	101,000.00
100,000.00	City of Fort Lauderdale, Florida, (Excise Tax Revenue), 5%, Sept. 1, 1971	101,000.00
100,000.00	City of Fort Worth, Texas, (Various Purposes), 5%, May 1, 1972	102,000.00
30,000.00	City of Fort Worth, Texas, (Various Purposes), 2.60%, March 1, 1975	27,075.00
25,000.00	City of Fort Worth, Texas, (Museum), 1½%, March 1, 1976	20,250.00
105,000.00	City of Galveston, Texas, (School), 2¼%, March 1, 1978-69	83,737.50
265,000.00	City of Hartford, Connecticut, (Various Purposes), 2.65%, May 1, 1972	253,075.00
100,000.00	City of Hartford, Connecticut, (Public Works, Series M), 1.80%, Dec. 1, 1972 ..	91,250.00
220,000.00	City of Hartford, Connecticut, (Various Purposes), 2.65%, May 1, 1973	207,350.00
100,000.00	City of Hempstead, New York, (Park District), 4¾%, June 1, 1978	100,500.00
250,000.00	City & County of Honolulu, Hawaii, (Var. Purposes), 3.70%, Sept. 1, 1969 ..	250,000.00
100,000.00	City & County of Honolulu, Hawaii, (Pub. Imp.), 5%, August 1, 1972	101,750.00
185,000.00	City & County of Honolulu, Hawaii, (Pub. Imp.), 3.40%, October 1, 1974	174,825.00
75,000.00	City of Houston, Texas, (Ind. School District), 2¾%, January 10, 1972	71,437.50
300,000.00	City of Houston, Texas, (Pub. Imp.), 3%, July 1, 1975	274,500.00
115,000.00	City of Houston, Texas, (Various Purposes), 3%, July 1, 1976	103,500.00
146,000.00	City of Houston, Texas, (Water Revenue), 2.20%, December 1, 1978-69	113,880.00
117,000.00	City of Houston, Texas, (Ind. School District), 2¾%, April 10, 1981	95,062.50
95,000.00	City of Jacksonville, Florida, (Airport Gen. Imp.), 6%, August 1, 1970	97,612.50
200,000.00	City of Jacksonville, Florida, (Airport Gen. Imp.), 6%, August 1, 1971	207,500.00
140,000.00	City of Jacksonville, Florida, (Gen. Imp., Libraries), 3.20%, March 1, 1981-72 ..	119,000.00
50,000.00	City of Jersey City, New Jersey, (School), 4%, December 1, 1969	50,000.00
50,000.00	City of Jersey City, New Jersey, (School), 4%, December 1, 1970	49,750.00
70,000.00	City of Jersey City, New Jersey, (School), 4.45%, July 1, 1973	69,475.00
25,000.00	City of Jersey City, New Jersey, (School), 4.45%, July 1, 1974	24,687.50
100,000.00	City of Jersey City, New Jersey, (Gen. Imp.), 5½%, December 1, 1974	104,250.00
100,000.00	City of Jersey City, New Jersey, (Sew. Disp. Pl. Imp.), 3.40%, Aug. 1, 1979-69 ..	87,750.00
50,000.00	City of Juneau, Alaska, (Various Purposes), 6%, September 1, 1969	50,625.00
200,000.00	City of Kansas City, Missouri, (Var. Purposes), 3%, September 1, 1970	197,000.00
200,000.00	City of Kansas City, Missouri, (Var. Purposes), 3%, September 1, 1971	194,000.00
250,000.00	City of Kansas City, Missouri, (Var. Purposes), 2.80%, February 1, 1977	221,875.00
50,000.00	City of Knoxville, Tennessee, (Civic Center), 5%, March 1, 1969	50,125.00
60,000.00	City of Lincoln, Nebraska, (School District), 1.90%, May 1, 1974-69	52,350.00
200,000.00	City of Lincoln, Nebraska, (School District), 1.90%, May 1, 1975-69	169,500.00
100,000.00	City of Lincoln, Nebraska, (Special Assessment, G.O.), 3.45%, May 1, 1985-72 ..	85,250.00
100,000.00	City of Little Rock, Arkansas, (G. O. Ref. & Imp.), 3.80%, Feb. 1, 1979-72 ..	92,500.00
200,000.00	City of Los Angeles, California, (Water & Power), 3.30%, November 1, 1971 ..	194,500.00
60,000.00	City of Los Angeles, California, (Various Purposes), 2½%, January 1, 1972 ..	56,700.00
91,000.00	City of Los Angeles, California, (Water & Power), 1%, March 1, 1974-69 ..	75,985.00
209,000.00	City of Los Angeles, California, (Water & Power), 1½%, June 1, 1976-69 ..	166,155.00
105,000.00	City of Los Angeles, California, (Airport), 3¾%, September 1, 1978-69	99,225.00
154,000.00	City of Los Angeles, California, (Water & Power), 2.60%, Feb. 1, 1980-69 ..	126,280.00
110,000.00	City of Los Angeles, California, (Water & Power), 3½%, Jan. 1, 1981-71	97,350.00
145,000.00	City of Los Angeles, California, (Water & Power), 2.60%, Feb. 1, 1981-69 ..	116,362.50
200,000.00	City of Los Angeles, California, (Water & Power), 4.60%, March 1, 1987	193,000.00
100,000.00	City of Louisville, Kentucky, (School Imp.), 1¾%, June 1, 1983	67,000.00
150,000.00	City of Lynchburg, Virginia, (Pub. Imp.), 2½%, May 1, 1973	138,000.00
100,000.00	City of Lynchburg, Virginia, (Pub. Imp.), 3%, February 1, 1976	91,250.00

INVESTMENT PORTFOLIO

Par Value	STATE AND MUNICIPAL BONDS (Continued)	Market Value Dec. 31, 1968
\$ 230,000.00	City of Madison, Wisconsin, (Various Purposes), 3%, September 1, 1972	\$ 220,225.00
220,000.00	City of Madison, Wisconsin, (Corporate Purpose), 3%, May 15, 1974	205,700.00
180,000.00	City of Madison, Wisconsin, (Corporate Purpose), 3%, May 15, 1975	166,050.00
75,000.00	City of Memphis, Tennessee, (Gen. Imp.), 5%, October 1, 1970	76,125.00
255,000.00	City of Memphis, Tennessee, (Gen. Imp.), 4.40%, August 1, 1977	252,450.00
200,000.00	City of Memphis, Tennessee, (Gen. Imp.), 3.40%, August 1, 1979	179,500.00
300,000.00	City of Milwaukee, Wisconsin, (Pub. Imps., Series F), 2½%, Feb. 1, 1970	294,750.00
250,000.00	City of Milwaukee, Wisconsin, (Various Purposes), 2.60%, July 1, 1974	229,375.00
150,000.00	City of Milwaukee, Wisconsin, (Pub. Imps., Series C), 2.70%, Feb. 1, 1975	136,875.00
100,000.00	City of Minneapolis, Minnesota, (Pub. Bldg.), 2.90%, October 1, 1975	92,500.00
200,000.00	City of Minneapolis, Minnesota, (Trunk Hwy.), 3.40%, April 1, 1986	171,000.00
100,000.00	City of Mobile, Alabama, (Hospital & Auditorium), 4½%, August 1, 1970	100,250.00
100,000.00	City of Mobile, Alabama, (Hospital & Auditorium), 4½%, August 1, 1971	99,750.00
50,000.00	City of Mobile, Alabama, (Auditorium), 3.90%, August 1, 1980-71	45,375.00
100,000.00	City of New Haven, Connecticut, (Gen. Pub. Imp.), 3%, Aug. 15, 1969	99,750.00
225,000.00	City of New Haven, Connecticut, (Gen. Pub. Imp.), 3¼%, Oct. 1, 1969	224,437.50
190,000.00	City of New Haven, Connecticut, (Gen. Pub. Imp.), 3¼%, Oct. 1, 1970	188,100.00
150,000.00	City of New Haven, Connecticut, (Gen. Pub. Imp.), 2.40%, Feb. 1, 1972	141,375.00
150,000.00	City of New Haven, Connecticut, (Gen. Pub. Imp.), 3%, Oct. 1, 1973	142,125.00
145,000.00	City of New Haven, Connecticut, (Gen. Pub. Imp.), 3.45%, Feb. 15, 1985	124,700.00
100,000.00	City of New Orleans, Louisiana, (Pub. Imp.), 4¼%, November 1, 1969	100,250.00
90,000.00	City of New Orleans, Louisiana, (Sewer), 3½%, December 1, 1976-70	83,250.00
150,000.00	City of New Orleans, Louisiana, (Pub. Imp.), 3.10%, July 1, 1979-73	129,750.00
100,000.00	City of New Orleans, Louisiana, (Pub. Imp.), 3¾%, July 1, 1980-75	90,750.00
50,000.00	City of New Orleans, Louisiana, (Civic Center), 2¾%, July 1, 1984-75	38,125.00
79,000.00	City of New Orleans, Louisiana, (Terminal Revenue), 2½%, Jan. 1, 1987	53,522.50
140,000.00	City of New Orleans, Louisiana, (Pub. Imp.), 4%, December 15, 1987-75	123,200.00
200,000.00	City of New York, New York, (Various Purposes), 3.10%, Sept. 15, 1969	198,000.00
285,000.00	City of New York, New York, (Various Purposes), 3.60%, Feb. 1, 1970	282,150.00
110,000.00	City of New York, New York, (School), 3.30%, September 15, 1970	107,525.00
287,000.00	City of New York, New York, (Rapid Transit), 4½%, December 15, 1971	284,130.00
140,000.00	City of New York, New York, (Various Purposes), 4½%, June 1, 1974	136,500.00
76,000.00	New York City Housing Authority, 3%, June 1, 1982-69	58,900.00
119,000.00	New York City Housing Authority, 2.90%, September 1, 1986-69	84,787.50
91,000.00	New York City Housing Authority, 2.80%, September 1, 1991-69	58,467.50
130,000.00	New York City Housing Authority, 2.60%, May 1, 1996-69	75,075.00
80,000.00	City of Newark, New Jersey, (Various Purposes), 2.40%, November 1, 1969	79,000.00
90,000.00	City of Newark, New Jersey, (Water), 3.55%, October 1, 1976	83,025.00
200,000.00	City of Newark, New Jersey, (School), 3.85%, April 1, 1980	181,000.00
120,000.00	City of Newport News, Virginia, (Gen. Imp.), 6%, February 15, 1970	122,100.00
100,000.00	City of Newport News, Virginia, (Waterworks), 6%, November 1, 1970	103,250.00
150,000.00	City of Newport News, Virginia, (Gen. Imp.), 2¾%, June 1, 1973	139,500.00
100,000.00	City of Newport News, Virginia, (Gen. Imp.), 3.40%, April 1, 1981	86,750.00
100,000.00	City of Niagara Falls, New York, (Water), 1.80%, November 1, 1969	98,500.00
100,000.00	City of Norfolk, Virginia, (Gen. Imp.), 3.30%, April 1, 1971	97,750.00
360,000.00	City of Norfolk, Virginia, (Gen. Imp.), 1%, November 1, 1977	259,200.00
100,000.00	City of Norfolk, Virginia, (Gen. Imp.), 3.60%, July 1, 1979	91,000.00
35,000.00	City of Norfolk, Virginia, (Gen. Imp.), 2.70%, August 1, 1979	29,225.00
200,000.00	City of Oklahoma City, Oklahoma, (Series B-2), 4%, March 1, 1969	200,000.00
75,000.00	City of Oklahoma City, Oklahoma, (Airport, Series B), 3.70%, Dec. 1, 1979	68,625.00
45,000.00	City of Omaha, Nebraska, (Public Power District), 1¾%, Feb. 1, 1972-69	41,625.00
386,000.00	City of Omaha, Nebraska, (Public Power District), 2½%, Feb. 1, 1980-69	297,220.00
165,000.00	City of Paterson, New Jersey, (Various Purposes), 3½%, January 1, 1969	165,000.00
200,000.00	City of Philadelphia, Pennsylvania, (Series P), 2½%, July 1, 1970	193,500.00
245,000.00	City of Philadelphia, Pennsylvania, (Various Purposes), 2½%, Jan. 1, 1973	221,725.00
158,000.00	City of Philadelphia, Pennsylvania, (Series I), 4½%, July 1, 1973	155,630.00
80,000.00	City of Philadelphia, Pennsylvania, (Series U), 1%, January 1, 1976	60,000.00
275,000.00	City of Philadelphia, Pennsylvania, (School District), 3.10%, March 1, 1976	244,062.50
50,000.00	City of Philadelphia, Pennsylvania, (Series V), 1%, January 1, 1977	36,000.00
320,000.00	City of Philadelphia, Pennsylvania, (Various Purposes), 2¾%, Jan. 1, 1979	260,000.00
85,000.00	City of Philadelphia, Pennsylvania, (Series CC), 3%, January 1, 1983	65,662.50
65,000.00	City of Philadelphia, Pennsylvania, (Series DD), 3%, January 1, 1984	49,237.50
55,000.00	City of Philadelphia, Pennsylvania, (Series EE), 3%, January 1, 1985	41,112.50
90,000.00	City of Philadelphia, Pennsylvania, (Series XX), 1½%, January 1, 2000	33,525.00



Par Value	STATE AND MUNICIPAL BONDS (Continued)	Market Value Dec. 31, 1968
\$ 100,000.00	City of Phoenix, Arizona, (Sewer System, 4th Series), 3.10%, July 1, 1971	97,000.00
130,000.00	City of Phoenix, Arizona, (Various Purposes), 3½%, July 1, 1975	122,525.00
170,000.00	City of Phoenix, Arizona, (Various Purposes), 3½%, July 1, 1976	158,525.00
35,000.00	City of Phoenix, Arizona, (Various Purposes), 3%, July 1, 1977	31,062.50
250,000.00	City of Pittsburgh, Pennsylvania, (Various Purposes), 3½%, June 1, 1974	238,125.00
160,000.00	City of Pittsburgh, Pennsylvania, (Various Purposes), 4%, October 1, 1979 ..	150,800.00
100,000.00	City of Pittsburgh, Pennsylvania, (Gen. Pub. Imp.), 3½%, September 1, 1981 ..	84,250.00
110,000.00	City of Portsmouth, Virginia, (G.O. Annexation), 6%, January 1, 1969	110,000.00
215,000.00	City of Portsmouth, Virginia, (General Obligation), 3½%, May 1, 1985	180,062.50
43,000.00	City of Providence, Rhode Island, (Refunding, Series II), 1¾%, June 1, 1971-69 ..	39,775.00
115,000.00	City of Providence, Rhode Island, (Various Purposes), 3.30%, March 1, 1977 ..	105,800.00
100,000.00	City of Raleigh, North Carolina, (Water), 6%, April 1, 1969	100,500.00
114,000.00	City of Richmond, Virginia, (Pub. Imp., Series N), 2¼%, January 1, 1969	114,000.00
100,000.00	City of Richmond, Virginia, (Pub. Imp., Series P), 2½%, January 1, 1971	96,500.00
250,000.00	City of Richmond, Virginia, (Various Purposes), 2¾%, January 1, 1973	236,875.00
300,000.00	City of Richmond, Virginia, (Pub. Imp., Series X), 3¼%, January 1, 1974	287,250.00
215,000.00	City of Richmond, Virginia, (Various Purposes), 2¾%, January 1, 1978	189,737.50
295,000.00	City of Richmond, Virginia, (Pub. Imp., Series Y), 3½%, January 1, 1986	255,912.50
245,000.00	City of Rochester, New York, (Various Purposes), 2.60%, September 1, 1973 ..	229,075.00
120,000.00	City of Sacramento, California, (Municipal Imp., Series A), 4%, July 1, 1969 ..	120,000.00
250,000.00	City of St. Louis, Missouri, (Pub. Bldgs. & Imp.), 2½%, February 1, 1970	245,000.00
161,000.00	City of St. Louis, Missouri, (Pub. Bldgs. & Imp.), 2¾%, February 1, 1973 ..	150,535.00
110,000.00	City of St. Louis, Missouri, (Pub. Bldgs. & Imp.), 3.10%, February 1, 1978 ..	98,725.00
250,000.00	City of St. Louis, Missouri, (Pub. Bldgs. & Imp.), 3%, February 1, 1979 ..	219,375.00
375,000.00	City of St. Louis, Missouri, (Pub. Bldgs. & Imp.), 3%, February 1, 1980 ..	322,500.00
100,000.00	City of St. Paul, Minnesota, (Various Purposes), 2.90%, April 1, 1971	97,250.00
100,000.00	City of St. Paul, Minnesota, (Various Purposes), 3.90%, July 1, 1983	91,750.00
100,000.00	City of St. Paul, Minnesota, (School Imp.), 3.40%, March 1, 1991	79,500.00
100,000.00	City of St. Petersburg, Florida, (Dedicated Tax), 4½%, October 1, 1969	100,500.00
100,000.00	City of Salt Lake City, Utah, (Sewer), 2.60%, January 1, 1970	98,750.00
100,000.00	City of Salt Lake City, Utah, (Airport), 2¾%, January 1, 1971	97,250.00
150,000.00	City of Salt Lake City, Utah, (School District), 2½%, February 1, 1972	141,750.00
300,000.00	City of Salt Lake City, Utah, (Various Purposes), 2¾%, January 1, 1976	270,750.00
190,000.00	City of Salt Lake City, Utah, (Various Purposes), 2¾%, January 1, 1977	168,625.00
135,000.00	City of San Antonio, Texas, (Gen. Imp.), 5%, April 1, 1969	135,337.50
75,000.00	City of San Antonio, Texas, (Exp. & Street Imp.), 2½%, March 1, 1970	73,312.50
25,000.00	City of San Antonio, Texas, (School), 2%, August 15, 1970-69	24,125.00
50,000.00	City of San Antonio, Texas, (School), 2%, December 1, 1970-69	47,875.00
255,000.00	City of San Antonio, Texas, (Ind. School District), 4¼%, February 15, 1971 ..	254,362.50
50,000.00	City of San Antonio, Texas, (Gen. Imp.), 4%, December 1, 1971	49,500.00
120,000.00	City of San Antonio, Texas, (General Obligation), 3.60%, March 1, 1974	115,200.00
100,000.00	City of San Antonio, Texas, (Gen. Imp.), 3½%, November 1, 1974	94,750.00
100,000.00	City of San Antonio, Texas, (Gen. Imp.), 3½%, November 1, 1975	94,000.00
75,000.00	City of San Diego, California, (Unified School District), 5%, August 1, 1969 ..	75,562.50
135,000.00	City of San Diego, California, (Harbor), 2½%, February 1, 1974	121,500.00
80,000.00	City of San Diego, California, (Recreation Facilities), 3¾%, June 1, 1975	76,400.00
178,000.00	City & County of San Francisco, California, (Var. Pur.), 2½%, April 1, 1970 ..	174,440.00
267,000.00	City & County of San Francisco, California, (Var. Pur.), 2½%, April 1, 1971 ..	255,652.50
210,000.00	City & County of San Francisco, California, (Var. Pur.), 2½%, April 1, 1976 ..	182,700.00
105,000.00	City & County of San Francisco, California, (Var. Pur.), 2¾%, April 1, 1977 ..	92,925.00
155,000.00	City & County of San Francisco, California, (Water), 3.85%, August 1, 1985 ..	139,112.50
90,000.00	City of San Jose, California, (Unified School District), 5%, June 1, 1969	90,450.00
140,000.00	City of San Jose, California, (Unified School District), 5%, June 1, 1971	141,750.00
25,000.00	City of Savannah, Georgia, (Various Purposes), 3½%, August 1, 1977	23,062.50
45,000.00	City of Savannah, Georgia, (Sewer & Paving), 3%, January 1, 1983	36,562.50
100,000.00	City of Seattle, Washington, (Gen. St. Imp., Series 1), 3%, Feb. 1, 1973-71	94,750.00
277,000.00	City of Seattle, Washington, (Light & Power LL-3), 2¼%, Feb. 1, 1974-69	244,452.50
200,000.00	City of Seattle, Washington, (Gen. St. Imp.), 3¾%, February 1, 1980-71	177,000.00
160,000.00	City of Seattle, Washington, (Various Purposes), 6%, October 1, 1984-78	180,000.00
100,000.00	City of Springfield, Massachusetts, (Various Purposes), 3%, April 1, 1974	94,000.00
250,000.00	City of Stamford, Connecticut, (Various Purposes), 3½%, March 1, 1978	232,500.00
155,000.00	City of Stamford, Connecticut, (Various Purposes), 3.10%, June 1, 1979	137,175.00
150,000.00	City of Syracuse, New York, (Public Safety Bldg.), 2.60%, April 1, 1973	141,000.00
100,000.00	City of Syracuse, New York, (Various Purposes), 2½%, May 1, 1974	90,250.00

INVESTMENT PORTFOLIO

Par Value	STATE AND MUNICIPAL BONDS (Continued)	Market Value Dec. 31, 1968
\$ 125,000.00	City of Syracuse, New York, (Various Purposes), 2½%, May 1, 1975	\$ 110,625.00
35,000.00	City of Tacoma, Washington, (Light & Power), 2.20%, January 1, 1972-69	32,375.00
200,000.00	City of Tallahassee, Florida, (Mun. Elec. Rev.), 6%, October 1, 1971	207,000.00
50,000.00	City of Tampa, Florida, (Cap. Imp. Rev., Series D), 6%, October 1, 1969	50,750.00
440,000.00	City of Trenton, New Jersey, (Various Purposes), 3.10%, December 1, 1969	437,800.00
100,000.00	City of Trenton, New Jersey, (Various Purposes), 1.95%, February 1, 1976	83,250.00
170,000.00	City of Tucson, Arizona, (Various Purposes), 3½%, July 1, 1974	161,500.00
220,000.00	City of Tulsa, Oklahoma, (Water Port, Series B), 5%, May 1, 1973	224,950.00
215,000.00	City of Tulsa, Oklahoma, (Water Port, Series B), 5%, May 1, 1975	220,375.00
275,000.00	City of Waterbury, Connecticut, (Various Purposes), 3.10%, July 1, 1974	258,500.00
80,000.00	City of West Palm Beach, Florida, (Various Purposes), 4%, July 1, 1969	80,000.00
100,000.00	City of Wichita, Kansas, (Imp.), 2.80%, June 1, 1969	99,500.00
100,000.00	City of Wilmington, Delaware, (Harbor Imp.), 3.10%, December 1, 1975	92,250.00
55,000.00	City of Wilmington, Delaware, (Sewer), 2.60%, April 1, 1990	38,775.00
100,000.00	City of Winston-Salem, North Carolina, (Var. Purposes), 3¼%, April 1, 1971	97,750.00
180,000.00	City of Worcester, Massachusetts, (Hospital), 2.40%, October 1, 1973	164,250.00
200,000.00	City of Yonkers, New York, (Various Purposes), 3%, June 1, 1969	199,500.00
70,000.00	City of Yonkers, New York, (Various Purposes), 4%, July 1, 1969	70,000.00
400,000.00	City of Yonkers, New York, (Various Purposes), 3½%, May 1, 1971	392,000.00
130,000.00	City of Yonkers, New York, (School), 2¾%, May 1, 1973	121,550.00
140,000.00	City of Yonkers, New York, (Various Purposes), 3.10%, June 1, 1973	132,300.00
150,000.00	City of Yonkers, New York, (School), 3½%, May 1, 1980	133,125.00
115,000.00	City of Youngstown, Ohio, (Various Purposes), 2½%, October 1, 1970	111,550.00
110,000.00	City of Youngstown, Ohio, (Hwy. Imp., 2nd Series), 3¾%, November 1, 1987	94,600.00
100,000.00	City of Youngstown, Ohio, (Hwy. Imp.), 3¾%, November 1, 1989	84,500.00
<u>\$103,334,000.00</u>		<u>\$94,057,047.50</u>

No. of
Shares

GUARANTEED RAILROAD STOCKS

4,000	Carolina, Clinchfield and Ohio Railway Company	\$ 306,000.00
2,000	Cleveland and Pittsburgh Railroad Company, Reg. Gtd.	110,000.00
546	Mahoning Coal Railroad Company	382,200.00
1,200	West Jersey and Seashore Railroad Company	49,200.00
		<u>\$ 847,400.00</u>

CONVERTIBLE PREFERRED STOCKS

2,000	Baltimore Gas and Electric Company, 6½% Cum. Conv. Pfd.	\$ 224,000.00
15,000	Columbia Broadcasting System, Inc., \$1.00 Cum. Conv. Pfd.	465,000.00
4,000	General Telephone and Electronics Corporation, 4.75% Cum. Conv. Pfd.	148,000.00
6,100	Libbey-Owens-Ford Company, \$4.75 Cum. Conv. Pfd., Series A	576,450.00
8,500	Northwest Industries, Inc., \$4.20 Cum. Conv. Prior Pfd.	892,500.00
7,500	Potomac Electric Power Company, \$2.44 Cum. Conv. Pfd.	373,125.00
12,000	Southern California Edison Company, 5.20% Cum. Conv. Pfd.	327,000.00
2,000	Tenneco, Inc., 5.36% Cum. Conv. 2nd Pfd.	212,000.00
3,000	Washington Gas Light Company, \$4.36 Cum. Conv. Pfd.	222,000.00
		<u>\$ 3,440,075.00</u>

RAILROAD COMMON STOCKS

1,000	Chesapeake and Ohio Railway Company	\$ 73,000.00
2,400	Denver and Rio Grande Western Railroad Company	57,000.00
1,500	Seaboard Coast Line Railroad Company	78,562.50
2,000	Union Pacific Railroad Company	105,000.00
5,300	Western Pacific Railroad Company	230,550.00
		<u>\$ 544,112.50</u>

PREFERRED STOCKS

4,000	Alabama Power Company, 4.64% Cum. Pfd.	\$ 272,000.00
5,000	Aluminum Company of America, \$3.75 Cum. Pfd.	295,000.00
2,600	Armstrong Cork Company, \$3.75 Cum. Pfd.	161,200.00
2,800	Atlantic Richfield Company, 3.75% Cum. Pfd., Series B	176,400.00
5,000	Baltimore Gas and Electric Company, 5.40% Cum. Pfd., Series D	420,000.00



No. of Shares	PREFERRED STOCKS (Continued)	Market Value Dec. 31, 1968
4,000	Carolina Power and Light Company, \$4.20 Cum. Pfd.	\$ 252,000.00
8,000	Connecticut Light and Power Company, \$2.20 Cum. Pfd.	248,000.00
3,000	Consolidated Edison Co. of New York, Inc. 5¼% Cum. Pfd., Series B	228,000.00
4,200	Consumers Power Company, \$4.16 Cum. Pfd.	273,000.00
1,500	Duke Power Company, 4.50% Cum. Pfd., Series C	105,000.00
2,000	Duke Power Company, 5.72% Cum. Pfd., Series D	174,000.00
5,600	Duquesne Light Company, \$2.10 Cum. Pfd.	204,400.00
2,000	Florida Power and Light Company, 4.32% Cum. Pfd., Series D	128,000.00
1,000	Georgia Power Company, \$5.64 Cum. Pfd.	82,000.00
10,000	Getty Oil Company, \$1.20 Cum. Pfd.	195,000.00
4,100	Grant (W. T.) Company, 3¾% Cum. Pfd.	242,925.00
3,000	Gulf States Utilities Company, \$6.08 Cum. Pfd.	270,000.00
10,000	Hartford Electric Light Company, 5.28% Cum. Pfd.	390,000.00
4,500	Illinois Power Company, 4.70% Cum. Pfd.	162,000.00
5,000	Kansas City Power and Light Company, 4.50% Cum. Pfd.	347,500.00
3,500	Kansas Gas and Electric Company, 4.28% Cum. Pfd.	227,500.00
4,500	Mississippi Power and Light Company, 4.36% Cum. Pfd.	288,000.00
4,800	Northern Indiana Public Service Company, 4.22% Cum. Pfd.	307,200.00
4,500	Northern States Power Company (Minnesota), \$4.11 Cum. Pfd.	283,500.00
4,200	Ohio Edison Company, 4.44% Cum. Pfd.	289,800.00
4,250	Ohio Power Company, 4.20% Cum. Pfd.	272,000.00
3,600	Oklahoma Gas and Electric Company, 5.34% Cum. Pfd.	295,200.00
16,000	Pacific Gas and Electric Company, 4.80% Cum. 1st Pfd.	288,000.00
4,000	Pacific Lighting Corporation, \$4.75 Cum. Pfd.	282,000.00
3,400	Philadelphia Electric Company, 4.68% Cum. Pfd.	260,100.00
5,000	Philadelphia and Reading Corporation, 6% Cum. Pfd., Series A	390,000.00
5,000	Potomac Edison Company, \$5.88 Cum. Pfd., Series C	425,000.00
8,000	Potomac Electric Power Company, \$2.44 Cum. Pfd.	288,000.00
5,000	Public Service Company of Colorado, 4.90% Cum. Pfd.	365,000.00
24,000	Public Service Company of Indiana, Inc., 4.32% Cum. Pfd.	399,000.00
4,000	Public Service Company of New Mexico, 4.58% Cum. Pfd.	260,000.00
5,000	Public Service Company of Oklahoma, 4.24% Cum. Pfd.	320,000.00
5,000	Public Service Electric and Gas Company, 4.30% Cum. Pfd.	332,500.00
17,700	San Diego Gas and Electric Company, 4½% Cum. Pfd.	247,800.00
2,000	South Carolina Electric and Gas Company, 5.125% Cum. Pfd.	76,000.00
6,000	South Carolina Electric and Gas Company, 6% Cum. Pfd.	270,000.00
20,200	Southern California Edison Company, 5.80% Cum. Pfd.	424,200.00
4,500	Tampa Electric Company, 4.58% Cum. Pfd., Series D	306,000.00
1,000	Texas Electric Service Company, \$5.08 Cum. Pfd.	78,000.00
1,100	Texas Power and Light Company, \$4.84 Cum. Pfd.	81,400.00
20,500	Utah Power and Light Company, \$1.28 Cum. Pfd., Series A	369,000.00
1,800	Virginia Electric and Power Company, \$4.80 Cum. Pfd.	132,750.00
2,000	Washington Gas Light Company, \$4.80 Cum. Pfd.	136,000.00
2,000	Washington Gas Light Company, \$5.00 Cum. Pfd.	140,000.00
		\$12,460,375.00

PUBLIC UTILITY COMMON STOCKS

25,000	Allegheny Power System, Inc.	\$ 606,250.00
35,000	American Telephone and Telegraph Company	1,855,000.00
13,500	Cincinnati Gas and Electric Company	418,500.00
33,500	Columbia Gas System, Inc.	1,013,375.00
24,000	Consumers Power Company	1,083,000.00
27,300	General Public Utilities Corporation	856,537.50
26,000	Iowa Power and Light Company	825,500.00
15,000	Iowa Southern Utilities Company	500,625.00
19,000	Kansas City Power and Light Company	719,625.00
37,000	New England Electric System	1,045,250.00
23,000	New England Telephone and Telegraph Company	966,000.00
34,000	New York State Electric and Gas Corporation	1,394,000.00
30,000	Niagara Mohawk Power Corporation	671,250.00
24,000	Northern States Power Company (Minnesota)	720,000.00
27,000	Ohio Edison Company	789,750.00
14,500	Orange and Rockland Utilities, Inc.	431,375.00
22,300	Pacific Gas and Electric Company	850,187.50

INVESTMENT PORTFOLIO

No. of Shares	PUBLIC UTILITY COMMON STOCKS (Continued)	Market Value Dec. 31, 1968
26,000	Philadelphia Electric Company	\$ 809,250.00
30,000	Potomac Electric Power Company	618,750.00
12,000	Public Service Company of Indiana, Inc.	523,500.00
28,000	Public Service Electric and Gas Company	983,500.00
12,000	San Diego Gas and Electric Company	294,000.00
21,000	Southern California Edison Company	758,625.00
25,000	Union Electric Company	559,375.00
37,000	Washington Gas Light Company	1,119,250.00
44,000	Wisconsin Electric Power Company	1,105,500.00
		<u>\$21,517,975.00</u>

INDUSTRIAL COMMON STOCKS

30,000	Allied Chemical Corporation	\$ 1,080,000.00
28,500	Allied Stores Corporation	1,111,500.00
15,500	American Can Company	887,375.00
33,600	American Smelting and Refining Company	3,024,000.00
12,100	Anaconda Company	780,450.00
22,400	Celanese Corporation	1,584,800.00
28,800	Chrysler Corporation	1,612,800.00
45,800	Continental Can Company, Inc.	3,148,750.00
14,400	Dow Chemical Company	1,123,200.00
5,000	Dupont (E. I.) de Nemours and Company	825,000.00
9,500	Ex-Cell-O Corporation	327,750.00
44,100	Ford Motor Company	2,337,300.00
13,000	General Electric Company	1,220,375.00
30,000	General Motors Corporation	2,373,750.00
10,000	Goodrich (B. F.) Company	507,500.00
21,600	Grace (W. R.) and Company	1,069,200.00
30,000	Great Atlantic and Pacific Tea Company, Inc.	1,065,000.00
12,000	International Harvester Company	447,000.00
25,000	International Nickel Company of Canada, Ltd.	975,000.00
40,000	International Paper Company	1,505,000.00
20,700	Kennecott Copper Corporation	1,037,587.50
20,000	Mobil Oil Corporation	1,175,000.00
18,000	National Lead Company	1,327,500.00
29,200	Olin Mathieson Chemical Corporation	1,270,200.00
40,800	PPG Industries, Inc.	1,642,200.00
10,000	Santa Fe Industries, Inc.	332,500.00
18,000	Shell Oil Company	1,271,250.00
13,500	Squibb Beech-Nut, Inc.	666,562.50
20,000	Standard Oil Company (Indiana)	1,227,500.00
41,200	Standard Oil Company (New Jersey)	3,239,350.00
16,900	Texaco, Inc.	1,406,925.00
24,900	Union Carbide Corporation	1,126,725.00
24,000	United States Steel Corporation	1,029,000.00
30,200	Westinghouse Electric Corporation	2,061,150.00
40,200	Woolworth (F. W.) Company	1,321,575.00
		<u>\$47,140,775.00</u>

Government Employees Insurance Company

WASHINGTON, D. C.

March 1, 1969

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MARCH 26, 1969

To the Stockholders of Government Employees Insurance Company:

Notice is hereby given that the Annual Meeting of stockholders of Government Employees Insurance Company will be held in the Federal Room of the Statler Hilton Hotel, 16th and K Streets, N.W., Washington, D. C., on Wednesday, March 26, 1969, at 10:00 o'clock in the forenoon, Eastern Standard Time, for the following purposes:

- I. To fix the number of and to elect a Board of Directors for the ensuing year.
- II. To transact such other business as may properly come before the meeting.

By resolution of the Board of Directors, the close of business on February 3, 1969 has been fixed as the record date for determination of the stockholders entitled to notice of, and to vote at, such meeting and any adjournment thereof. In accordance with the By-Laws of the Company, only stockholders of record on said record date shall be entitled to vote at such meeting and any adjournment thereof.

By Order of the Board of Directors,

GEORGE F. LEWIN, Vice President and Secretary

It is important that your stock be represented at the meeting, in person or by proxy. If you do not expect to attend the meeting, please sign and return the enclosed proxy promptly. The envelope furnished needs no postage if mailed in the United States.

Government Employees Insurance Company

PROXY STATEMENT

This proxy statement is furnished to holders of the capital stock of Government Employees Insurance Company in connection with the solicitation of proxies for use at the Annual Meeting of stockholders to be held at the time and place and for the purposes set forth in the foregoing notice of meeting. The securities of the Company entitled to be voted at this meeting consist of 5,080,939 shares of Common Stock having a par value of \$4.00 per share which were outstanding on the record date, February 3, 1969. Each stockholder is entitled to one vote for each share of Common Stock registered in his name on the Company's books at the close of business on that date.

Your proxy is solicited by the Management of the Company. Any stockholder giving such proxy has the power to revoke it at any time before it is exercised.

The cost of soliciting proxies in the accompanying form will be borne by the Company. Proxies may be solicited without extra compensation by certain Directors, Officers and regular employees of the Company by mail, telephone, telegraph or personally. All shares represented by valid proxies will be voted.

The details of our operations in 1968 are set forth in the Annual Report of the Company which is being mailed to you with this proxy statement but which is not to be construed as a part of this proxy solicitation.

I. INFORMATION CONCERNING THE ELECTION OF DIRECTORS

The Management Proposes the Re-Election of the Directors Listed Below

At the Annual Meeting of stockholders, Directors are to be elected for the ensuing year and until their successors are duly elected and qualified, in such number as is fixed at the meeting. Mr. Francis M. Shea, a Director since 1948, has resigned as a Director of the Company and is not standing for re-election to the Board. The Management proposes that the number of Directors for the ensuing year be fixed at twelve, and that the twelve Directors listed below be re-elected.

At the meeting the Management intends to submit resolutions, and to vote its proxies, in order to carry out the above proposals.

If any of the persons listed below is not a candidate for re-election as a Director at the Annual Meeting, an event which the Management does not anticipate, all proxies received by the Management will be voted for a substitute nominee and for the others named below.

The following information is presented with respect to the twelve nominees proposed by the Management for election to the Board of Directors.

TABLE A — NOMINEES FOR ELECTION AS DIRECTORS

<u>Name and Year He First Became a Director</u>	<u>Principal Occupation and Other Information</u> ⁵	<u>Securities of the Company Beneficially Owned on December 31, 1968</u> ⁶
Leo Goodwin, Sr. (1937)	Founder Chairman, Government Employees Insurance Co.; one of the founders and principal executive officer until his retirement in 1958; Advisory Director, The Riggs National Bank of Washington, D. C.	114,561 ⁷
Lorimer A. Davidson ^{1,2} (1952)	Chairman of the Board and Chief Executive Officer, Government Employees Insurance Co.; Director, The Riggs National Bank of Washington, D. C.	18,176
David Lloyd Kreeger ^{1,3} (1948)	Vice Chairman of the Board, Government Employees Insurance Co.; Director, National Savings and Trust Co., Washington, D. C.	238,940 ⁸
Norman L. Gidden ^{1,2} (1962)	President and Director, Government Employees Insurance Co.	752

<u>Name and Year He First Became a Director</u>	<u>Principal Occupation and Other Information</u> ⁵	<u>Securities of the Company Beneficially Owned on December 31, 1968</u> ⁶
Jerome A. Newman ^{2,4} (1948)	Director, Government Employees Insurance Co.; Proprietor, Jerome A. Newman Co., private investments; Director, member of Executive Committee and Chairman of Finance Committee, Warner Brothers-7 Arts.	91,221 ⁹
Harvey B. Gram, Jr. ^{1,2} (1952)	Managing Partner, Johnston, Lemon & Co., investment bankers; Director, Government Employees Insurance Co.; Vice President and Director, Washington Mutual Investors Fund, Inc.; Director, International Bank of Washington.	8,000 ¹⁰
Leo Goodwin, Jr. ² (1948)	Director, Government Employees Insurance Co.	336,206 ¹¹
William K. Jacobs, Jr. ¹ (1948)	Chairman of the Board, Abacus Fund, Inc., a registered investment company; Director, Government Employees Insurance Co.	586 ¹²
Daniel J. Callahan, Jr. (1948)	Director, Government Employees Insurance Co.; formerly Senior Vice President, The Riggs National Bank of Washington, D. C., now retired; Director, Washington Mutual Investors Fund, Inc.	17,613
Howard A. Newman (1954)	Chairman of the Board, Northwest Industries, Inc., a diversified industrial company; Director, Government Employees Insurance Co.	955 ¹³
John M. Christie (1967)	President, The Riggs National Bank of Washington, D. C.; Director, Government Employees Insurance Co.	106
Paul J. Hanna (1967)	Senior Vice President, Manufacturers Hanover Trust Co., New York, New York; Director, Government Employees Insurance Co.	53

REMUNERATION OF DIRECTORS AND OFFICERS

There is set forth in the following Table information with respect to each Director whose aggregate direct remuneration exceeded \$20,000 in 1968 (the three highest paid Officers of the Company are among this group) and all persons as a group who were Officers and Directors of the Company in 1968.

TABLE B — INFORMATION WITH RESPECT TO REMUNERATION OF OFFICERS AND DIRECTORS

<u>Name and Capacity in Which Remuneration Was Received</u>	<u>1968 Aggregate Direct Remuneration</u> ¹⁴	<u>Benefits Accrued or Set Aside During 1968</u>		<u>Estimated Annual Benefits Upon Retirement</u>	
		<u>Retirement Plan</u>	<u>Other Employee Benefits</u> ¹⁶	<u>Retirement Plan</u> ¹⁷	<u>Other Employee Benefits</u>
Lorimer A. Davidson, Chairman of the Board and Chief Executive Officer	\$ 71,592	See Footnote 15	\$ 1,165	\$ 15,707	See Footnote 18
David Lloyd Kreeger, Vice Chairman of the Board and Chairman of the Executive Committee	55,578	See Footnote 15	1,513	21,000	See Footnote 18
Norman L. Gidden, President and Director	58,579	See Footnote 15	1,837	25,000	See Footnote 18
Leo Goodwin, Sr., Founder Chairman	32,000	See Footnote 19	1,680	See Footnote 19	See Footnote 18
Directors and Officers as a Group (Number in Group: 45)	944,688	See Footnote 15	56,258	404,133	See Footnote 18

INCENTIVE STOCK OPTION PLAN FOR KEY EXECUTIVES

The following Tables set forth information with respect to options to purchase Common Stock granted to and exercised by the Officers named and Officers as a group, from January 1, 1968 to December 31, 1968, under the Stock Option Plan approved by the stockholders on August 28, 1963, and as amended by the Board of Directors. Pursuant to such Plan, options may not be granted during any one year if, for the immediately preceding calendar year, the Company's net income after taxes was less than 12½% of total capital and surplus at the beginning of such year. Options may not be exercised until 2 years after their grant, and as consideration for the grant thereof the holder agrees to remain in the employ of the Company during that period.

The holder of an option granted prior to May 27, 1964 can exercise no more than 20% of such option annually beginning with the third year after grant, such options expiring not later than 10 years from date of grant, or earlier under certain circumstances. Options granted on or after May 27, 1964 can be exercised at a rate of no more than 33⅓% per year beginning with the third year after grant, such options expiring not later than 5 years from date of grant, or earlier under certain circumstances.

TABLE C — STOCK OPTIONS GRANTED SINCE JANUARY 1, 1968

<u>Name</u>	<u>Number of Shares</u>	<u>Option Price</u>	<u>Market Value on Date Granted²⁰</u>
Lorimer A. Davidson	None		
David Lloyd Kreeger	See Footnote 21		
Norman L. Gidden	480	\$67	\$67
Leo Goodwin, Sr.	See Footnote 21		
Officers as a Group (Number in Group: 34)	4,155	67-74.50	67-74.50

TABLE D — STOCK OPTIONS EXERCISED SINCE JANUARY 1, 1968

<u>Name</u>	<u>Period (1968)</u>	<u>Number of Shares</u>	<u>Option Price²²</u>	<u>Market Value Per Share²³</u>			
				<u>Low</u>		<u>High</u>	
				<u>Bid</u>	<u>Asked</u>	<u>Bid</u>	<u>Asked</u>
Lorimer A. Davidson	2nd quarter	7,746	\$44.579	\$54	\$54½	\$74½	\$75
Officers as a Group (Number in Group: 14)	1st quarter	818	46.585-59.75	58½	59¼	84	85
	2nd quarter	8,989	44.579-57.177	54	54½	74½	75
	3rd quarter	3,314	44.479-57.177	66½	66¾	79¼	79½
	4th quarter	1,930	44.579-57.177	72½	73	84½	85

II. OTHER MATTERS

As of this date the Management knows of no business which will come before the meeting in addition to the matters referred to above; but if any other matters properly come before the meeting, the persons named as proxies will vote on them in accordance with their best judgment, and discretionary authority to do so is included in the proxy.

Stockholders are urged to send in their proxies without delay. Prompt response is helpful, and your cooperation will be appreciated.

By Order of the Board of Directors,

NORMAN L. GIDDEN, President

¹ Member of Investment Committee.

² Member of Executive Committee.

³ Chairman of Executive Committee.

⁴ Chairman of Investment Committee.

⁵ Committee memberships are shown only for the Executive and Investment Committees of Government Employees Insurance Company.

⁶ Pursuant to regulations adopted by the Government of the District of Columbia, there is set forth below the approximate amount of stock beneficially owned by each nominee in the affiliated companies (Government Employees Life Insurance Company — GELICO; Government Employees Corporation — GEICO; Criterion Insurance Company — CRICO; and Government Employees Financial Corporation — GEFCO) of Government Employees Insurance Company:

NAME	SHARES			
	GELICO	GEICO	CRICO	GEFCO
Leo Goodwin, Sr.	92,816	25,430	1,626	1,246
Lorimer A. Davidson	2,066	1,525	2,500	5,612
David Lloyd Kreeger	57,593	25,175	19,735	41,259
Norman L. Gidden	1,426	11	1,204	2,085
Jerome A. Newman	37,903	13,977	10,634	14,313
Harvey B. Gram, Jr.	2,251	5,250	1,700	1,892
Leo Goodwin, Jr.	104,346	60,087	93,641	100,995
William K. Jacobs, Jr.	1,339	58	1,084	355
Daniel J. Callahan, Jr.	7,864	1,521	2,000	2,037
Howard A. Newman	1,056	1,517	350	335
John M. Christie	127	158	75	106
Paul J. Hanna	100	109	100	106

⁷ Includes 109,120 shares held in a trust established by Leo Goodwin, Sr. and excludes 328,402 shares (approximately 6.5% of the Common Stock) owned by Goodwin Industries, Inc., of which Leo Goodwin, Sr. is President and principal stockholder. In addition, the Leo Goodwin Foundation, Inc. (a charitable corporation established by Mr. Goodwin, Sr., of which he is President) owns 28,942 shares (approximately 0.6%). Mr. Goodwin, Jr., son of the foregoing, beneficially owns approximately 6.6% of the Common Stock.

⁸ Mr. Kreeger is trustee of several trusts for the benefit of his children which own 3,858 shares. The David Lloyd Kreeger Charitable Foundation (established by Mr. Kreeger, of which he is a trustee) owns 2,085 shares.

⁹ Jerome A. Newman is co-trustee of several trusts for the benefit of his children and grandchildren which own 8,586 shares.

¹⁰ Exclusive of 30,030 shares owned by Johnston, Lemon & Co., and the partners thereof. Mr. Gram is Executor and a beneficiary of two estates owning a total of 35,867 shares.

¹¹ Leo Goodwin, Jr. is co-trustee of a trust for the benefit of his son which owns 37,796 shares and co-trustee of a trust established by his father which owns 109,120 shares. See Footnote 7.

¹² Exclusive of 71,583 shares owned by a trust of which Mr. Jacobs is a co-trustee and contingent life tenant, and exclusive of 18,810 shares owned by Abacus Fund, Inc.

¹³ Howard A. Newman is co-trustee of several trusts for the benefit of his children which own 296 shares, and co-trustee of and/or beneficiary of trusts owning 3,532 shares. He is also beneficiary of a testamentary trust owning 8,000 shares.

¹⁴ Includes salaries, fees and bonuses paid in 1968. Some of the Officers and Directors of the Company are also Officers, Directors or employees of one or more of the other companies in the Government Employees Group and receive remuneration for services rendered to the concerned companies. In those cases, an allocation between companies is made in accordance with the relative time and contributions of the concerned Officer or Director to the particular company and such allocations are reflected herein.

¹⁵ Benefits accrued in 1968 pursuant to the Company's Pension Plan are computed on an actuarial basis, using the aggregate cost approach with such Plan providing fixed benefits on retirement at specified ages and after a specified number of years of service.

¹⁶ Company contributions to the Profit Sharing Plan. The Company has in effect an approved deferred Profit Sharing Plan with optional employee contributions. The benefits of the Plan are provided through a trust fund to which the Company contributes a percentage of its profits and to which employees may make contributions if they desire. The Company contributes up to 10% of the total annual base compensation of all employees participating under the Plan, less 1/2 of forfeited shares of participants terminating employment, but not more than 12 1/2 % of its net income before taxes (excluding net investment income, and real estate and investment gains or losses, realized or unrealized). An individual's account is determined as follows:

A pro-rata share of the Company's contributions, based upon the participant's annual base salary during the Plan year, plus a pro-rata share of the Plan's investment earnings and capital adjustments, plus a pro-rata share of 1/2 of the forfeited accounts, plus the employee's own contributions.

The maximum annual contribution of the Company for the benefit of any one participant in the Plan is \$2,000.

¹⁷ Estimated annual benefits from the Pension Plan upon retirement are the annual amounts which it is estimated will become payable when the respective employees reach the normal retirement age of 65, or if older than 65, the estimated annual benefits payable at 65 increased on an actuarial basis. For employees under 65, such amounts are based on the assumption that each individual will continue until age 65 to receive salaried compensation at the respective rates in effect December 31, 1968, and that the Company's Pension Plan will continue in its present form. The Company has a contract with Mr. Davidson which provides, among other things, that after his retirement, he is to receive compensation at a rate of \$25,000 annually during a 5-year Consultative period and at a rate of \$20,000 annually thereafter as an Advisor. These amounts are in addition to those set forth under "Estimated Annual Benefits Upon Retirement."

¹⁸ Company contributions to the Profit Sharing Plan are invested primarily in stocks of Government Employees Insurance Company and its affiliated Companies. The benefits accrued to participants at the time of retirement would depend on the market value of the securities at that time. Annual benefits are not paid upon retirement, but at that time the participant may request the Trustees of the Plan to purchase an annuity with all or a portion of the benefits due him. Contributions to the Plan on behalf of Directors and Officers as a group from the Plan's inception in 1952 to January 1, 1969 totalled \$600,849.

¹⁹ Leo Goodwin, Sr. does not participate in the Pension Plan.

²⁰ Mean of the inside Bid and Asked prices on the dates of grant.

²¹ Neither Mr. Kreeger nor Mr. Goodwin, Sr. participate in the Stock Option Plan.

²² Pursuant to the anti-dilution provisions of the Stock Option Plan, the number of shares held under option on March 20, 1964, March 7, 1966 and April 12, 1968, those being the record dates of 2 1/2 %, 50 % and 4 1/2 % stock dividends, respectively, was increased; therefore, the per share price of the total number of shares thereafter held under option was reduced proportionately.

²³ Second quarter prices adjusted to reflect 4 1/2 % stock dividend.



