SEC FILE NO 0-8848 12--09

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GEICO CORP

10-K

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DISCLOSURE INC WASHINGTON D. C. 20016

FOR 12/31/80

Quick Reference Chart to Contents of SEC Filings

REPORT CONTENTS	10-K	19-K 20-F	10-Q	8-K	10-C	6-K	Proxy Statement	Prospectus	Registration Statements '34 Act F-10	Registration Statements '34 Act 8-A 8-B	Registration Statements '33 Act "S" Type	ARS	Listing Application	N-1R	N-1Q
Auditor															
☐ Name	A	A	■				■	A	A		A	A	■	A	
☐ Opinion	A	A	■						A			A		A	
☐ Changes				A			■								
Compensation Plans															
☐ Equity	■		■				F	F	A		F		■	■	
☐ Monetary	■		■					F	A		F		■		
Company Information															
☐ Nature of Business	A	A				F		A	A		A	■	■		
☐ History	F	A						A			A	■	■		
☐ Organization and Change	F	F		A	■	F	■	A		F	A	■			
Debt Structure	A					F	■	A	A		A	A		A	
Depreciation & Other Schedules	A	A				F		A	A		A				
Dilution Factors	A	A		F		F		A	A		A	A			
Directors, Officers, Insiders															
☐ Identification	F	A				F	A	A	A		A	F			
☐ Background	■	A				F	F	A	■		A	■			
☐ Holdings	■	A		■			A	A	A		A				
☐ Compensation	■	A		■			A	A	A		A				
Earnings Per Share	A	A	A			F			A			A		A	
Financial Information															
☐ Annual Audited	A	A							A			A		A	
☐ Interim Audited		A					■	■			■				
☐ Interim Unaudited	■		A	■		F		F			F				
Foreign Operations	A						■	A	A		A	■	F		
Labor Contracts		■		■			■		F		F				
Legal Agreements	F	■		■					F		F				
Legal Counsel				■				A			A		■		
Loan Agreements	F		F	■			■		F		F			■	
Plants and Properties	A	F		■				F	A		F	■			
Portfolio Operations															
☐ Content (Listing of Securities)															A
☐ Management														A	
Product-Line Breakout	A							A			A	■			
Securities Structure	A	A			■			A	A		A				
Subsidiaries	A	A					■	A	A		A	■	■		
Underwriting				■				A	A		A				
Unregistered Securities	■			■			■	F			F				
Block Movements	■			F			■		A				■		

Legend **A** – *always included - included - if occured or significant* **F** – *frequently included* ■ *special circumstances only*

TENDER OFFER/ACQUISITION REPORTS	13D	13 G	14D-1	14D-9	13E-3	13E-4
Name of Issuer (Subject Company)	A	A	A	A	A	A
Filing Person (or Company)	A	A	A	A	A	A
Amount of Shares Owned	A	A				
Percent of Class Outstanding	A	A				
Financial Statements of Bidders			F		F	F
Purpose of Tender Offer			A	A	A	A
Source and Amount of Funds	A		A		A	
Identity and Background Information			A	A	A	
Persons Retained Employed or to be Compensated			A	A	A	A
Exhibits	F		F	F	F	F

5161 River Road ☐ Washington, D.C. 20016 ☐ 301/951-1300

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01-580

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

For the Fiscal Year Ended December 31, 1980 Commission File No. 1-8012

GEICO CORPORATION

Delaware	52-1135801
(Jurisdiction of Incorporation)	(IRS Employer Identification No.)

GEICO Plaza, Washington, D. C. 20076

Registrant's telephone number (301) 986-3000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock	New York Stock Exchange
Cumulative Junior Preferred Stock, $.736 Convertible Series	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO___

Aggregate market value of the voting stock held by non-affiliates of the registrant as of February 25, 1981.........................$369,807,789(1)

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

	As of March 20, 1981
Common Stock, $1.00 par value	20,640,437

(Page 1 of 114 Pages)

The Exhibit Index to this Form 10-K Annual Report is located on Page No. 37.

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the GEICO Corporation Annual Report to Shareholders for the fiscal year ended December 31, 1980 are incorporated by reference into Part II of this Form 10-K Report.

2. Portions of the GEICO Corporation Proxy Statement for the Annual Meeting of Shareholders to be held on May 20, 1981 are incorporated by reference into Parts I and III of this Form 10-K Report.

(1) Except as stated herein, the amount set forth as the aggregate market value of GEICO Corporation's voting stock held by non-affiliates is based upon a market value (closing price on the New York Stock Exchange) $17.625 for each of the 20,521,332 outstanding shares of Common Stock and $35.00 for each of the 642,787 outstanding shares of Cumulative Junior Preferred Stock on February 25, 1981. The amount excludes the market value of 815,683 shares of Common and 52 shares of Cumulative Junior Preferred Stock beneficially owned by the Registrant's directors and executive officers (including 186,588 shares of Common Stock as to which said directors and/or officers disclaim beneficial ownership) and includes the market value of 7,200,000 shares of Common Stock beneficially owned by Berkshire Hathaway Inc.

GEICO Corporation
Form 10-K Annual Report

PART I

Item 1. Business (GEICO Corporation and Subsidiaries)

GEICO Corporation (or the Corporation), which was organized as a Delaware corporation in 1978 and became the parent of Government Employees Insurance Company (GEICO or the Company) in 1979, is an insurance and financial services organization whose principal subsidiary is a multiple line property and casualty insurer engaged in writing private passenger automobile, homeowners, fire and extended coverage, professional and comprehensive personal liability and boatowners insurance. During 1978 GEICO acquired majority interests in its two insurance subsidiaries, Government Employees Life Insurance Company (GELICO) and Criterion Insurance Company (Criterion), whose operations are included in the consolidated results for 1978, 1979 and 1980. Criterion writes standard and nonstandard private passenger automobile and motorcycle insurance and GELICO offers life, accident and health insurance and annuities.

At a Special Meeting on January 25, 1980 Criterion's shareholders voted to reincorporate under the District of Columbia Business Corporation Act of 1954 and approved a merger plan under which all shares of Criterion Common Stock not owned by GEICO were converted into the right to receive $35 in cash. As a result, all of Criterion's Common Stock is now owned by GEICO and, beneficially, by its parent, GEICO Corporation.

The Corporation is affiliated with Government Employees Financial Corporation (GEFCO) which became a majority owned subsidiary in March of 1979. GEFCO is a provider of consumer finance services. GEICO Corporation, GEICO, GELICO, Criterion and GEFCO are collectively referred to hereinafter as the "Government Employees Companies", except that for periods prior to January 31, 1979, that term does not include GEICO Corporation. The Corporation also has a wholly-owned property subsidiary, GEICO Facilities Corporation, and two real estate subsidiaries, GEICO Properties, Inc. and GEICO Washington Properties, Inc., which are wholly-owned by GEICO. In January 1981 the Corporation formed a new wholly-owned Delaware subsidiary, Resolute Group, Inc. which, through its wholly-owned subsidiaries, Resolute Reinsurance Company (a New York insurance company in the process of formation) and Resolute Management Corporation (a New York corporation), will write property and casualty reinsurance. GEICO Corporation became the parent company of GEICO pursuant to an Agreement and Plan of Reorganization approved by the shareholders of GEICO at a special meeting on January 31, 1979. While GEICO Corporation's consolidated financial statements which appear elsewhere in this report are presented as if the reorganization had been accomplished on December 31, 1978, the operations for the year then ended were those of GEICO.

GEICO, GELICO and Criterion are subject to regulation and supervision of their respective insurance businesses in each of the jurisdictions in which they do business. In general, the various state laws establish supervisory agencies with broad administrative powers. Those powers relate to the issuance and revocation of licenses to insurers and their agents, standards of solvency, regulation of premium rates and investments, form and content of financial statements, methods of accounting, policy forms and reserves. In general, such regulation is for the protection of policyholders rather than shareholders. In 1980 the insurance industry saw continuing interest by the federal government in the various aspects of regulation in topics ranging from the repeal or amendment of the McCarran-Ferguson Act (which exempts insurers from certain aspects of federal antitrust legislation) to proposals which regulate the gathering and dispersal of information concerning insurance applicants.

The National Association of Insurance Commissioners has adopted a Model Insurance Information and Privacy Act (the "Model Act") which provides, inter alia, a mechanism to provide consumer access to information collected about them and limits disclosures of such information. The Model Act or a variation thereof has been adopted in two states and it is expected that it will be favorably received by a number of other state legislatures. Additionally, it is expected that certain state legislatures will also be looking at the use of age, sex and marital status as rating classifications, and continue to question the traditional underwriting and rating principles of the insurance industry.

Originally GEICO dealt directly with its applicants and obtained substantially all its new business exclusively by mail. In the early 1960's, while GEICO continued to solicit new business primarily through a direct mail advertising program, it also began to utilize sales offices and General Field Representatives (commission agents) in many areas of the United States. All renewals of existing automobile and homeowners policies have always been and continue to be effected by mail directly with the policyholders.

During 1980 GEICO increased its marketing efforts, primarily through the use of direct response marketing techniques, but also through the use of a limited number of General Field Representatives (24 at December 31, 1980) and Company sales offices. By year-end 1980 GEICO had decreased the number of Company run sales offices representing it to 11 as compared with 16 such offices at December 31, 1979. GEICO placed increased emphasis on promoting its homeowners and boat-owners lines, but its primary business is insuring family automobiles and in 1980 over 90% of its business came from this line.

Criterion acquires customers and provides service through General Field Representatives, but also utilizes sales offices and direct mail. Its marketing programs are targeted to military personnel, young drivers, senior citizens and other standard and nonstandard risk prospects while GEICO's advertising efforts are aimed at the preferred risk market.

Countrywide, 1980 GEICO and Criterion voluntary and involuntary auto premium rates were increased 7.7% from 1979 levels while homeowners rates were increased 8.3% on generally higher values.

In 1981 both GEICO and Criterion expect continued strong price competition in all lines. Following profitable underwriting results in 1977, 1978 and 1979, property and casualty insurers marketed aggressively during 1980. Although 1979 was somewhat less profitable for many insurers, aggressive competition and inflation continued and led to underwriting losses by many insurers in 1980. Nevertheless, the Companies plan to increase their market share in 1981 in areas where it will be profitable to do so.

GEICO and Criterion currently set loss reserves from case evaluations, average claim costs and other estimated components and their respective Offices of the Actuary test the aggregate reserves derived from these components against other statistical indicators of ultimate claim losses.

GEICO and Criterion loss and loss adjustment expense reserves increased to $470.6 million at year-end 1980 from $468.9 million at year-end 1979. When viewed in relationship to earned premiums (excluding service charges), the ratio of these reserves to earned premiums was 77.8% for 1980, as compared with 79.8% for 1979.

The Corporation believes that its aggregate provision for losses and loss adjustment expenses at December 31, 1980 is reasonable and adequate to cover the ultimate net cost of losses on reported and unreported claims arising from accidents which had occurred by that date, but such provision is necessarily based on estimates and the ultimate net cost may vary from such estimates.

GEICO and Criterion retain a major independent consulting actuarial firm to conduct annual evaluations of the adequacy of each Company's reserves. In its study of GEICO's and Criterion's reserves, the firm relied upon data supplied by each Company's Office of the Actuary. The analysis by the firm of each of GEICO's and Criterion's loss reserves remains essentially in agreement with each Company's own estimate.

Management believes it to be to GEICO's advantage to increase its concentrations of business in the homeowners and other miscellaneous lines. Although GEICO's loss ratio in the homeowner's line in 1980 was 99.2%, these products have traditionally been profitable for GEICO and are logical directions in which to move. GEICO also markets accident and health and professional liability insurance, the latter of which is marketed exclusively through agents. As indicated earlier herein, the Corporation has also formed a new wholly-owned subsidiary to offer a range of reinsurance services.

The insurance industry is highly competitive. GEICO currently competes most directly with the other companies, including mutual companies, that concentrate on preferred risk insurance. Although most insurance companies are stock companies like GEICO, in 1979 mutual companies wrote approximately one-fourth of all property and liability insurance in the United States. Mutual companies may have a competitive advantage in that certain earnings inure to the benefit of policyholders rather than to shareholders.

The latest available statistics as published in the National Underwriter reveal that GEICO was, based upon 1979 earned premiums, the 10th largest automobile insurer and the 5th largest stock automobile insurer in the United States. GEICO and Criterion together ranked as the 12th largest automobile insurance group in the United States.

GEICO operates in the District of Columbia and all states except New Jersey. Criterion operates in the District of Columbia and all states except Massachusetts, New Jersey and South Carolina (though it is licensed in the latter).

As of December 27, 1980, the Corporation, GEICO and Criterion had 4,094 full-time employees and 698 part-time employees. A number of benefits are provided or made available for full-time employees including a savings plan, pension plan and various insurance programs.

PRINCIPAL BUSINESS SEGMENTS

PROPERTY AND CASUALTY INSURANCE

Private Passenger Automobile Insurance

Government Employees Insurance Company

Criterion Insurance Company

Since the Company's founding in 1936 GEICO has specialized in writing private passenger automobile insurance. Although emphasis is being placed on developing the Company's other property and casualty lines, private passenger automobile insurance still accounted for over 90% of the Company's written premium volume in 1980 as it has traditionally. GEICO occupies a unique position in the family automobile insurance marketplace. Using direct response marketing techniques which allow the Company to deal directly with its customers and insuring drivers with good driving records, GEICO is able to deliver quality insurance protection at a significant price advantage over most of its competitors. GEICO has traditionally been identified with low cost insurance coverage, and the Company and its employees work diligently to enhance that reputation. By achieving an increase in productivity the Company was able to reduce its operating expense ratios (both claims and general expenses) by 2.5 points or 8% in 1980.

Criterion was organized in 1961 by the management of the Government Employees Companies to write auto insurance for individuals who did not meet GEICO's preferred risk underwriting standards.

GEICO and Criterion are two of the few automobile insurers that still offer their customers rates for one-year rather than six-months. Management believes that customers have a strong preference for the one-year policy because of the protection it affords against rising rates. GEICO's automobile policy persistency remained at high levels during 1980 - over 90% of GEICO's customers accepted its offer to renew their coverage. GEICO's marketing efforts are concentrated in those jurisdictions that GEICO expects to provide the opportunity for a fair underwriting profit, thus permitting sound and sustained growth.

The "GEICO Preferred" sponsored marketing program, designed to allow associations to sponsor GEICO and Criterion to their memberships for the providing of auto and homeowners insurance, achieved notable success in 1980. Endorsements were received during the year from many new associations. Over 500,000 members are represented by the associations which have endorsed GEICO since this program was introduced in 1979.

In 1980 the number of new voluntary automobile policies written by GEICO and Criterion increased 16.1% compared with a 1.0% gain in 1979. Exclusive of residual market business, such as assigned risk and other involuntarily written policies, automobile policies in force were 1,258,505 at year-end 1980, a nominal increase from the 1,252,045 in force at the end of 1979 but significant as a reversal of the year-to-year declines experienced since 1975.

Residual market policies, which are typically unprofitable, are assigned by state insurance mechanisms in relation to an insurer's premium volume in preceding years. The casualty Companies' assignments have decreased steadily since 1977, declining 26.0% in 1980 to 77,957 compared with a 16.7% decline in 1979 to 105,285 policies, a particularly favorable development.

In 1980 the Corporation's automobile written premiums including service charges totaled $593.9 million, up 4.9% from $566.1 million in 1979, which in turn was 3.1% lower than 1978. Voluntary policy premiums increased by 8.1% while premiums from involuntary business declined 22.0%.

The number of claims reported to the casualty Companies decreased 10.6% in 1980 to 418,561 compared with a reduction of 5.5% in 1979. For the last three years there was a substantial reduction in residual auto market policies, a countrywide trend of lower accident frequency, more widespread acceptance by policyholders of higher deductibles and continued dedication by management to disciplined underwriting.

While claim counts continued to decline in 1980, the cost of settling claims, particularly material damage claims, rose rapidly. The Corporation estimates that the costs associated with repairing damaged automobiles are increasing at a rate in excess of 15% per year, while injury claim settlements are increasing at a rate of approximately 12%.

After careful study the decision was reached in 1980 to merge the GEICO and Criterion claim departments. This merger will be accomplished by June 30, 1981 and is expected to achieve significant savings for the two Companies in losses and loss adjustment expenses.

During the past two years GEICO and Criterion claim staffs focused a great deal of attention on the settlement of pending claims. At year-end 1980 there were 79,586 claims pending compared with 91,221 and 102,344 at year-end 1979 and 1978, respectively. Bodily injury suits pending were reduced 15.9% in 1980 following an 18.3% decrease in 1979.

During 1979 and 1980 the Corporation expanded its telephone adjusting and claim processing capabilities by investing in system improvements to increase productivity and reduce claim expenses. To enhance the productivity of material damage adjusters, contain costs and improve claim service, computerized claim estimating systems were installed in drive-in claim centers during 1979 and 1980. These allow material damage adjusters to estimate claims more efficiently and quickly. In many locations where the concentration of policyholders was not sufficient to justify maintaining a drive-in claim facility, resident staff adjusters were assigned to cover a broad geographical area. These adjusters permit improved control of material damage costs.

GEICO and Criterion recorded a total statutory underwriting profit of $18.8 million in 1980 compared with a profit of $22.5 million in 1979 and $20.3 million in 1978. The underwriting ratio for the two Companies combined was 96.4% compared with 96.0% (before policyholder dividends) in 1979 and 95.9% in 1978.

Homeowners Insurance

Homeowners insurance is marketed by GEICO primarily through direct mail solicitation to existing automobile policyholders. Although still relatively small when compared with the Company's automobile business, GEICO's homeowners line has grown steadily although new sales declined 2.2% in 1980 after a 15.5% increase in 1979. Policies in force totaled 246,121 on December 31, 1980, up 6.9% from year-end 1979, which in turn was a 6.0% gain from 1978 levels. Written premiums, which rose 10.5% to $37.1 million, represented 7% of GEICO's total.

The homeowners loss ratio was 99.2% in 1980, an increase from 79.2% and 70.4% in 1979 and 1978, respectively. The increase in that ratio resulted largely from a substantial increase in thefts of jewelry, precious metals and furs. GEICO has been working closely with law enforcement officials on this problem and is supportive of proposed legislation that would place greater restrictions on the sale of jewelry and precious metals.

In 1979 GEICO introduced a homeowners policy designed to offer complete coverage for well-maintained older homes. The standard homeowners policy is geared toward insuring homes in an amount equal to at least 80% of the replacement cost. For many older homes replacement cost exceeds their market value because of materials used and type of construction. Owners of such homes often found the cost of insurance to be prohibitive and were forced to obtain affordable coverage through FAIR (Fair Access to Insurance Requirements) Plans. GEICO's new policy insures the home for its actual cash value (replacement cost less depreciation up to the time of loss). The policy is now offered in 20 states.

Although the homeowners line is still growing, growth is secondary to the control of loss ratios. During 1980 the management and administration of all fire and allied lines was centralized.

Other Property and Casualty Lines

In addition to its automobile and homeowners lines, GEICO offers policies providing fire as well as boat and yacht, accident and health, comprehensive personal liability coverages and lawyers general and excess liability coverages. In the aggregate, in 1980 these coverages accounted for less than 2% of GEICO's earned premiums. These miscellaneous policies in force totaled 49,734 at year-end, an increase of 8.4% from the 45,889 in force a year earlier.

In January 1981 the Corporation agreed to provide $15 million to finance Resolute Group, Inc., a new wholly-owned subsidiary. Resolute (through subsidiaries as described earlier herein) will write treaty and facultative reinsurance, both domestic and international, and will be headquartered in New York. Its reinsurance services will be offered through the brokerage community, where it expects to be recognized as a preferred market. It is expected that the initial development of business will be slow as it selectively underwrites its business and positions itself for the future.

In late 1980 the Corporation increased its investment in AVEMCO Corporation to 22.3% of that Company's outstanding shares of Common Stock. AVEMCO specializes in general aviation and pilot insurance as well as aircraft financing. Paul J. Hanna, Vice Chairman and Chief Financial Officer of GEICO Corporation, was elected to AVEMCO's Board of Directors. The Corporation's investment in AVEMCO is reflected herein on the equity accounting basis. The Corporation's equity in AVEMCO's 1980 earnings since September 10, 1980, was $.3 million.

LIFE AND HEALTH INSURANCE

Government Employees Life Insurance Company and its Wholly-owned Subsidiary, Government Employees Life Insurance Company of New York (GELICONY)

GELICO's product line includes life insurance, health insurance and annuities, all of which are available on an individual and group basis. Approximately 96% of that business is produced by a staff of field representatives (agents) using a direct mail follow-up program.

Sales of individual life insurance totaled $195.1 million, a decrease of 1.5% from 1979 after an increase of 14.2% over 1978. Annualized premium on individual life sales reflected a similar pattern totaling $2.5 million, down 5.5% from 1979 which was 3.1% higher than 1978. An important source of GELICO's business is from leads generated by direct mail solicitation to the customers of the Government Employees Companies and other receptive groups. A sharp decline in responses to GELICO's direct mail solicitations occurred during the second quarter of 1980, contributing to the decline in new annualized life premiums.

At December 31, 1980, life insurance in force totaled $2,049.2 million, up 3.0% compared to an increase of 7.3% in 1979. This excludes participation in the Federal Employees Group Life Insurance (FEGLI) and the Serviceman's Group Life Insurance (SGLI) programs in which GELICO no longer participates. Individual life, consisting of $1,114.6 million whole life and $363.3 million term life, represented 72.1% of the in force and totaled $1,477.9 million, up 4.0% compared with a 3.7% increase in 1979. Group life, which accounted for the balance of the in force, totaled $571.3 million, an increase of .6% compared with a 17.5% gain in 1979.

Premium income (excluding FEGLI and SGLI) totaled $34.9 million, up 4.8% compared with an increase of 22.5% in 1979. Individual life insurance premiums were $21.7 million, approximately level with the prior two years. Premium income for group life insurance (excluding FEGLI and SGLI) remained essentially level at $6.0 million after a substantial increase in 1979, while sickness and accident premiums rose 12.4% to $6.7 million following a 73.0% increase in 1979. The increases in GELICO's 1979 group life and health premiums were largely due to the development of the Company's group credit life and health insurance marketing program introduced in the first quarter of 1979. GELICO's net income totaled $8.4 million ($1.88 per share) compared with $8.2 million ($1.82 per share) and $8.0 million ($1.79 per share) in 1979 and 1978, respectively.

In December 1980 GELICO formed a new brokerage division, Professional Life Associates, that is developing life insurance products to be distributed through professional brokers aimed at high income professionals, business insurance and estate planning markets. This division is supplementary to the existing GELICO marketing effort and is designed to provide insurance benefits to these markets through professional insurance representatives.

CONSUMER FINANCE

Government Employees Financial Corporation

GEFCO, an unconsolidated affiliate, and its wholly-owned subsidiaries provide consumer finance, industrial banking and insurance brokerage services, the latter offered to residents of the United States who are transferred overseas and to U. S. nationals already residing in foreign countries. GEFCO is headquartered in Denver, Colorado. The Corporation's equity in GEFCO's 1980 loss was $1.1 million compared with equity of $1.3 and $1.7 million in 1979 and 1978 earnings, respectively. GEFCO's 1980 loss is attributable principally to the increased provision for loss expense incurred during the third quarter reflecting record loan write-offs, primarily due to the impact of the new Federal Bankruptcy Code, and the adverse effects of a recessionary economy.

SUMMARY OF SEGMENT DATA

A summary of the Corporation's segment information in conformity with Financial Accounting Standards Board Statement No. 14 for 1980, 1979 and 1978 is as follows:

(In thousands)

	1980	1979	1978
Revenue:			
Private passenger automobile insurance	$ 635,018	$ 622,058	$ 597,644
Life and health insurance	48,697	46,689	39,830
Other segments	44,273	36,931	32,394
	727,988	705,678	669,868
Intersegment life and health insurance	(2,072)	(2,043)	(1,432)
Equity in unconsolidated affiliates	(803)	1,302	1,727
Parent company revenue	1,321	953	-
Consolidated	$ 726,434	$ 705,890	$ 670,163
Operating Earnings Before Taxes:			
Private passenger automobile insurance	$ 103,269	$ 88,328	$ 96,428
Life and health insurance	11,163	10,443	10,131
Other segments	(8,777)	(1,490)	3,418
	105,655	97,281	109,977
Equity in unconsolidated affiliates	(803)	1,302	1,727
Interest expense	(14,117)	(10,192)	(4,205)
Minority interest	(5,517)	(6,444)	(6,254)
Parent company operating expenses, net	(6,231)	(312)	-
Consolidated	$ 78,987	$ 81,635	$ 101,245
Identifiable Assets:			
Private passenger automobile insurance	$1,142,705	$1,124,501	$1,099,517
Life and health insurance	254,946	228,461	205,011
Other segments	47,299	33,188	28,080
	1,444,950	1,386,150	1,332,608
Investment in unconsolidated affiliates	20,191	14,281	12,033
Parent company	9,437	11,866	-
Consolidated	$1,474,578	$1,412,297	$1,344,641

Intersegment revenue represents group insurance coverage provided the Companies by GELICO. Investment income included in revenue, operating earnings before taxes and identifiable assets have been allocated to segments based upon assumptions and estimates.

Item 2. Properties

GEICO Corporation's total real estate investment, on a consolidated basis, excluding GELICO, was $31,317,199 (depreciated cost) as of December 31, 1980, and is represented principally by GEICO's (a) $10,643,972 in its GEICO Plaza Building in Chevy Chase, Maryland; (b) $11,202,869 in its Regional Office Building in Woodbury, Long Island, New York; and (c) $7,399,634 in its Regional Office Building in Macon, Georgia.

GEICO Plaza is a modern multilevel structure with a total of approximately 428,400 square feet of office space. The greater part of the four-story portion was completed in 1959 and an additional four-story portion and an eight-story tower were completed in 1964.

In December 1973, GEICO's Regional Office Building in Woodbury and one of its Fairfax County, Virginia claims facilities were acquired by GEICO Properties, Inc. (GPI), a wholly-owned subsidiary of GEICO. The purchase was financed by 8-1/4% notes due June 15, 2004 sold to institutional investors. The notes were secured by a Deed of Trust and Indenture of Mortgage on the properties, by the assignment to the trustees of a 30-year lease, coincident with the term of the notes, between GEICO and GPI, and by the undertaking of GEICO to make sufficient funds available to GPI to meet its obligations under the Indenture.

GEICO's Regional Office Building in Macon was purchased by GPI in May 1974 and occupied by GEICO in August 1974. This purchase was financed by an 8-1/2% note due May 1, 2004 which was sold to an institutional investor and secured by an assignment to the trustee of a 30-year lease and the undertaking between GEICO and GPI, which documents were similar in terms to those used in financing GEICO's Regional Office Building in Woodbury. Both buildings are similar in design and capacity, each being a modern four-story structure containing approximately 250,000 square feet. With respect to both financings, the outstanding balance of the long-term debt of GPI on December 31, 1980 was $21,968,553.

On July 24, 1975, the Company transferred its GEICO Plaza and certain adjacent property and its Fairfax County, Virginia and Clinton, Maryland sales/drive-in facilities, and GPI sold its Smithtown, New York, sales/drive-in facilities to GEICO Washington Properties, Inc. (GWPI), a wholly-owned subsidiary of GEICO. This transfer was financed by a 9-3/8% note due July 1, 2010 which was sold to an institutional investor and secured by an Indenture of Mortgage and Deed of Trust on the properties and by the assignment to the noteholder of a 7-year lease for the GEICO Plaza property, automatically renewable for 4 successive 7-year terms, between GEICO and GWPI. The outstanding balance of the long-term debt of GWPI on December 31, 1980 was $24,341,623.

GEICO also leases office space and drive-in claims facilities in various cities in the United States. These leases expire at various times between 1979 and 1992 with renewal options in a number of cases. In addition, GEICO maintains electronic data processing equipment with a depreciated co t as of December 31, 1980 of $5,237,191, located principally at GEICO Plaz

In September of 1977 GELICO purchased an office buil g located at 1701 Research Boulevard, Rockville, Maryland, for use as its operations office. Most of GELICO's operating departments moved into the building on February 6, 1978, from leased space in GEICO Plaza. GELICO currently occupies approximately 42,000 of the 105,000 square foot building. All of the space which is not occupied by GELICO has been leased. The total cost of the building including all renovations amounted to $6,030,165 and its carrying value is $5,481,043. GELICO owns no other real estate. GELICO's office furniture, equipment and supplies are carried at $269,547 as of December 31, 1980. In addition, GELICO maintains electronic data processing equipment with a depreciated cost as of December 31, 1980 of $618,414. Additionally, GELICONY leases all of its operations space from GEICO at the latter's Woodbury, New York, office building.

Item 3. Legal Proceedings

There are no material legal proceedings to which GEICO Corporation is a party or of which the property of GEICO Corporation is the subject.

Item 4. Security Ownership of Certain Beneficial Owners and Management.

The information required by this Item 4 will be furnished to the Securities and Exchange Commission (the Commission) in the Corporation's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 (the Act) and is incorporated herein by reference.

Item 4A. Executive Officers of the Registrant

John J. Byrne, 48, was elected Chairman of the Board, President and Chief Executive Officer of GEICO Corporation in November 1978. He has been Chairman of the Board and Chief Executive Officer of GEICO since May 1976 and was President of GEICO from May 1976 to February 1980. Mr. Byrne is also a Director of GEICO and Criterion and Chairman of the Board of GELICO. Prior to his employment by GEICO, he served with the Travelers Insurance Companies, from 1967 to 1970 as Director of Variable Annuities; from 1970 to 1973 as Senior Vice President; and from 1973 to 1976 as Executive Vice President, responsible for casualty property personal lines and individual life, health and financial services.

Paul J. Hanna, 65, was elected Vice Chairman and Chief Financial Officer of GEICO Corporation in November and December 1978, respectively. In July 1978 he was elected Vice Chairman of the GEICO Board and Chairman of the GEFCO Board. He has been a Director of each of the Government Employees Companies since 1967. Mr. Hanna served with Manufacturers Hanover Trust Company from 1963 to 1972 as Senior Vice President-Eastern Division and Manufacturers Hanover Corporation from 1972 to 1978 as Executive Vice President. He is also a Director of the United Jersey Banks, a bank holding company, and the United Jersey Bank (Hackensack, New Jersey) and AVEMCO Corporation.

Richard C. Lucas, 54, was elected Senior Vice President of GEICO Corporation in January 1980 and has been its Controller since November 1978. Mr. Lucas has been a Director of GEICO since October of 1979 and he has served as Senior Vice President of GEICO since July 1978 and Vice President and Internal Auditor from May 1977 until July 1978. He was elected a Vice President of GELICO in April 1980. Prior to his employment by GEICO, Mr. Lucas was self-employed as a Consultant at various times from 1973 to 1976. He also served as Vice President, Massachusetts Company from 1975 until 1976; Senior Vice President and Chief Financial Officer, Financial Services Corporation from 1974 until 1975; and Vice President, Administration, Bradford Trust Company in 1973.

John M. O'Connor, 51, was elected Secretary of GEICO Corporation in November 1978. He has been Secretary of GEICO since 1970, when he was also elected Secretary of each of the other Government Employees Companies.

Louis A. Simpson, 44, was elected Senior Vice President of GEICO Corporation and GEICO in August of 1979, a Director of GEICO in October of 1979, Vice President of GELICO and Criterion in December of 1979 and Vice President of GEFCO in August 1980. Prior to his employment with GEICO Corporation Mr. Simpson served as President and Chief Executive Officer of Western Asset Asset Management, Los Angeles, California, from 1977 to August, 1979, having joined that firm in 1970. He is also a Director of the National Bank of Washington.

Donald K. Smith, 48, was elected Senior Vice President of GEICO Corporation in January 1980 and has been its General Counsel since December 1978. He has been a Director of GEICO since May of 1979, a Director of Criterion since March of 1980, Senior Vice President and General Counsel of GEICO since 1977, having served as Vice President and General Counsel since 1972 and General Counsel of GELICO since April of 1980. He previously served as General Counsel of GELICO from 1972 to 1979 and Vice President and General Counsel of Criterion from 1974 to 1979, and General Counsel from 1972 to 1979.

William B. Snyder, 51, was elected a director of GEICO Corporation in May 1980 and a Director and President of GEICO in May of 1979 and February of 1980, respectively, having served GEICO as Executive Vice President since May 1979 and Senior Vice President from April of 1977 to May of 1979. Prior to his employment by GEICO, he served with The Travelers Insurance Companies, from 1973 to 1977 as Vice President and from 1955 to 1973 in various other positions in The Travelers Companies.

All executive officers hold office at the pleasure of the Board of Directors. There is no family relationship between the above-named executive officers of the registrant.

PART II

Item 5. <u>Market for the Registrant's Common Stock and Related Security Holder Matters.</u>

In response to this Item the material under the caption "Common Stock Market Price and Dividends" and the final paragraph of Note C of the Notes to Consolidated Financial Statements in the registrant's 1980 Annual Report to Shareholders are incorporated by reference.

Item 6. <u>Selected Financial Data.</u>

In response to this Item the material under the caption "Selected Financial Data" in the registrant's 1980 Annual Report to Shareholders is incorporated by reference.

Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>

In response to this Item the material under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the registrant's 1980 Annual Report to Shareholders is incorporated by reference.

Item 8. <u>Financial Statements and Supplementary Data.</u>

In response to this Item the consolidated financial statements and the notes thereto contained in the registrant's 1980 Annual Report to Shareholders (pages 22 through 35), the Quarterly Highlights of Operating Results (page 36) and Supplemental Information on the Effects of Changing Prices (page 37) are incorporated by reference.

PART III

The information required by this Part III will be furnished to the Commission in the Corporation's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A under the Act and is incorporated herein by reference.

PART IV

Item 11. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a)(1) and (2) List of Financial Statements and Financial Statement Schedules

The following consolidated financial statements of GEICO Corporation and subsidiaries, included in the annual report of the registrant to its shareholders for the year ended December 31, 1980, are incorporated by reference in Item 8:

Consolidated Balance Sheet - December 31, 1980 and 1979

Consolidated Statement of Income - Years Ended December 31, 1980, 1979 and 1978

Consolidated Statement of Redeemable Preferred Stock; Common Stock and Other Shareholders' Equity - Three years Ended December 31, 1980

Consolidated Statement of Changes in Financial Position - Years Ended December 31, 1980, 1979 and 1978

Notes to Consolidated Financial Statements

The following financial information is included in Item 11(d):	Reference
Report of Independent Accountants	Page No. 21
Financial Statements of GEICO Corporation (Parent Company)	
Balance Sheet - December 31, 1980 and 1979	Page No. 22
Statement of Income - Years Ended December 31, 1980 and 1979	Page No. 23
Statement of Redeemable Preferred Stock; Common Stock and Other Shareholders' Equity - Two Years Ended December 31, 1980	Page No. 24
Statement of Changes in Financial Position - Years Ended December 31, 1980 and 1979	Page No. 25
Notes to Financial Statements	Page No. 26
Additional Notes to Consolidated Financial Statements of GEICO Corporation and Subsidiaries	Page Nos. 27-28
Schedule I - Summary of Investments-Other Than Investments in Affiliates (Consolidated)	Page No. 29
Schedule III - Investments in, Equity in Earnings of, and Dividends Received from Related Parties (Parent Company)	Page No. 30
Schedule IV - Amounts Receivable from Related Parties and Underwriters, Promoters, and Employees Other Than Related Parties (Consolidated)	Page No. 31

Schedule V - Valuation and Qualifying Accounts (Consolidated) Page No. 32

Schedule VI - Premiums, Losses and Claims (Consolidated) Page No. 33

Schedule VII - Guarantees of Securities of Other Issuers (Consolidated) Page No. 34

Schedule IX - Short-Term Borrowings (Parent Company) Page No. 35

The Parent Company Information under Rule 5-04 for Schedules II and VII is included in the comparable Rule 7-06 Schedules IV and VII, respectively.

All other schedules to the consolidated financial statements required by Article 7 of Regulation S-X and all other schedules to the financial statements of the registrant required by Article 5 of Regulation S-X are not required under the related instructions or are inapplicable and therefore have been omitted.

Financial statements of the unconsolidated affiliate and 50% or less owned person accounted for by the equity method have been omitted because they do not, considered individually or in the aggregate, constitute a significant subsidiary.

(a)(3) Exhibits

Exhibit No.	Description	Reference
3-a	Certificate of Incorporation	Exhibit 4 to Registration Statement No. 2-63138 on Form S-14.
3-b	By-laws of GEICO Corporation.	Exhibit 3 to GEICO Corporation's Form 10-Q for the six months ended June 30, 1979.
4-a	Specimen certificate representing the common stock, $1.00 par value.	Exhibit 6(c) to Registration Statement No. 2-63138 filed on Form S-14.
4-b	Specimen certificate representing the Cumulative Junior Preferred Stock, $1.00 par value.	Exhibit 6-c to Registration Statement No. 2-63138 on Form S-14.
4-c	Certificate of the Registrant's Board of Directors pursuant to Section 151 of the General Corporation Law of the State of Delaware fixing the provisions of the $.736 Convertible Series of the Cumulative Junior Preferred Stock.	Exhibit 2(b) to the Registration Statement filed on Form 8A on February 28, 1979.

Exhibit No.	Description	Reference
4-d	Specimen Warrant certificate evidencing right to purchase shares of common stock.	Exhibit 5-c to Registration Statement No. 2-57242 on Form S-1.
4-e	Warrant Agreement dated May 5, 1971, between GEICO and American Security and Trust Company.	Exhibit 5-c to Registration Statement No. 2-39709 on Form S-1.
4-f	Amendment to Warrant Agreement of May 5, 1971, extending the period during which Warrants may be exercised and reducing the per share exercise price thereof.	Exhibit 1 to GEICO's Form 8-K current report dated August 31, 1978 (date of earliest event reported).
4-g	Indenture dated as of March 15, 1979 between GEICO Corporation and Manufacturers Hanover Trust Company and Form of Debenture contained therein.	Exhibit T3C to Amendment No. 1 to Form T-3 Application for Qualification of Indenture Under Trust Indenture Act of 1939, filed on March 6, 1979 with the Securities and Exchange Commission.
4-h	Indenture dated as of June 15, 1980 between GEICO Corporation and Manufacturers Hanover Trust Company and Form of Debenture contained therein.	Exhibit 4 to Registration Statement No. 2-70801 on Form S-16.
9	Proxy Agreement between Berkshire Hathaway Inc. and Suburban Trust Company.	Exhibit 7 to GEICO's Form 10-K Annual Report for the fiscal year ended December 31, 1977
10-a	Employment Agreement effective May 5, 1976, between GEICO and John J. Byrne, together with Nonqualified Stock Option Agreement executed in connection therewith.	Exhibit 13-f to Registration Statement No. 2-57242 on Form S-1.
10-b	Employment Agreement between GEICO and Paul J. Hanna effective July 1, 1978.	Exhibit 9 to GEICO Corporation's Form 10-K Annual Report for the fiscal year ended December 31, 1978.
10-c	Consultant Agreement between Alvin E. Kraus and Government Employees Insurance Company as amended through March 24, 1981.	Page No. 40
10-d	Consultant Agreement between Criterion Insurance Company and Alvin E. Kraus effective May 1, 1981.	Page No. 48

Exhibit No.	Description	Reference
10-e	Deferred Compensation Agreement between Government Employees Insurance Company and Alvin E. Kraus dated December 18, 1980.	Page No. 52
10-f	Retainer Agreement between Criterion Insurance Company and Alvin E. Kraus dated May 8, 1980 together with March 23, 1981 Addendum thereto.	Page No. 53
10-g	Consultant Agreement between GEICO Corporation and H. Edward Wrapp dated April 1, 1980.	Page No. 58
10-h	Government Employees Insurance Company's 1973 Stock Option Plan, as amended.	Page No. 62
10-i	Form of Option Agreement under 1973 Stock Option Plan, as amended, together with form of Notice of Intent to Exercise.	Exhibit 9-b and 9-d to GEICO's Form 10-K Annual Report for the fiscal year ended December 31, 1973.
10-j	Statement of 1981 Incentive Bonus Program.	Page No. 65
10-k	Executive Health Plan - A.	Exhibit 5-e to GEICO Corporation's Form 10-K Annual Report for the fiscal year ended December 31, 1979.
10-l	Deferred Compensation Plan.	Exhibit 10 to GEICO Corporation's Form 10-K Annual Report for the fiscal year ended December 31, 1978.
10-m	Performance Share Plan, as amended.	Page No. 66
11	Additional Earnings Per Share Information.	Page No. 70
13	Annual Report to Shareholders for the year ended December 31, 1980.	Page No. 71
22	Subsidiaries of GEICO Corporation.	Page No. 114

(b) Reports on Form 8-K

GEICO Corporation did not file any report on Form 8-K during the three months ended December 31, 1980.

SIGNATURES

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

GEICO CORPORATION

By: ______________________
R. C. Lucas
Senior Vice President
and Controller

March 31, 1981

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

John J. Byrne Chairman of the Board, President, Chief Executive Officer and Director	March 31, 1981 Date
Paul J. Hanna Vice Chairman of the Board, Chief Financial Officer and Director	March 31, 1981 Date
Richard C. Lucas Senior Vice President and Controller	March 31, 1981 Date
Thomas E. Bolger Director	March 31, 1981 Date
Samuel C. Butler Director	Date
John M. Christie Director	March 31, 1981 Date
Alvin E. Kraus Director	March 31, 1981 Date
Melvin M. Payne Director	March 31, 1981 Date
Joseph J. Sisco Director	March 31, 1981 Date
William B. Snyder Director	March 31, 1981 Date
Frank A. Weil Director	Date
H. Edward Wrapp Director	March 31, 1981 Date

ANNUAL REPORT ON FORM 10-K

ITEM 11(d)

FINANCIAL STATEMENTS SCHEDULES

YEAR ENDED DECEMBER 31, 1980

GEICO CORPORATION

WASHINGTON, D.C.

REPORT OF INDEPENDENT ACCOUNTANTS

The The Shareholders
GEICO Corporation

We have examined the financial statements and related schedules of GEICO Corporation (parent company) and the consolidated financial statements, additional notes to consolidated financial statements, and related schedules of GEICO Corporation and subsidiaries listed in Item 11(a)(1) and (2) of the annual report on Form 10-K of GEICO Corporation for the year ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of GEICO Corporation (parent company) and the consolidated financial position of GEICO Corporation and subsidiaries at December 31, 1980 and 1979, and the results of their operations and changes in their financial position for each of the respective two and three years in the period ended December 31, 1980 in conformity with generally accepted accounting principles applied on a consistent basis. Further it is our opinion that the additional notes to consolidated financial statements and schedules referred to above present fairly the information set forth therein in compliance with the applicable accounting regulations of the Securities and Exchange Commission.

Ernst & Whinney

ERNST & WHINNEY

Washington, D.C.
February 19, 1981

GEICO CORPORATION
(PARENT COMPANY)
BALANCE SHEET

	December 31, 1980	1979
ASSETS		
Investment in GEICO Common Stock, equity method (1)	$211,259,268	$182,387,126
Investment in GEICO Convertible Preferred Stock, equity method (1)	68,791,664	72,545,264
Investment in GEICO Facilities, Inc. Common Stock, equity method (1)	48,916	-
Cash and cash items:		
Cash	32,476	514,336
Commercial paper	4,100,000	6,534,867
Total Cash and Cash Items	4,132,476	7,049,203
Other Investments:		
Bonds and notes, at amortized cost (market $1,340,000 and $1,640,000)	2,000,000	2,000,000
Common stocks, at market (cost $1,000,000 and $1,918,952)	1,551,518	2,351,325
Total Other Investments	3,551,518	4,351,325
Note receivable from GEICO Facilities, Inc. (1)	125,000	-
Note receivable from related party	962,500	-
Deferred tax charges	10,909,860	2,792,767
Accrued investment income	101,502	52,541
Other assets	496,533	413,220
Total Assets	$300,379,237	$269,591,446
LIABILITIES; REDEEMABLE PREFERRED STOCK; COMMON STOCK AND OTHER SHAREHOLDERS' EQUITY		
Liabilities		
Dividends payable	$ 127,032	$ 352,942
Accrued interest payable	2,535,100	2,346,687
Amounts payable on security purchases	395,001	-
Accrued expenses and accounts payable	6,088,225	395,616
Due to affiliates (1)	310,557	-
Notes payable	5,000,000	-
Long-term debt	91,610,100	73,286,900
Total Liabilities	106,066,015	76,382,145
Redeemable Preferred Stock		
Cumulative Junior Preferred Stock, $.736 Convertible Series - $1.00 par value, $9.20 redemption value, 15,000,000 shares authorized, 676,801 and 1,895,928 shares issued and outstanding (aggregate liquidation value $6,768,010 and $18,959,280)	6,226,569	17,442,537
Common Stock - $1.00 par value, 60,000,000 shares authorized, 29,011,638 and 26,350,579 shares issued and 20,263,305 and 21,365,806 shares outstanding	29,011,638	26,350,579
Paid-in surplus	138,137,037	127,877,414
Unrealized depreciation of investments	(10,780,755)	(13,173,732)
Retained earnings	135,764,485	84,681,662
Treasury Stock, at cost (8,748,333 and 4,984,773 shares of Common Stock)	(104,045,752)	(49,969,159)
Total Liabilities; Redeemable Preferred Stock; Common Stock and Other Shareholders' Equity	$300,379,237	$269,591,446

(1) Eliminated in consolidation

See notes to financial statements

GEICO CORPORATION
(PARENT COMPANY)
STATEMENT OF INCOME

	For The Year Ended December 31, 1980	1979
Revenue:		
Dividends from GEICO (1)	$42,000,000	$40,000,000
Interest from GEICO Facilities, Inc. (1)	1,375	-
Management fees from GEICO (1)	2,395,504	-
Other dividend income	95,350	14,233
Other interest income	1,221,514	939,200
Other income	65,434	-
Total Revenue	45,779,177	40,953,433
Expenses:		
Interest paid to GEICO (1)	119,921	-
Other interest	9,981,738	6,029,481
General and administrative	9,826,837	1,255,665
Total Expenses	19,928,496	7,285,146
Income before income tax benefit, equity in undistributed income, realized gains (losses), and extraordinary item	25,850,681	33,668,287
Income tax benefit from operations	7,489,561	2,913,832
Income before equity in undistributed income, realized gains (losses), and extraordinary item	33,340,242	36,582,119
Equity in undistributed operating income of GEICO (1)	26,304,913	22,967,370
Equity in undistributed operating loss of GEICO Facilities, Inc. (1)	(1,084)	-
Operating Income	59,644,071	59,549,489
Realized gains (losses) on sale of investments (2)	219,174	(52,250)
Equity in realized gains (losses) of GEICO on sale of investments (1)(2)	899,276	(671,540)
Income before extraordinary item	60,762,521	58,825,699
Equity in GEICO's utilization of operating loss carryforward (1)	-	15,456,487
Net Income	$60,762,521	$74,282,186

(1) Eliminated in consolidation

(2) Net unrealized appreciation (depreciation) on investments in stocks by GEICO of $2,564,822 and ($4,426,470) and by the parent company of ($171,845) and $311,309 is reflected directly in shareholders' equity.

See notes to financial statements

GEICO CORPORATION
(PARENT COMPANY)
STATEMENT OF REDEEMABLE PREFERRED STOCK; COMMMON STOCK AND OTHER SHAREHOLDERS' EQUITY
For the two years ended December 31, 1980

	Cumulative Junior Preferred Stock, $.736 Convertible Series	Common Stock and Other Shareholders' Equity					
		Total	Common Stock	Paid-In Surplus	Unrealized Depreciation of Investments	Retained Earnings	Treasury Stock, At Cost
Balance at December 31, 1978	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Corporate Reorganization	72,078,245	150,864,238	18,567,574	100,068,045	(9,058,571)	41,287,190	
Exchange of Convertible Preferred Stock	(35,860,965)	35,860,965	7,795,862	28,065,103			
Retirement of Convertible Preferred Stock and purchase of Common Stock:							
For $73.3 million of Debentures	(13,444,162)	(59,842,737)				(15,782,278)	(44,060,459)
For cash	(5,270,680)	(11,007,510)				(5,098,810)	(5,908,700)
Proceeds from exercise of stock options and other	(59,901)	(268,591)	(12,857)	(255,734)			
Net income for 1979		74,282,186				74,282,186	
Dividends on Convertible Preferred Stock ($.736 per share)		(3,284,210)				(3,284,210)	
Dividends on Common Stock ($.36 per share)		(6,722,416)				(6,722,416)	
Unrealized depreciation of investments in stock, net of tax benefit of $1,212,318		(4,115,161)			(4,115,161)		
Balance at December 31, 1979	17,442,537	175,766,764	26,350,579	127,877,414	(13,173,732)	84,681,662	(49,969,159)
Exchange of Convertible Preferred Stock	(11,215,968)	11,215,968	2,438,254	8,777,714			
Proceeds from exercise of stock options		1,043,822	222,805	821,017			
Purchase of Common Stock:							
For $18.3 million Debentures		(18,323,200)					(18,323,200)
For cash		(35,753,393)					(35,753,393)
Net income for 1980		60,762,521				60,762,521	
Dividends on Convertible Preferred Stock ($.736 series)		(743,304)				(743,304)	
Dividends on Common Stock ($.43 per share)		(8,936,394)				(8,936,394)	
Unrealized depreciation of investment in stocks, net of tax benefit of $1,586,184		2,392,977			2,392,977		
Income tax benefit from exercise of stock options		660,892		660,892			
Balance at December 31, 1980	$ 6,226,569	$188,086,653	$29,011,638	$138,137,037	$(10,780,755)	$135,764,485	$(104,045,752)

See notes to financial statements

GEICO CORPORATION
(PARENT COMPANY)
STATEMENT OF CHANGES IN FINANCIAL POSITION

	For The Year Ended December 31, 1980	1979
FUNDS PROVIDED		
Income before extraordinary item	$60,762,521	$ 58,825,699
Charges (credits) to earnings not involving funds:		
Equity in undistributed income before extraordinary item - GEICO (1)	(27,204,189)	(22,295,831)
- GEICO Facilities, Inc. (1)	1,084	-
Deferred income taxes	(7,489,561)	(2,913,832)
Increase in amounts due affiliates (1)	310,557	-
Other	6,141,587	2,278,459
Cash provided from operations	32,521,999	35,894,495
Issuance of Debentures	18,323,200	73,286,900
Sale of investments	33,042,165	140,460,953
Redemption of GEICO Convertible Preferred Stock (1)	4,000,000	-
Issuance of shares in connection with corporate reorganization (1)	-	222,942,483
Conversion of Convertible Preferred Stock:		
Increase in Common Stock	11,215,968	35,860,965
(Decrease) in Preferred Stock	(11,215,968)	(35,860,965)
Increase in notes payable	5,000,000	-
Proceeds from exercise of stock options	1,043,822	-
Increase in amounts payable on security purchases	395,001	-
Total Funds Provided	94,326,187	472,584,831
FUNDS APPLIED		
Purchase of investments	29,688,346	149,909,240
Purchase of Convertible Preferred Stock (Retired)	-	39,595,930
Purchase of Common Stock	54,076,593	49,969,159
Cash dividends paid to shareholders	9,905,608	9,653,683
Investment in GEICO Convertible Preferred Stock (1)	-	72,078,245
Investment in GEICO Common Stock (1)	-	150,864,238
Investment in GEICO Facilities, Inc. Common Stock (1)	50,000	-
Increase in note receivable from GEICO Facilities, Inc. (1)	125,000	-
Increase in note receivable from related party	962,500	-
Total Funds Applied	94,808,047	472,070,495
Increase (Decrease) in Cash	(481,860)	514,336
Cash, Beginning	514,336	-
Cash, Ending	$ 32,476	$ 514,336

(1) Eliminated in consolidation

See notes to financial statements

GEICO CORPORATION
(PARENT COMPANY)

NOTES TO FINANCIAL STATEMENTS

December 31, 1980

The following notes to finanical statements of GEICO Corporation (parent company) include only that information which is different from or in addition to information presented in the consolidated financial statements and notes thereto of GEICO Corporation and subsidiaries included elsewhere or incorporated by reference in this Form 10-K Annual Report. The financial statements and notes thereto of GEICO Corporation (parent company), therefore, should be read in conjunction with the consolidated financial statements and notes thereto of GEICO Corporation and subsidiaries.

NOTE A: Accounting Policy

On January 31, 1979 GEICO Corporation became the parent company of Government Employees Insurance Company (GEICO). Pursuant to an Agreement and Plan of Reorganization approved by the Shareholders the outstanding Common Stock and Cumulative Convertible Preferred Stock of GEICO were converted into Common Stock and Cumulative Junior Preferred Stock, $.736 Convertible Series, respectively, of GEICO Corporation on a share for share basis and the authorized capitalization of GEICO Corporation was increased. Accordingly, financial statements are presented only for 1979 and 1980. In December 1980, GEICO Corporation formed GEICO Facilities, Inc., a wholly-owned property subsidiary. GEICO Corporation carries its investments in GEICO and GEICO Facilities, Inc. at its equity in the subsidiaries' net assets.

NOTE B: Management Fees

GEICO Corporation provides various executive and advisory services to GEICO, for which the Corporation receives management fees.

NOTE C: Performance Share Plan

During 1980, a charge of $2,605,718, relating to awards made to key executives of the Corporation, GEICO and CRICO under the performance share plan as discussed in Note I to the Consolidated Financial Statements, was made against earnings of the Corporation.

NOTE D: Employee Benefits

The cost to the Corporation of the defined benefit plan, as discussed in Note K to the Consolidated Financial Statements, in 1980 was $118,906.

ADDITIONAL NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

GEICO CORPORATION

NOTE O: Reinsurance

Amounts deducted from (added to) liability, income and expense accounts in connection with reinsurance placed with other companies excluding the effects of the Quota Share Reinsurance Agreement,as discussed in Note L to the Consolidated Financial Statements, and reinsurance facilities are as follows:

	In Thousands		
	Year Ended December 31,		
	1980	1979	1978
Reserve for losses and loss expenses	$10,043	$14,460	$13,875
Reserve for unearned premiums	2,574	3,085	5,935
Premiums written	6,004	6,112	11,696
Losses and loss expenses incurred	(2,397)	4,258	7,763

NOTE P: Investment Operations

Net investment income from dividends, interest, amortization of premium and accrual of discount is summarized as follows:

	In Thousands		
	Year Ended December 31,		
	1980	1979	1978
Bonds and notes	$51,812	$50,383	$49,930
Redeemable preferred stock	1,773	975	729
Preferred stocks	8,708	8,520	5,569
Common stocks	9,487	7,372	3,242
Mortgage loans	2,107	1,895	1,440
Certificates of deposit and commercial paper	2,433	2,892	2,433
Other	1,292	822	1,953
	77,612	72,859	65,296
Investment expenses	3,474	2,789	1,806
Net Investment Income	$74,138	$70,070	$63,490

There were no investments which were non-income producing for the six month periods ending December 31, 1980, 1979 and 1978.

NOTE P: Investment Operations (Continued):

Realized and unrealized appreciation (depreciation) on investments are summarized below:

In Thousands

Year Ended December 31, 1980	Realized	Unrealized(1)	Combined
Bonds and notes	$(7,955)	$(71,340)	$(79,295)
Redeemable preferred stocks	229	(1,684)	(1,455)
Preferred stocks	(274)	(11,100)	(11,374)
Common stocks	9,122	14,476	23,598
Other	(31)	-	(31)
	1,091	(69,648)	(68,557)
Minority interest in appreciation (depreciation)	(20)	(3,210)	(3,230)
	1,111	(66,438)	(65,327)
Applicable income taxes (credits)	(8)	1,151	1,143
Net Gains (Losses) on Investments	$ 1,119	$(67,589)	$(66,470)

Year Ended December 31, 1979	Realized	Unrealized(1)	Combined
Bonds and notes	$(5,964)	$(39,442)	$(45,406)
Redeemable preferred stocks	77	(1,444)	(1,367)
Preferred stocks	20	(14,728)	(14,708)
Common stocks	4,976	9,266	14,242
Other	(14)	-	(14)
	(905)	(46,348)	(47,253)
Minority interest in appreciation (depreciation)	14	(4,478)	(4,464)
	(919)	(41,870)	(42,789)
Applicable income taxes (credits)	(196)	(1,519)	(1,715)
Net Gains (Losses) on Investments	$ (723)	$(40,351)	$(41,074)

Year Ended December 31, 1978	Realized	Unrealized(1)	Combined
Bonds and notes	$(7,464)	$(53,015)	$(60,479)
Redeemable preferred stocks	3	96	99
Preferred stocks	(59)	(9,613)	(9,672)
Common stocks	191	(5,419)	(5,228)
Other	(2)	-	(2)
	(7,331)	(67,951)	(75,282)
Minority interest in appreciation (depreciation)	(31)	(8,366)	(8,397)
	(7,300)	(59,585)	(66,885)
Applicable income taxes (credits)	(342)	(3,822)	(4,164)
Net Gains (Losses) on Investments	$(6,958)	$(55,763)	$(62,721)

(1) Bonds and notes and redeemable preferred stocks are carried at amortized cost in the balance sheet. Therefore, unrealized gains and losses on bonds and notes and redeemable preferred stocks are not reflected in shareholders' equity.

SCHEDULE I - SUMMARY OF INVESTMENTS
OTHER THAN INVESTMENTS IN AFFILIATES

GEICO CORPORATION
DECEMBER 31, 1980
In Thousands

	Cost Or Amortized Cost	Market Value	Amount At Which Shown In The Balance Sheet
Bonds and Notes:			
United States Government and government agencies and authorities	$ 120,913	$110,024	$ 120,913
States, municipalities and political subdivisions	476,859	342,789	476,859
Foreign government	1,000	785	1,000
Public utilities	83,690	55,039	83,690
Industrial and miscellaneous	25,569	21,617	25,569
Total Bonds and Notes	708,031	530,254	708,031
Preferred Stocks:			
Redeemable preferred stocks	22,322	19,122	22,322
Other preferred stocks	98,700	60,400	60,400
Total Preferred Stocks	121,022	79,522	82,722
Common Stocks:			
Public utilities	8,735	7,338	7,338
Banks, trusts and insurance companies	23,083	25,087	25,087
Industrial, miscellaneous and all other	132,610	152,394	152,394
Total Common Stocks	164,428	184,819	184,819
Total Stocks	285,450	264,341	267,541
Total Bonds and Notes and Stocks	993,481	794,595	975,572
Mortgage Loans	24,295		24,295
Real Estate	3,223		3,223
Certificates of Deposit and Commercial Paper	54,212		54,212
Total Investments	$1,075,211		$1,057,302

There were no investments in securities of one issuer which exceeded 2% of total investments at December 31, 1980.

SCHEDULE III - INVESTMENTS IN, EQUITY IN EARNINGS
OF, AND DIVIDENDS RECEIVED FROM RELATED PARTIES

GEICO CORPORATION
(PARENT COMPANY)
TWO YEARS ENDED DECEMBER 31, 1980 and 1979
In Thousands

Name of Issuer And Description of Investments	Balance At Beginning Of Period (1) Number Of Shares Or Units, Principal Amount Of Bonds And Notes	Balance At Beginning Of Period (2) Amount In Dollars	Additions (1) Equity Taken Up In Earnings (Losses) Of Related Parties For The Period	Additions (2) Other	Deductions (1) Distribution Of Earnings By Persons In Which Earnings (Losses) Were Taken Up	Deductions (2) Other	Balance At End of Period (1) Number Of Shares Of Units, Principal Amount Of Bonds And Notes	Balance At End of Period (2) Amount In Dollars
Year Ended December 31, 1980:								
Wholly-owned subsidiaries:								
Government Employees Insurance Company								
Common Stock	18,775 100%	$182,388	$ 63,735	$ 2,565(c)	$36,458	$ 320(d) 651(e)	18,775 100%	$211,259
		182,388	63,735	2,565	36,458	971		211,259
Convertible Preferred Stock	7,731 100%	72,545	5,469		5,542	3,680(d)	7,331 100%	68,792
		$254,933	$ 69,204	$ 2,565	$42,000	$4,651		$280,051
GEICO Facilities, Inc. Common Stock		$ -0-	$ (1)	$ 50(f)	$ -0-	$ -0-	1 100%	$ 49
Year Ended December 31, 1979:								
Wholly-owned subsidiary:								
Government Employees Insurancee Company								
Common Stock	-	$ -0-	$ 72,063	$150,864(a) 955(b)	$35,733	$4,426(c) 1,335(a)	18,775 100%	$182,388
		-0-	72,063	151,819	35,733	5,761		
Convertible Preferred Stock		-0-	5,689	72,078(a)	4,267	955(b)	7,731 100%	72,545
		$ -0-	$ 77,752	$223,897	$40,000	$6,716		$254,933

(a) Equity ownership and capital changes pursuant to plan of reorganization
(b) Conversion of Convertible Preferred Stock to Common Stock
(c) Equity in unrealized appreciation (depreciation) on investments
(d) Redemption of 400,000 shares of Convertible Preferred Stock for $4 million
(e) Adjustment to basis of investments sold to GEICO to reflect elimination of intercompany gain
(f) Capitalization of GEICO Facilities, Inc. in December, 1980

SCHEDULE IV - AMOUNTS RECEIVABLE FROM RELATED PARTIES
AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES (OTHER THAN RELATED PARTIES)

GEICO CORPORATION
YEAR ENDED DECEMBER 31, 1980
In Thousands

Name of Debtor	Balance At Beginning of Period	Additions	Deductions		Balance At End of Period	
			Amounts Collected	Amounts Written Off	Current	Not Current
John J. Byrne	-	$962,500(1)	-	-	-	$962,500

(1) In 1980 the Corporation, with the approval of the Board of Directors, accepted notes for $962,500 from the Chairman of the Board payable on demand with interest at 6% per annum in return for the issuance of 209,741 shares of Common Stock to him upon exercise of options granted in 1976. In consideration of the Corporation agreeing to allow exercise by means of demand notes, the Chairman agreed to extend his term of employment.

SCHEDULE V - VALUATION AND QUALIFYING ACCOUNTS

GEICO CORPORATION
THREE YEARS ENDED DECEMBER 31, 1980
In Thousands

Description	Balance at Beginning of Period	ADDITIONS Charged to Costs and Expenses	ADDITIONS Charged to Other Accounts- Describe	Deduction- Note 1	Balance at End of Period
Year Ended December 31, 1980:					
Allowance for amounts uncollectible on cancelled policies	$ 1,075	$ 1,347	-	$ 1,222	$ 1,200
Year Ended December 31, 1979:					
Allowance for amounts uncollectible on cancelled policies	$ 1,225	$ 1,153	-	$ 1,303	$ 1,075
Year Ended December 31, 1978:					
Allowance for amounts uncollectible on cancelled policies	$ 1,800	$ 1,351	-	$ 1,926	$ 1,225

Note 1: The deductions from the allowance during the three years ended December 31, 1980 represent the net write-off of amounts not collected on cancelled policies.

SCHEDULE VI - PREMIUMS, LOSSES AND CLAIMS

GEICO CORPORATION

Three Years Ended December 31, 1980
In Thousands

	PART 1 - PREMIUMS				PART 2 - LOSSES	
Line of Business	Unearned Premiums Beginning of Period	Premiums Written Net of Reinsurance Ceded	Unearned Premiums End of Period	Premiums Earned During Period	Loss & Claims Incurred During Period	Adjustment Expenses Incurred During Period
Year Ended December 31, 1980:						
Homeowners multiple peril	$ 26,642	$ 37,577	$ 29,009	$ 35,210	$ 29,861	$ 4,530
Auto	317,234	593,915	333,157	577,992	373,502	71,165
Other	4,548	7,129	4,759	6,918	4,248	1,291
	$348,424	$638,621	$366,925	$620,120	$407,611	$ 76,986
Year Ended December 31, 1979:						
Homeowners multiple peril	$ 22,856	$ 34,031	$ 26,642	$ 30,245	$ 19,701	$ 3,642
Auto	317,108	566,147	317,234	566,021	351,536	81,956
Other	3,698	6,137	4,548	5,287	3,147	637
	$343,662	$606,315	$348,424	$601,553	$374,384	$ 86,235
Year Ended December 31, 1978:						
Homeowners multiple peril	$ 18,420	$ 31,418	$ 22,856	$ 26,982	$ 15,330	$ 3,003
Auto	278,931	584,147	317,108	545,970	343,565	75,792
Other	2,801	5,198	3,698	4,301	2,151	419
	$300,152	$620,763	$343,662	$577,253	$361,046	$ 79,214

Part III has been omitted since deferred policy acquisition costs at both the beginning and the end of the period did not exceed 5% of total assets.

Certain amounts related to jewelry and furs coverage under homeowners multiple peril policies have been reclassified from other in prior years to homeowners multiple peril.

SCHEDULE VII
GUARANTEES OF SECURITIES OF OTHER ISSUERS

GEICO CORPORATION
December 31, 1980
In Thousands

Name of Issuer of Securities Guaranteed By Registrant	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed And Outstanding	Amount Owned By Registrant	Amount In Treasury of Issuer of Securities Guaranteed	Nature of Guarantee	Nature of Any Default
Government Employees Financial Corporation	Commercial Paper (a)	-0-	-0-	-0-	Principal and interest	None

(a) Under an agreement dated August 12, 1980, the Corporation is committed to guarantee up to $15.0 million of GEFCO commercial paper, if any, maturing through December 31, 1981 for which the Corporation receives a fee at an annual rate of $18,750. At December 31, 1980, no commercial paper subject to this agreement was outstanding.

SCHEDULE IX - SHORT TERM BORROWINGS
GEICO CORPORATION
(PARENT COMPANY)
YEAR ENDED DECEMBER 31, 1980

Category of Aggregate Short Term Borrowings	Balance At End of Period	Weighted Average Interest Rate	Maximum Outstanding During the Period	Average Amount Outstanding During The Period (2)	Weighted Average Interest Rate During the Period (3)
Year Ended December 31, 1980:					
Notes Payable to banks (1)	$5,000,000	14.54%	$5,000,000	$3,333,333	14.54%
Year Ended December 31, 1979:	-	-	-	-	-
Year Ended December 31, 1978:	-	-	-	-	-

(1) Demand notes payable to banks represent borrowings under lines of credit borrowing arrangements which have no termination date but are reviewed periodically for renewal.

(2) Computed by averaging the daily amounts outstanding.

(3) Computed by dividing the interest expense for the period by the average amount outstanding during the period.

CONSENT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in the Prospectus constituting part of the currently effective Registration Statement on Form S-16, Registration No. 2-70801, of our report dated February 19, 1981, contained in this GEICO Corporation Annual Report on Form 10-K for the year ended December 31, 1980 and to the reference to us under the heading "Experts" in the Prospectus.

Ernst & Whinney

Ernst & Whinney

Washington, D. C.

March 31, 1981

EXHIBIT INDEX

Exhibit 10-c

SECOND AMENDMENT TO CONSULTANT AGREEMENT

This SECOND AMENDMENT TO CONSULTANT AGREEMENT, entered into this 24th day of March, 1981, effective as of April 1, 1981, by and between GOVERNMENT EMPLOYEES INSURANCE COMPANY, a corporation organized and existing under the laws of the District of Columbia (hereinafter called the "COMPANY"), and ALVIN E. KRAUS, residing at 9026 Bronson Drive, Potomac, Maryland 20854 (hereinafter called "KRAUS"),

WITNESSETH THAT:

WHEREAS, commencing April 1, 1978 the COMPANY and KRAUS entered into a CONSULTANT AGREEMENT, for a three-year term, wherein KRAUS agreeed to serve as a Consultant to the Corporate Office of the COMPANY; and

WHEREAS, the COMPANY and KRAUS desire to extend this arrangement through April 30, 1981; and

NOW, THEREFORE,

In consideration of the mutual agreements herein set forth, the parties agree that the CONSULTANT AGREEMENT dated April 4, 1978 and the AMENDMENT TO CONSULTANT AGREEMENT dated February 23, 1979, are further amended as follows:

1. Commencing April 1, 1981, KRAUS agrees to continue to make his services available to the COMPANY as a Consultant for a period of thirty (30) days (through April 30, 1981), subject to the terms and conditions hereinafter set forth.
2. During the period of KRAUS' extended service as Consultant, the COMPANY shall pay KRAUS a fee of $2,500.00, payable on January 1, 1983. Commencing May 1, 1981 KRAUS' fee will bear interest at the rate provided for in the COMPANY's Deferred Compensation Plan.

3. In the event of the death of KRAUS during the term of this SECOND AMENDMENT TO CONSULTANT AGREEMENT, this contract will be considered to be terminated and the fee payable hereunder will be determined by multiplying the annual fee ($30,000) by a fraction the numerator of which is the number of days of actual service rendered by KRAUS during April, 1981, and the denominator of which is the maximum number of days (365) covered by the annual fee.

4. The terms of the CONSULTANT AGREEMENT dated April 4, 1978, as amended, between the COMPANY and KRAUS will continue in effect during April of 1981.

IN WITNESS WHEREOF, ALVIN E. KRAUS has hereunto affixed his hand, and GOVERNMENT EMPLOYEES INSURANCE COMPANY has caused this SECOND AMENDMENT TO CONSULTANT AGREEMENT to be signed and its corporate seal to be affixed hereto by its corporate officers thereunto duly authorized.

Alvin E. Kraus

ALVIN E. KRAUS

GOVERNMENT EMPLOYEES INSURANCE COMPANY

By: William B. Snyder

William B. Snyder, President

(SEAL)

Attest:

J M O'Connor

John M. O'Connor, Secretary

AMENDMENT TO CONSULTANT AGREEMENT

This Amendment to Consultant Agreement made and entered into as of the first day of January, 1979, by and between GOVERNMENT EMPLOYEES INSURANCE COMPANY, a corporation organized and existing under the laws of the District of Columbia (hereinafter called the "COMPANY"), and ALVIN E. KRAUS, residing at 9026 Bronson Drive, Potomac, Maryland 20854, (hereinafter called "KRAUS"),

WITNESSETH THAT:

WHEREAS, on April 4, 1978, the COMPANY and KRAUS entered into a Consultant Agreement, for a three-year term, wherein KRAUS agreed to serve as a Consultant to the Corporate Office of the COMPANY, and

WHEREAS, the COMPANY and KRAUS desire to provide for the payment of interest on the Consulting Fee provided for in Paragraph 4 of the Consultant Agreement,

NOW, THEREFORE:

In consideration of the mutual agreements herein set forth, the parties agree that Paragraph 4 of the Consultant Agreement dated April 4, 1978 is amended to read as follows:

> 4. For the period of KRAUS' service as Consultant, the COMPANY shall pay KRAUS a Consulting Fee at the rate of $30,000 per annum. The Consulting Fee for the year April 1, 1978 through March 31, 1979 shall be paid to KRAUS on January 1, 1981; the Consulting Fee for the year April 1, 1979, through March 31, 1980, shall be paid to KRAUS on January 1,

1982; and the Consulting Fee for the year April 1, 1980, through March 31, 1981, shall be paid to KRAUS on January 1, 1983.

In recognition of the fact that the COMPANY has now adopted a Deferred Compensation Plan for officers and directors, providing for interest accrual on deferred compensation, it is agreed that KRAUS' Consulting Fee shall be paid with interest, as follows;

A. During the calendar year 1979, such portion of KRAUS' fee as shall have been earned will bear interest at the rate of 9.13%.

B. In the succeeding years, such portion of KRAUS' fee as shall be earned will bear interest at the rate provided for in the Deferred Compensation Plan.

C. The amount KRAUS has earned as of January 1, 1979, calculated on a pro-rata basis ($22,500), shall begin to accrue interest effective January 1, 1979.

D. Each month following January 1, 1979, and until the termination of this Consultant Agreement KRAUS shall be credited with 1/12th of his annual Consulting Fee, with interest accrued monthly.

The Consultant Agreement remains in full force and effect except as specifically modified by this Amendment to Consultant Agreement.

IN WITNESS WHEREOF, ALVIN E. KRAUS has hereunto affixed his hand and GOVERNMENT EMPLOYEES INSURANCE COMPANY has caused this Amendment to Consultant Agreement to be signed and its corporate seal to be affixed hereto by its corporate officers thereunto duly authorized.

Date 2/23/79

ALVIN E. KRAUS

GOVERNMENT EMPLOYEES INSURANCE COMPANY

By
John J. Byrne, Chairman of the Board, President and Chief Executive Officer

Attest:

J. M. O'Connor, Secretary

(SEAL)

CONSULTANT AGREEMENT

This AGREEMENT, entered into this 4th day of April, 1978 effective as of April 1, 1978, by and between GOVERNMENT EMPLOYEES INSURANCE COMPANY, a corporation duly organized and existing under the laws of the District of Columbia (hereinafter called the "COMPANY"), and ALVIN E. KRAUS, residing at 9026 Bronson Drive, Potomac, Maryland 20854 (hereinafter called "KRAUS"),

WITNESSETH THAT:

WHEREAS, prior to his retirement on June 30, 1974, KRAUS had been employed by the Government Employees Companies (Government Employees Insurance Company, Government Employees Life Insurance Company, Criterion Insurance Company and Government Employees Financial Corporation) since 1939 and has had extensive experience in the underwriting and sale of property and casualty insurance;

WHEREAS, at a meeting of the COMPANY's Board of Directors held on March 30, 1977, KRAUS was appointed a Consultant to the Corporate Office of the Company for the period April 1, 1977 through March 31, 1978 on all matters concerning the underwriting and sale of property and casualty insurance (as well as such other matters as may be specified by the Chairman of the Board) and KRAUS was willing to and did act in this capacity;

WHEREAS, at a meeting of the COMPANY's Human Resources Committee held on March 30, 1978, KRAUS was reappointed a Consultant to the Corporate Office of the Company for a period of three (3) years on the same matters as heretofore;

NOW, THEREFORE, in consideration of the mutual promises and agreements of the parties hereto and for other good and valuable consideration, the parties hereto agree as follows:

1. Commencing April 1, 1978, KRAUS agrees to make his services available to the COMPANY as a Consultant to the Corporate Office on all matters concerning the underwriting and sale of property and casualty insurance, for a period of three (3) years, subject to the terms and conditions hereinafter set forth.

2. KRAUS agrees to review the entire underwriting and sales operations of the COMPANY (as well as any other matters as may be specified by the Chairman of the Board) and to make specific recommendations to the Chairman of the Board as to the personnel and procedures involved in such operations.

3. KRAUS shall render the foregoing services to the COMPANY during a period of up to sixty (60) full working days or their equivalent per year, but in no event shall KRAUS be required to render services for more than sixty (60) full working days during any one year.

4. For the period of KRAUS' service as Consultant, the COMPANY shall pay KRAUS a Consulting Fee at the rate of $30,000 per annum. The Consulting Fee for the year April 1, 1978 through March 31, 1979 shall be paid to KRAUS on January 1, 1981; the Consulting Fee for the year April 1, 1979 through March 31, 1980 shall be paid to KRAUS on January 1, 1982; and the Consulting Fee for the year April 1, 1980 through March 31, 1981 shall be paid to KRAUS on January 1, 1983.

5. In the event of the death of KRAUS after April 1, 1978, this AGREEMENT will be considered to be terminated and any fees payable hereunder will be determined by multiplying the annual Consulting Fee by a fraction the numerator of which is the number of days of actual service rendered by KRAUS during the year and the denominator of which is the maximum number of days (60) KRAUS is required to render service during the year. In the event of the death of KRAUS any fees required to be paid under this Agreement shall be paid equally to his daughters, Eugenia K. Reilly and Karen K. Taylor. In the event either daughter should predecease KRAUS then such fees shall be paid to the surviving daughter of KRAUS.

6. KRAUS shall not be eligible to participate in any benefit plan or program for employees of the COMPANY, including (but without being limited to) a plan or program for life, accident, health, medical or travel insurance, executive incentive bonus, stock option or vacation or health leave, except where such plan or program expressly provides benefits, or eligibility for benefits, to DIRECTORS of the COMPANY.

7. The validity, construction, interpretation and enforceability of this AGREEMENT and the capacity of the parties shall be determined and governed by the laws of the District of Columbia.

8. This AGREEMENT is personal to each of the parties hereto, and neither party may assign or delegate any of the rights or obligations hereunder without first obtaining the written consent of the other party.

9. This AGREEMENT constitutes the entire agreement between the parties respecting the consulting services of KRAUS, and there are no representations, warranties or commitments, except as set forth herein. This AGREEMENT may be amended only by an instrument in writing executed by the parties hereto.

IN WITNESS WHEREOF, ALVIN E. KRAUS has hereunto affixed his hand, and GOVERNMENT EMPLOYEES INSURANCE COMPANY has caused this AGREEMENT to be signed and its corporate seal to be affixed hereto by its corporate officers thereunto duly authorized.

Alvin E. Kraus

ALVIN E. KRAUS

GOVERNMENT EMPLOYEES INSURANCE COMPANY

By: John J. Byrne

John J. Byrne, Chairman of the Board, President and Chief Executive Officer

Attest:

J. M. O'Connor

J. M. O'Connor, Secretary

Exhibit 10-d

CONSULTANT AGREEMENT

This AGREEMENT, entered into this 23rd day of March, 1981, effective as of May 1, 1981, by and between CRITERION INSURANCE COMPANY, a corporation duly organized and existing under the laws of the District of Columbia (hereinafter called the "COMPANY"), and ALVIN E. KRAUS, residing at 9026 Bronson Drive, Potomac, Maryland 20854 (hereinafter called "KRAUS"),

WITNESSETH THAT:

WHEREAS, KRAUS was employed by the Government Employees Companies (Government Employees Insurance Company, Government Employees Life Insurance Company, Criterion Insurance Company and Government Employees Financial Corporation) from 1939 to 1974, serving as a senior officer for twenty-five years and as President of the COMPANY from 1966 to 1974, and;

WHEREAS, KRAUS is presently serving as Chairman of the Board of the COMPANY; and

WHEREAS, KRAUS intends to retire as Chairman of the Board on April 30, 1981; and

WHEREAS, the COMPANY desires to retain the services of KRAUS as a Consultant to the President and Chairman of the Board from time to time and KRAUS is willing to act in this capacity;

NOW, THEREFORE,

In consideration of the mutual promises and agreements of the parties hereto and for other good and valuable consideration, the parties hereto agree as follows:

1. The RETAINER AGREEMENT and ADDENDUM TO RETAINER AGREEMENT between the COMPANY and KRAUS, dated May 8, 1980 is terminated effective April 30, 1981.

2. Commencing May 1, 1981, KRAUS agrees to make his services available to the COMPANY as a Consultant to the

President and Chairman of the Board from May 1, 1981 through July 31, 1982, subject to the terms and conditions hereinafter set forth.

3. During the period of KRAUS' service as said Consultant, the COMPANY shall pay KRAUS a consulting fee at the rate of $25,000.00 per annum, payable in monthly installments of $2,083.33 on the first day of each month for the duration of this Agreement.

4. In the event of the death of KRAUS after May 1, 1981, this AGREEMENT will be considered to be terminated, and no further fees will be payable thereafter.

5. Upon request by the COMPANY, KRAUS will consult with the President and Chairman of the Board on specific problems relating to the business and affairs of the COMPANY.

6. The rendition of consulting services described in Paragraph 5 shall be subject to the following conditions and limitations:

(a) The COMPANY will not call upon KRAUS to render consulting services for more than seventy-five (75) days during the period of this AGREEMENT. It is agreed that any time spent by KRAUS in performance of duties as a Director shall not be subject to the foregoing limitations nor charged against the said 75-day period.

(b) The COMPANY shall not call upon KRAUS without prior reasonable notice nor request or expect Kraus to subordinate his own plans or activities to those of the COMPANY. The services to be performed by KRAUS hereunder shall be only at such time and at such places as may be mutually convenient to KRAUS and the COMPANY, and KRAUS may render such services by mail, telephone or telegraph in the event the parties cannot agree on a mutually convenient time and place. KRAUS shall be free to arrange his own time and pursuits and the

COMPANY shall not require him to observe any routine or fixed hours of work in performing the services of him hereunder.

(c) The COMPANY shall not request KRAUS to perform any active duties on behalf of the COMPANY, the request for services hereunder to be for discussing, conferring and advising the COMPANY with respect to those problems or matters referred to KRAUS for his opinion,

(d) As a courtesy to the COMPANY, KRAUS will advise the COMPANY in the event he is undertaking any extended trip and the COMPANY may request that he see certain people or visit certain offices, which he is willing to do provided it fits into his own plans.

7. During the term of this AGREEMENT, KRAUS agrees not to engage in, or to become connected with as officer, employee, consultant, advisor, or substantial stockholder, any business, enterprise or company (other than the Government Employees Companies) which is in competition with the COMPANY or any of the other Government Employees Companies, whether now existing or hereafter organized. Subject to the aforesaid restrictions, KRAUS shall not be precluded from accepting and continuing any other employment or business agreement.

8. KRAUS shall not be eligible to participate in any benefit plan or program for employees of the COMPANY, including (but without being limited to) a plan or program for life, accident, health, medical or travel insurance, performance shares or vacation or health leave, <u>except</u> where such plan or program expressly provides benefits, or eligibility for benefits, to retirees or Directors of the COMPANY. Nothing contained in this Agreement shall, however, prevent or preclude KRAUS from receiving the retirement income or other benefits to

which KRAUS may be entitled by virtue of his severance of employment on June 30, 1974, under the COMPANY's Pension Plan or Profit Sharing Plan.

9. The validity, construction, interpretation and enforceability of this AGREEMENT and the capacity of the parties shall be determined and governed by the laws of the District of Columbia.

10. This AGREEMENT is personal to each of the parties hereto, and neither party may assign or delegate any of the rights or obligations hereunder without first obtaining a written consent of the other party.

11. This AGREEMENT constitutes the entire agreement between the parties respecting the consulting services of KRAUS, and there are no representations, warranties or commitments, except as set forth herein. This AGREEMENT may be amended only by an instrument in writing executed by the parties hereto.

IN WITNESS WHEREOF, ALVIN E. KRAUS has hereunto affixed his hand, and CRITERION INSURANCE COMPANY has caused this AGREEMENT to be signed and its corporate seal to be affixed hereto by its corporate officers thereunto duly authorized.

Alvin A. Kraus

ALVIN A. KRAUS

CRITERION INSURANCE COMPANY

(SEAL)

By: George F. Lewin

George F. Lewin, President and Chief Operating Officer

Attest:

J M O'Connor

John M. O'Connor, Secretary

Exhibit 10-e

DEFERRAL AGREEMENT

This Deferral Agreement made and entered into this eighteenth day of December, 1980, by and between GEICO Corporation, a corporation organized and existing under the laws of the State of Delaware (hereinafter called the "COMPANY"), and ALVIN E. KRAUS, residing at 9026 Bronson Drive, Potomac, Maryland, 20854 (hereinafter called "KRAUS"),

WITNESSETH THAT:

WHEREAS KRAUS was employed by the Government Employees Companies (Government Employees Insurance Company, Government Employees Life Insurance Company, Criterion Insurance Company and Government Employees Financial Corporation) from 1939 to 1974, serving as a senior officer for twenty-five years and as President of Criterion Insurance Company from 1966 to 1974; and

WHEREAS, KRAUS came out of retirement in 1976 to serve as a Director of, and as Special Consultant to the Chairman of the Board of, Government Employees Insurance Company and to serve as Chairman of the Board of Criterion Insurance Company, and in 1977 to serve as a consultant to Criterion Insurance Company; and

WHEREAS, the COMPANY, through its Human Resources Committee, agreed that KRAUS is to receive compensation equivalent to payment for a 3,000 share award under the terms of the Performance Share Plan for the 1978-1980 cycle, if payments are made under that Plan for that cycle to participants in the Plan, such compensation to be paid at the same time as payments, if any, are made to Plan participants;

NOW THEREFORE, in consideration of the mutual promises and agreements of the parties hereto and for other good and valuable consideration, the parties hereto agree as follows:

1. If, as specified above, compensation is paid to KRAUS in an amount equal to a 3,000 share interest in the Performance Share Plan for the 1978-1980 cycle, such compensation will be deferred (the "Deferred Bonus").

2. In recognition of the fact that the COMPANY has adopted a Deferred Compensation Plan for directors and officers, providing for monthly interest accural on deferred compensation, it is agreed that KRAUS' Deferred Bonus shall be paid with interest computed at the same rate and in the same manner provided for in the Deferred Compensation Plan.

3. The amount of the Deferred Bonus and accumulated interest will be paid to KRAUS on the first business day in January, 1985.

4. In the event of the death of KRAUS prior to the first business day in January, 1985, payment of the Deferred Bonus on such date shall be made to his daughters, Eugenia K. Anderson and Karen K. Taylor, payments to be in equal amounts for each of said daughters.

5. The validity, construction, interpretation and enforceability of this Agreement and the capacity of the parties shall be determined and governed by the laws of the State of Delaware.

IN WITNESS WHEREOF, ALVIN E. KRAUS has hereunto affixed his hand, and GEICO CORPORATION has caused this Agreement to be signed and its corporate seal to be affixed hereto by its corporate officers thereunto duly authorized.

Alvin E. Kraus

ALVIN E. KRAUS

Attest:

John M. O'Connor

John M. O'Connor, Secretary

GEICO CORPORATION

By John J. Byrne

2

ADDENDUM TO RETAINER AGREEMENT

This ADDENDUM TO RETAINER AGREEMENT, entered into this 23rd day of March, 1981, effective as of March 14, 1981, by and between CRITERION INSURANCE COMPANY, a corporation duly organized and existing under the laws of the District of Columbia (hereinafter called the "COMPANY"), and ALVIN E. KRAUS, residing at 9026 Bronson Drive, Potomac, Maryland 20854 (hereinafter called "KRAUS"),

WITNESSETH THAT:

WHEREAS, KRAUS' present RETAINER AGREEMENT with the COMPANY provides for his services as Chairman of the Board of Directors of the COMPANY from March 14, 1980 through March 13, 1981, and;

WHEREAS, the Human Resources Committee of GEICO Corporation has requested KRAUS to continue to serve in said capacity through April 30, 1981, and KRAUS is willing to do so;

NOW, THEREFORE,

In consideration of the mutual promises and agreements of the parties hereto and for other good and valuable consideration, the parties hereto agree as follows:

1. Commencing March 14, 1981, KRAUS agrees to continue to make his services available to the COMPANY as Chairman of the Board of Directors, through April 30, 1981, subject to the terms and conditions hereinafter set forth.

2. During the period of KRAUS' extended service as Chairman, the COMPANY shall pay KRAUS a fee of $5,000.00 payable on January 1, 1984. Commencing May 1, 1981 KRAUS' fee will bear interest at the rate provided for in the COMPANY's Deferred Compensation Plan.

3. In the event of the death of KRAUS during the term of this ADDENDUM, the ADDENDUM will be considered to be terminated and the fee payable hereunder will be determined by multiplying the annual fee ($40,000) by a fraction the numerator of which is the number of days of actual service rendered by KRAUS during the period of the ADDENDUM and the denominator of which is the maximum number of days (365) covered by the annual fee.

4. The terms of the RETAINER AGREEMENT dated May 8, 1980, between the COMPANY and KRAUS will continue in effect during the period covered by this ADDENDUM.

IN WITNESS WHEREOF, ALVIN E. KRAUS has hereunto affixed his hand, and CRITERION INSURANCE COMPANY has caused this AGREEMENT to be signed and its corporate seal to be affixed hereto by its corporate officers thereunto duly authorized.

Alvin E. Kraus

ALVIN E. KRAUS

(SEAL)

Attest:

J M O'Connor

J.M. O'Connor, Secretary

CRITERION INSURANCE COMPANY

By: Geo F. Lewin

George F. Lewin, President
and Chief Operating Officer

ORIGINAL

RETAINER AGREEMENT

This AGREEMENT, entered into this 8th day of May, 1980, effective as of March 14, 1980, by and between CRITERION INSURANCE COMPANY, a corporation duly organized and existing under the laws of the District of Columbia (hereinafter called the "COMPANY"), and ALVIN E. KRAUS, residing at 9026 Bronson Drive, Potomac, Maryland 20854 (hereinafter called "KRAUS"),

WITNESSETH THAT:

WHEREAS, KRAUS was employed by the Government Employees Companies (Government Employees Insurance Company, Government Employees Life Insurance Company, Criterion Insurance Company, Government Employees Financial Corporation) from 1939 to 1974, serving as a senior officer for twenty-five years and as President of the COMPANY from 1966 to 1974 and;

WHEREAS, KRAUS retired as President of the COMPANY on March 29, 1974, and as an employee of the COMPANY as of the close of business on June 30, 1974; and

WHEREAS, KRAUS was re-elected as Chairman of the Board of Directors of the COMPANY, effective March 14, 1980, and KRAUS is willing to act in this capacity;

NOW, THEREFORE, in consideration of the mutual promises and agreements of the parties hereto and for other good and valuable consideration, the parties hereto agree as follows:

1. Commencing March 14, 1980, KRAUS agrees to make his services available to the COMPANY as Chairman of the Board of Directors, for a period of one (1) year, subject to the terms and conditions hereinafter set forth.

2. During the period of KRAUS' service as Chairman, the COMPANY shall pay KRAUS a fee of $40,000 per annum, payable

monthly. However, KRAUS elects to defer the payment of his fee hereunder until January 1, 1984. Such monthly installments of KRAUS' fee as shall have been earned will bear interest at the rate provided for in the COMPANY's Deferred Compensation Plan.

3. In the event of the death of KRAUS during the term of this AGREEMENT, the AGREEMENT will be considered to be terminated and the fee payable hereunder will be determined by multiplying the annual fee by a fraction the numerator of which is the number of days of actual service rendered by KRAUS during the period of the AGREEMENT and the denominator of which is the maximum number of days (365) KRAUS is required to render service under the AGREEMENT.

4. During the term of this AGREEMENT, KRAUS agrees not to engage in, or to become connected with as officer, employee, consultant, advisor, or substantial stockholder, any business, enterprise or company (other than the Government Employees Companies) which is in competition with the COMPANY or any of the other Government Employees Companies, whether now existing or hereafter organized. Subject to the aforesaid restrictions, KRAUS shall not be precluded from accepting and continuing any other employment or business agreement.

5. KRAUS shall not be eligible to participate in any benefit plan or program for employees of the COMPANY, including (but without being limited to) any plan or program for life, accident, health, medical or travel insurance, stock option, performance shares or vacation or health leave, <u>except</u> that KRAUS shall participate in the Incentive Bonus Plan, Executive Health Plan-A, and any other plan or program which expressly provides benefits, or eligibility for benefits, to retirees or DIRECTORS of the COMPANY. Nothing contained in this Agreement shall, however, prevent or preclude KRAUS from

receiving the retirement income or other benefits to which KRAUS may be entitled by virtue of his severance of employment on June 30, 1974, under the COMPANY's Pension Plan or Profit Sharing Plan.

6. The validity, construction, interpretation and enforceability of this AGREEMENT and the capacity of the parties shall be determined and governed by the laws of the District of Columbia.

7. This AGREEMENT is personal to each of the parties hereto, and neither party may assign or delegate any of the rights or obligations hereunder without first obtaining a written consent of the other party.

8. This AGREEMENT constitutes the entire agreement between the parties respecting the consulting services of KRAUS, and there are no representations, warranties or commitments, except as set forth herein and in Mr. D. C. Cuthbertson's memoranda to the Performance Share File dated November 13, 1978 and March 18, 1980. This AGREEMENT may be amended only by an instrument in writing executed by the parties hereto.

IN WITNESS WHEREOF, ALVIN E. KRAUS has hereunto affixed his hand, and CRITERION INSURANCE COMPANY has caused this AGREEMENT to be signed and its corporate seal to be affixed hereto by its corporate officers thereunto duly authorized.

Alvin E. Kraus
ALVIN E. KRAUS

Attest:

J M O'Connor
J.M. O'Connor, Secretary

CRITERION INSURANCE COMPANY

By: Geo F. Lewin
George F. Lewin, President
and Chief Operating Officer

CONSULTANT AGREEMENT

This AGREEMENT, entered into as of April 1, 1980, by and between GEICO CORPORATION, a corporation duly organized and existing under the laws of the State of Delaware (hereinafter called the "COMPANY"), and DR. H. EDWARD WRAPP, residing at 4738 South Lake Drive, Delray Dunes, Boynton Beach, Florida (hereinafter called "WRAPP"),

WITNESSETH THAT:

WHEREAS, WRAPP has had extensive experience with regard to planning and management, both as a corporate executive and director, and as a business consultant, including work with companies in the casualty insurance field;

WHEREAS, WRAPP has, for many years, taught and conducted research with regard to planning and management, both at the Harvard Business School and at the Graduate School of Business of the University of Chicago;

WHEREAS, WRAPP has agreed to serve as a Consultant to the COMPANY for a period of one (1) year in the fields of strategic planning, management development and human resources planning;

NOW, THEREFORE, in consideration of the mutual promises and agreements of the parties hereto and for other good and valuable consideration, the parties hereto agree as follows:

1. Commencing April 1, 1980, WRAPP agrees to make his services available to the COMPANY as a Consultant on all matters relating to strategic planning, management development and human resources planning, for a period of one (1) year, subject to the terms and conditions hereinafter set forth.

2. WRAPP agrees, if so elected, to serve as a member of the Board of Directors of the COMPANY, and as a

member or chairman of a committee or committees of the Board of the COMPANY.

3. WRAPP shall render the services described in Paragraphs 1 and 2 above, to the COMPANY during a period of up to thirty (30) full working days or their equivalent per year, at GEICO Plaza or at other mutually agreeable locations.

4. For the period of WRAPP's services as a Consultant, Director, or committee member the COMPANY shall pay WRAPP a Consulting Fee of $40,000, payment thereof to be made in one lump sum on April 1, 1983. In addition, the COMPANY will reimburse WRAPP for his reasonable expenses. The Consulting Fee will be for all services rendered including service on and attendance at meetings of the Board of Directors (and their committees) of the COMPANY.

5. If WRAPP is serving as a member of the Board of Directors of the COMPANY or a member or chairman of a committee(s) of the Board:

a. On days when a meeting of the respective Board or committee(s) of which WRAPP is a member or chairman is held, WRAPP will provide to the COMPANY a full workday of consulting services as set forth in "3" and "4" above, with a portion of such day devoted to attendance at such meeting or meetings.

b. WRAPP will not receive attendance fees for meetings of the Board or of committees thereof.

6. WRAPP will be reimbursed for all reasonable expenses incurred in connection with services rendered by him to

the COMPANY either as a consultant or as a director, committee member or chairman.

7. WRAPP shall not be eligible to participate in any benefit plan or program for employees of the COMPANY, including (but without being limited to) a plan or program for life, accident, health, medical or travel insurance, executive incentive bonus, stock options, performance shares or vacation or health leave, except that WRAPP shall participate in the Executive Financial Planning Program, Annual Physical Program and such other plans or programs as expressly provide benefits, or eligibility for benefits, to directors of the COMPANY.

8. The validity, construction, interpretation and enforceability of this Agreement and the capacity of the parties shall be determined and governed by the laws of the District of Columbia.

9. This Agreement is personal to each of the parties hereto, and neither party may assign or delegate any of the rights or obligations hereunder without first obtaining the written consent of the other party.

10. This Agreement constitutes the entire agreement between the parties respecting the consulting services of WRAPP, and there are no representations, warranties or commitments, except as set forth herein. This Agreement may be amended only by an instrument in writing executed by the parties hereto.

IN WITNESS WHEREOF, H. EDWARD WRAPP has hereunto affixed his hand, and GEICO CORPORATION has caused this AGREEMENT to be signed and its corporate seal to be affixed hereto by its officers thereunto duly organized.

H. EDWARD WRAPP

GEICO CORPORATION

By: John J. Byrne, Chairman of the Board, President and Chief Executive Officer

(SEAL)

Attest:

J. M. O'Connor, Secretary

Government Employees Insurance Company

1973 STOCK OPTION PLAN FOR OFFICERS AND EXECUTIVE PERSONNEL

Adopted by Board of Directors on January 31, 1973

and Amended May 5, 1976 and November 12, 1980

1. *Purpose of Plan.* The continued growth and success of Government Employees Insurance Company (hereinafter "the Company") depend in great measure upon the efforts and talents of its officers and key executive personnel. Keen competition exists for executive talent in the insurance and financial fields and the use of stock options to attract and retain key personnel has become widespread in many industries. The issuance of stock options to executives, by encouraging wider stock ownership, provides an important incentive for greater effort and achievement.

In order to achieve the foregoing objectives, this Stock Option Plan for Officers and Executive Personnel (hereinafter "the Plan") has been adopted by the Board of Directors.

2. *Total Shares Reserved.* A total of 335,000 shares of the authorized and unissued Common Stock of the Company is hereby reserved for issuance upon the exercise of the stock options (hereinafter "Options") granted under the Plan to Eligible Officers and Executive Personnel (hereinafter "Optionees") as defined in Paragraph 5. If an Option shall expire or terminate, in whole or in part, for any reason without having been fully exercised, the unpurchased shares covered by such Option shall (except as provided in Paragraph 12 or unless the Plan shall have been terminated) become available for Options under the Plan to other Optionees.

3. *Administration of Plan.* (a) *Stock Option Plan Administrative Committee.* The Chairman of the Board, with the approval of the Board of Directors, shall initially appoint a Stock Option Plan Administrative Committee (hereinafter "the Committee"), which shall consist of at least five Directors, one of whom shall be designated as Chairman. The Chairman of the Board, with the approval of the Board of Directors, may from time to time appoint members of the Committee in substitution for or in addition to members previously appointed and may fill vacancies in the Committee, however caused. Nevertheless, only Directors who are not eligible to receive Options may be members of the Committee. The Committee shall hold its meetings at such times and places as it shall deem advisable. A majority of its members shall constitute a quorum and all determinations of the Committee shall be made by a majority of its members. Any decision, order or determination in writing signed by a majority of the members shall be fully as effective as if made by majority vote at a meeting duly called and held. The Committee shall keep minutes of its proceedings and shall furnish the Board of Directors with copies thereof, and of all decisions, orders and determinations made by the Committee.

(b) *Powers of Committee.* Subject to the provisions of the Plan, the Committee shall administer the Plan in conformance with and subject to the terms and provisions thereof, and shall have the power and authority (i) to allocate and to grant Options from time to time to Optionees, other than the Chief Executive Officer and the President; (ii) to determine whether the Options granted to any Optionee shall be qualified stock options, as defined in the Internal Revenue Code, or non-qualified stock options; (iii) to determine the time or times at which Options shall be granted; (iv) to determine the number of shares to be covered by, and the term of, each Option; (v) to interpret the Plan; (vi) to prescribe, amend and rescind rules and regulations relating to the Plan; (vii) to determine the duration, terms and provisions of the Options and of the Option Agreements between the Company and the Optionee (which need not be identical), subject to approval by the General Counsel, and (viii) to make all other determinations, orders and decisions deemed necessary or advisable for the administration of the Plan provided, however, that all actions of the Committee pursuant to parts (i), (iii) or (iv) hereof shall be taken only after receiving the recommendations of the Chief Executive Officer thereon.

4. *Allocation of Options to Chief Executive Officer and President.* Subject to the provisions of the Plan, the Board of Directors shall determine the time or times at which Options shall be granted to the Chief Executive Officer and the President of the Company, and the number of shares to be covered by each Option. All other powers granted, decisions relegated and references made to the Committee herein shall be deemed powers granted, decisions relegated and references made to the Board of Directors, insofar as they relate to Options granted or to be granted to the Chief Executive Officer and the President.

5. *Eligible Officers and Executive Personnel.* Options may be granted only to personnel of the Company under age sixty-four who are regular salaried employees in positions classified in Salary Range 30 or a higher Salary Range (or equivalent) in the Company's Salary Administration Program for Officers and Executives. Options hereunder may not be granted to any director of the Company unless he is also a regular salaried officer. In determining the persons to whom Options shall be granted and the number of shares to be covered by each Option, the Committee shall take into account their respective duties, their present and potential contributions to the success of the Company, the anticipated number of years of effective service remaining, and such other factors as the Committee shall deem relevant to accomplish the purpose of the Plan. The Board of Directors shall also take such factors into

account in determining the number of shares to be covered by Options granted to the Chief Executive Officer and the President. A person who has been granted an Option may be granted additional Options in the discretion of the Committee or the Board, as the case may be, subject to the provisions of the Plan.

6. *Allotment of Options.* Options up to the total number of shares reserved hereunder shall be available for issuance to Optionees during the term of this Plan in such annual or other installments as the Committee may determine, and the Committee in its discretion may vary any yearly amounts.

7. *Option Prices.* The purchase price under each Option for the shares of Common Stock covered thereby shall be not less than one hundred percent (100%) of the fair market value of the Common Stock of the Company on the date of granting the Option as determined by the Committee. The option price of the Options granted under this Plan shall not be less than the par value of the optioned shares.

8. *Term of Options.* The term of each Option shall be determined by the Committee, but shall not be less than two years nor more than ten years from the date it is granted. The preceding sentence notwithstanding, the term of each Option intended to be a qualified stock option, as defined in the Internal Revenue Code, shall not be more than five years from the date it is granted. All Options shall be subject to earlier termination as hereinafter provided.

9. *Exercise of Options.* No Option may be exercised during the first year after the date it is granted, except as provided in Paragraph 12 hereof relating to termination of employment. Twenty-five percent (25%) of the total number of shares covered by each Option may be exercised at any time after the first anniversary of its granting and an additional twenty-five percent (25%) may be exercised at any time after each of the three (3) succeeding anniversaries. The right to so exercise Options as aforesaid shall be cumulative, so that in the event the holder of an Option does not exercise his Option in any given year with respect to the maximum number of shares as to which it could be exercised in said year, the unexercised number of shares shall be available for exercise in any subsequent year or years until the Option has expired. Any Option shall be exercisable in whole at any time after the fourth anniversary of its granting, or in part from time to time as hereinabove provided, but not as to less than 10 shares at any one time. To exercise an Option in whole or in part, the holder shall give written notice of exercise to the Committee specifying the number of shares as to which the Option is to be exercised, accompanied by payment in full of the option price of the shares as to which the Option is exercised. The option price for the number of shares exercised shall be paid in cash or, with the approval of the Board of Directors or the Committee, may be paid in full or part by the tender of GEICO Corporation Common Stock owned by the Optionee. Such Common Stock delivered in payment of the option price shall be valued at the fair market value and any portion of the option price not satisfied by the tender of Common Stock shall be paid in full in cash upon such exercise. Except as provided in Paragraph 12 hereof, no Option may be exercised unless the holder thereof is at the time of exercise an Officer or other regular employee of the Company. Notwithstanding the foregoing, the Committee or the Board of Directors may, in the discretion of either, modify or eliminate any of the foregoing terms or requirements with regard to non-qualified stock options. The holder of an Option shall not have any of the rights of a stockholder with respect to the shares covered by his Option until such shares have been issued to him upon the due exercise of the Option.

10. *Option Agreement.* Promptly after the grant of an Option by the Committee under this Plan, and before the exercise of any part thereof, the Company and the Optionee shall execute an Option Agreement specifying the option price and the terms and conditions of the Option. If the Option is intended to be a qualified stock option, as defined in the Internal Revenue Code, the Option Agreement evidencing such Option shall contain such provisions as are required of qualified stock options under the applicable provisions of the Internal Revenue Code and Treasury Regulations, as from time to time in effect, specifically including a provision that no Option, intended to be a qualified stock option, granted pursuant to this Plan may be exercised by him while there is outstanding, a previously granted unexercised Option, within the meaning of Section 422(c)(2) of the Internal Revenue Code, granted under this Plan or any other plan, held by him covering shares of the same class of stock if the option price under the prior Option is higher than the option price under the later Option. Further, the Option Agreement shall contain provisions whereby the Optionee agrees that he will remain in the employ of the Company for a period of at least one year from the date the Option is granted to him; that he will, during such employment, devote his entire time, energy and skill to the service of the Company and the promotion of its interests, subject to vacations, sick leave and other absences in accordance with the Company's regular policies; that such employment shall be at the pleasure of the Board of Directors or the President, and shall be at the rate of compensation in effect at the time of granting the Option, with such increases or decreases as the Company may from time to time in its discretion determine; and that in the event of a violation by the employee of such Agreement, the unexercised Option or Options held by him may be terminated by the Board of Directors. Notwithstanding the foregoing, the Committee or the Board of Directors may, in the discretion of either, modify or eliminate any of the foregoing terms or requirements with regard to non-qualified stock options. Further, such an Option Agreement may contain in the discretion of the Committee, a provision whereby the Optionee agrees that any shares purchased upon exercise of the Option shall be purchased solely for investment and not with any intention of distributing the same, and that the Optionee shall so certify at each time or times such shares are so purchased.

11. *Non-Transferability of Options.* An Option shall not be transferable otherwise than by will or the laws of descent and distribution. During the lifetime of the Optionee, an Option may be exercised only by him.

12. *Termination of Employment.* (a) *General.* In the event the employment of an Optionee terminates other than by retirement, resignation or death, the unexercised portion of his Option shall be cancelled. Options granted under the Plan shall not be affected by any change of duties or positions so long as the Optionee continues to be an officer or other regular employee of the Company. Notwithstanding the foregoing, the Committee or the Board of Directors may, in the discretion of either, modify or eliminate any of the foregoing terms or requirements with regard to non-qualified stock options.

Nothing in the Plan or in any Option granted pursuant to the Plan shall confer upon any Optionee any contractual right to continue in the employ of the Company, nor interfere in any way with the right of the Company to terminate his employment at any time.

(b) *Retirement.* In the event the employment of an Optionee terminates by retirement under the Company's Pension Plan, the unexercised portion of any Option held by him may be exercised by him within three (3) months thereafter. All Options granted to such Optionee and not previously exercisable shall become fully exercisable, notwithstanding the provisions of Paragraph 9 hereof. No Option may be exercised after the expiration of the term thereof.

(c) *Resignation.* In the event the employment of an Optionee terminates by resignation, the unexercised portion of any Option held by him may be exercised by him within three (3) months thereafter to the extent that it was exercisable under the provisions of Paragraph 9 hereof on the date of his resignation, but no Option may be exercised after the expiration of the term thereof.

(d) *Death.* In the event the employment of an Optionee terminates by death, the unexercised portion of any Option granted to him may be exercised by his personal representative within one (1) year thereafter (or within such additional time as the Committee may have specified in the Option), to the extent that the Option was exercisable under the provisions of Paragraph 9 hereof on the date of his death (or to such greater extent the Committee or the Board of Directors may have specified in the Option): *Provided,* however, that if at the date of his death the Optionee was eligible for retirement under the Company's Pension Plan, all Options granted to the Optionee and not previously exercisable shall become fully exercisable at such date, notwithstanding the provisions of Paragraph 9 hereof. No Option may be exercised after the expiration of the term thereof.

13. *Adjustments Upon Changes in Capitalization.* Notwithstanding any other provisions of the Plan, in the event of any change or changes in the outstanding Common Stock of the Company by reason of stock dividends, stock splits, recapitalizations, mergers, consolidations, combinations or exchanges of shares, the aggregate number of shares reserved or available under the Plan, the maximum number of shares as to which Options may be granted, the number of unexercised shares covered by each outstanding Option, and the Option price shall be appropriately adjusted. Each Option Agreement shall contain such provisions relating to such adjustments as the Committee shall deem appropriate. No downward adjustment of the Option price shall be made except as authorized in this Paragraph 13. Nothing in the Plan shall affect the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge or consolidate or to dissolve, liquidate, or sell, or transfer all or any part of its business or assets.

14. *Effective Date of the Plan.* The Plan will become effective on May 22, 1973, subject to approval by vote of the holders of a majority of the outstanding shares of Common Stock of the Company; provided, however, that the Plan shall not take effect unless and until approved by the appropriate agency designated under the Economic Stabilization Act, if such approval is required.

15. *Termination and Amendment of the Plan.* Unless terminated sooner pursuant to this Paragraph 15, the Plan shall terminate on March 27, 1983, and no Option shall be granted under the Plan after that date, but the term of the Options theretofore granted may extend beyond that date. The Board of Directors of the Company may terminate the Plan at any time prior to March 27, 1983. The Plan may at any time or from time to time be modified or amended, provided that approval by vote of the holders of a majority of the outstanding shares of the Common Stock of the Company is obtained for any amendments that would increase the aggregate number of shares which may be granted, decrease the Option price to less than one hundred percent (100%) of the fair market value on the date of grant (but no such amendment can permit the Option price to be less than ninety-five percent (95%) of the fair market value of the stock on the date of grant), or change the class of personnel eligible to receive Options. No termination, modification or amendment of the Plan may, without consent of the Optionee, affect rights under any Option which shall theretofore have been granted.

16. *Effect on Outstanding Options.* This Plan shall not affect the terms and conditions of any restricted stock options or qualified stock options granted to any employee of the Company under the prior Stock Option Plan for Officers and Executive Personnel previously adopted by the Board of Directors.

17. *Use of Proceeds.* The proceeds received by the Company from the sale of stock pursuant to the Plan will be used for its general corporate purposes.

Exhibit 10-j

GEICO CORPORATION & GEICO
1981 BONUS PLAN FOR OFFICERS

Bonus Pool:

Performance of the enterprise will be measured against the 1981 Business Plan, with focused attention on results compared with the selected key goals of:

(a) underwriting ratio in GEICO:

underwriting ratio	bonus pool as % of salary
95% or better	25%
96%	20%
97%	15%
98%	10%
99%	5%
100%	0%

(b) shareholder earnings: earnings per share to be 15% higher than 1980 and a return on equity at least 125% of American Business. Results against this goal to modify the pool by no more than ± 15% of itself.

(c) expense ratios: management of productivity and our expense ratios continues to be a core part of our strategy to return GEICO to its preeminence as the low cost operator. A one year improvement of 2½ points on last year's 28.9% (for the general expense ratio and loss adjustment expense ratio combined) would be good progress. Results against this goal to modify the pool by no more than ± 15% of itself.

(d) growth: the plan calls for approximately 11% growth in voluntary written premium. Results against this goal to modify the pool by no more than ± 10% of itself.

The Human Resources Committee will evaluate the performance of the enterprise against the 1981 Business Plan with focused attention on these key goals. All definition of terms, including earnings per share and return on equity as currently defined in our standard glossary and as currently being reported according to generally accepted accounting principles, where appropriate. For return on equity for American Business we will use the FORBES magazine results published in January, 1982, using the twelve month average as defined by them. If, for any reason, FORBES should not publish its annual survey by the end of February, the committee will substitute an appropriate alternate. All American Business to mean all business reported on in the FORBES annual survey, which presently includes well over 1,000 large companies.

Distribution of bonus pool:

The committee will distribute the bonuses to participants after considering the recommendations of management.

Individual bonuses will differ widely by performance (from 0% to 50% of salary) with performance measured and ranked by the chairman, with heavy emphasis on individual and departmental accomplishments of the objectives in the 1981 Business Plan and general contribution to 1981 financial results.

Payment will be in a single lump cash payment distributed with the release of the 1981 report to shareholders.

The non-officer plan tracks the above with the basic formula producing approximately half as great a percentage for that pool.

GEICO CORPORATION

Performance Share Plan

As approved by the Shareholders on May 23, 1979
and amended November 12, 1980

Section 1—Purpose

The purpose of this Performance Share Plan (the "Plan") for key executives of GEICO Corporation and its subsidiaries (hereinafter collectively called "GEICO") is to further the long-term profitable growth of GEICO by offering a long-term incentive in addition to current compensation for such executives, thereby aiding GEICO in retaining those employees who contribute materially to GEICO's success, and to attract qualified persons to seek and accept employment with GEICO.

Section 2—Administration of the Plan

(a) The Plan shall be administered by the Human Resources Committee (the "Committee") of the Board of Directors of GEICO Corporation (the "Board of Directors") which shall consist of not less than three members of the Board of Directors who are not eligible to participate in the Plan. The Committee shall be appointed by the Board of Directors, which may from time to time appoint members of the Committee in substitution for members previously appointed and may fill vacancies, however caused, in the Committee. The Committee's interpretation of the Plan and its determination of awards made under it shall be in its absolute discretion and shall be final and binding on all parties. The Committee shall have the authority, subject to the provisions of the Plan, to establish, adopt or revise such rules and regulations relating to the Plan as it may deem necessary or advisable for the administration of the Plan.

(b) The Committee shall conduct its business and hold meetings as determined by it from time to time, and any action taken by the Committee at meetings duly called shall require the affirmative vote of at least a majority of its members then in office. Any decision or determination reduced to writing and signed by all the members of the Committee shall be as fully effective as if it had been made by a majority vote at a meeting duly called and held.

Section 3—Participants

(a) Participation shall be limited to key executives of GEICO who are selected for participation by the Committee. The Committee shall consider recommendations from the Chief Executive Officer of GEICO as to the selection of participants but shall not be bound by such recommendations.

(b) Any participant may receive one or more awards of performance shares as the Committee may from time to time determine, and such determinations may be different as to different participants and may vary as to different award cycles. A director of GEICO who is not also an employee shall not be eligible to receive an award. Nothing contained in the Plan shall be construed to limit the right of GEICO to grant performance shares or other forms of incentive compensation otherwise than under the Plan.

(c) The selection of an employee for participation in the Plan shall not give the participant any right to be retained in the employ of GEICO, and the right and power of GEICO to dismiss or discharge any participant is specifically retained. No participant and no person claiming under or through him shall have any right or interest, whether vested or otherwise, in the Plan or in any amount standing to his credit in the Plan unless and until all the terms, conditions and provisions of the Plan that affect such participant shall have been met as specified herein.

Section 4—Awards

(a) Each employee designated as a participant in the Plan shall be awarded such number, if any, of performance shares, each of which shall consist of one share of Common Stock, par value $1.00 per share, of GEICO Corporation (the "Common Stock") as shall be determined by the Committee on the basis of performance and other criteria established by it. Once awarded, performance shares cannot be cancelled unilaterally by GEICO or the Committee, except through the provisions of Sections 6(c) and 7.

(b) Performance shares shall be awarded to participants contingent upon the future performance of GEICO, and the Committee shall establish the performance measures applicable to such performance and the time period over which such performance shall be measured.

(c) In determining the number of performance shares to be awarded, the Committee shall take into account each participant's responsibility level, past performance, potential, cash compensation level, incentive compensation awards and such other considerations as it deems appropriate.

(d) The maximum number of shares of Common Stock which may be paid out under the Plan shall be 500,000.

(e) Shares of Common Stock which are covered by a performance share award but are not paid out, in cash or Common Stock, at the end of an award cycle, shall become available for awards under the Plan.

(f) There shall be no obligation at any time on the part of the Committee to award any shares of Common Stock, or in the event shares are awarded, to pay out such shares unless the terms and conditions of the Plan are met.

Section 5—Participation Accounts

The Committee shall maintain accounts to show the performance shares awarded in each cycle to each participant.

Section 6—Payments to Participants

(a) Payment with respect to performance shares shall be made to the participants promptly after the end of the cycle established when such shares were awarded or on such later date or dates as the Committee shall in each case determine. Payment may be made in one or more installments and may be made wholly in cash, wholly in shares of Common Stock or partly in each, all at the discretion of the Committee. Any payment may be subject to such restrictions and conditions as the Committee may determine.

(b) For purposes of making payments to participants, the value of a share of Common Stock on any date shall mean the average of the closing trade price on each trading day during the 15 consecutive trading days, commencing 30 trading days before the date in question, of a share of Common Stock as reported by the New York Stock Exchange, or such other reporting service as may be selected from time to time by the Committee for that purpose. In the event that a trade of Common Stock is not reported on any such day, the value of a share of Common Stock on such day shall mean the average of the closing bid and asked prices as reported by the New York Stock Exchange or such other reporting service as may be selected by the Committee for that purpose.

(c) Payments to a participant at the end of a cycle shall be reduced by an amount equal to the excess, if any, of the market value (as determined pursuant to Section 6(b)) of the shares of Common Stock allocated to his account over three times the market value of such shares on the date the award was made by the Committee.

(d) Any taxes required to be withheld by Federal, state or local law shall be deducted from all payments under the Plan.

(e) A participant may designate in writing, on forms prescribed by and filed with the Committee, a beneficiary or beneficiaries to receive any payments payable after his death and may at any time amend or revoke any such designation. If no beneficiary designation is in effect at the time of a participant's death, payments under the Plan shall be made to his legal representatives.

(f) Payments received by a participant under the Plan shall not be considered additional salary and shall not change an employee's annual base salary for purposes of calculating any benefits under any other GEICO employee benefit program now in effect or hereafter adopted.

(g) Payments made in Common Stock may be made from authorized and unissued shares or from shares held in the Treasury.

Section 7—Forfeiture of Benefits

The payment of benefits under the Plan shall be governed by the following rules:

(a) Performance shares granted with respect to a cycle shall not be paid out to the participants unless during that cycle GEICO has met certain performance measures for such cycle which shall have been established by the Committee at the time the awards for that cycle are made but may be subject to such later revisions as the Committee shall deem appropriate.

(b) An award of performance shares to a participant shall terminate for all purposes if he does not remain continuously in the employ of GEICO at all times during the cycle for which such award was made, except for death, disability or retirement under a GEICO pension plan and as may otherwise be determined by the Committee under particular circumstances. If a participant's employment was terminated because of death, disability or retirement as aforesaid, he or his beneficiary shall be entitled to receive a pro rata portion of such participant's award based upon the portion of the cycle during which he was so employed, all as the Committee shall determine in each case.

Section 8—Non-Alienation of Benefits

No right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge the same shall be void. No right or benefit hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities or torts of the person entitled to such benefits. If any such person should become bankrupt or attempt to anticipate, alienate, sell, assign, pledge, encumber or charge any right or benefit hereunder then such right or benefit shall, in the discretion of the Committee, cease and terminate and in such event the Committee may allow them to lapse or hold and apply the same or any part thereof for the benefit of the participant, his beneficiaries, his or her spouse, children or other dependents or any of them, in such manner and in such proportion as the Committee may deem proper.

Section 9—Units on Recapitalization, Stock Splits, etc.

The performance shares, and the number and class of shares of Common Stock subject thereto shall be appropriately adjusted by the Committee in the event of changes in the Common Stock by reason of recapitalizations, mergers, consolidations, combinations or exchanges of shares, split-ups, split-offs, spin-offs, liquidations or other similar changes in capitalization or any distributions to Common shareholders other than cash dividends.

Section 10—Miscellaneous Provisions

(a) No participant shall be entitled to any voting rights or to receive any dividends with respect to any Common Stock covered by a performance share award but not yet paid to him.

(b) All expenses of administering the Plan shall be borne by GEICO and shall not be charged to any participant or to any payments due any participant.

(c) A dissolution or liquidation of GEICO or a merger or consolidation in which GEICO is not the surviving corporation, or a change in the composition of the Board of Directors in which one-half or more of the directors of GEICO on a particular date were not directors on the corresponding date two years preceding such date (and one or more of the new directors was not nominated by the Board of Directors) shall cause every performance share then awarded under the Plan to vest immediately and payments of such shares shall thereupon be made immediately by GEICO or any successor corporation.

(d) No member of the Board of Directors or of the Committee shall be liable for any act or action, whether of commission or omission taken by any other member or by any other officer, agent or employee nor, except in circumstances involving his bad faith, for anything done or omitted to be done by himself.

(e) The place of administration of the Plan shall be conclusively deemed to be within the District of Columbia and the validity, construction, interpretation, administration and effect of the Plan, and of its rules and regulations, and the rights of any and all persons having or claiming to have an interest therein or thereunder, shall be governed by and determined exclusively and solely in accordance with the laws of the District of Columbia.

(f) The determination of the Committee with respect to any question arising as to any award of performance shares, the individuals selected for awards, the performance measures, the amount, terms, form and time of payment of performance shares and the interpretation of the Plan shall be final, conclusive and binding.

Section 11—Amendments and Termination

(a) The Board of Directors may terminate the Plan or modify it in such respects as they shall deem advisable in order to conform to any change in law or regulation applicable thereto or in any other respect but which shall not in any event change (i) the maximum number of shares of Common Stock which may be paid under the Plan, (ii) the class of employees eligible to receive awards or (iii) the provisions relating to the administration of the Plan by a committee consisting of directors not eligible to participate in the Plan as provided in Section 2.

(b) Unless terminated earlier in accordance with Section 11(a) above, the Plan shall terminate on December 31, 1982, but no such termination nor any modification of the Plan shall diminish, reduce, alter or impair the value of or the rights of a participant to any award made prior to the date of such termination or modification.

ADDITIONAL EARNINGS PER SHARE INFORMATION

Affiliates include GEICO's consolidated insurance subsidiaries and unconsolidated finance affiliate.

	In Thousands Except Per Share Results		
	Year Ended December 31,		
	1980	1979	1978
Fully Diluted:			
Earnings			
Operating income	$59,644	$59,549	$62,409
Less: Equity in income of affiliates	(10,340)	(9,427)	(9,202)
Plus: Equity in affiliates' fully diluted earnings per share	10,295	9,186	8,943
Less: Dividends on senior preferred stock	-	-	(2,500)
Operating earnings applicable to common shares	59,599	59,308	59,650
Realized gains (losses)	1,119	(724)	(6,958)
Income applicable to common shares before extraordinary item	60,718	58,584	52,692
Extraordinary item	-	15,456	32,747
Income applicable to common shares	$60,718	$74,040	$85,439
Shares			
Weighted-average number of common shares outstanding	20,522	17,336	18,040
Conversion of convertible preferred stocks	2,225	10,238	16,196
Net effect of dilutive stock options	59	179	107
Net effect of performance share awards	197	-	-
Total	23,003	27,753	34,343
Fully diluted earnings per share			
Operating earnings	$ 2.59	$ 2.14	$ 1.74
Income before extraordinary item	$ 2.64	$ 2.11	$ 1.53
Net income	$ 2.64	$ 2.67	$ 2.49
Primary:			
Earnings			
Operating income	$59,644	$59,549	$62,409
Less: Equity in income of affiliates	(10,340)	(9,427)	(9,202)
Plus: Equity in the affiliates' primary earnings per share	10,295	9,320	9,198
Less: Dividends on preferred stock	(743)	(3,284)	(8,436)
Operating earnings applicable to common shares	58,856	56,158	53,969
Realized gains (losses)	1,119	(724)	(6,958)
Income applicable to common shares before extraordinary item	59,975	55,434	47,011
Extraordinary item	-	15,456	32,747
Income applicable to common shares	$59,975	$70,890	$79,758
Shares			
Weighted-average number of common shares outstanding	20,522	17,336	18,040
Primary earnings per share			
Operating earnings	$ 2.87	$ 3.24	$ 2.99
Income before extraordinary item	$ 2.92	$ 3.20	$ 2.61
Net income	$ 2.92	$ 4.09	$ 4.42

GEICO Corporation

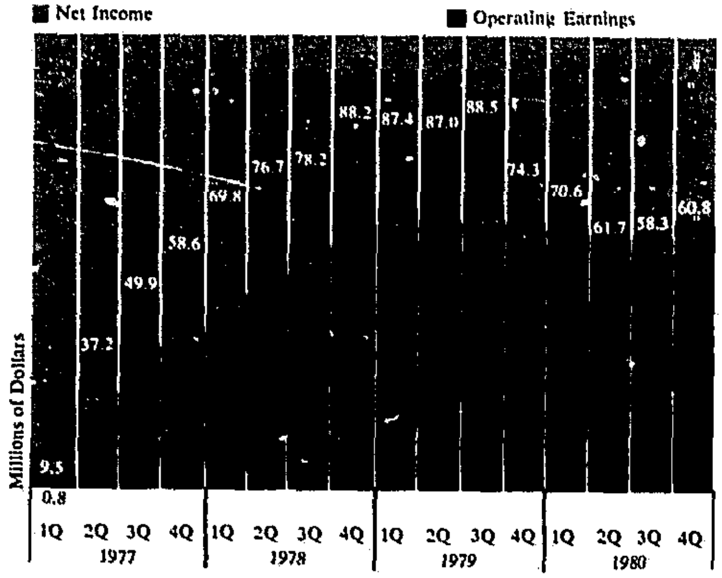
Exhibit 13

GEICO

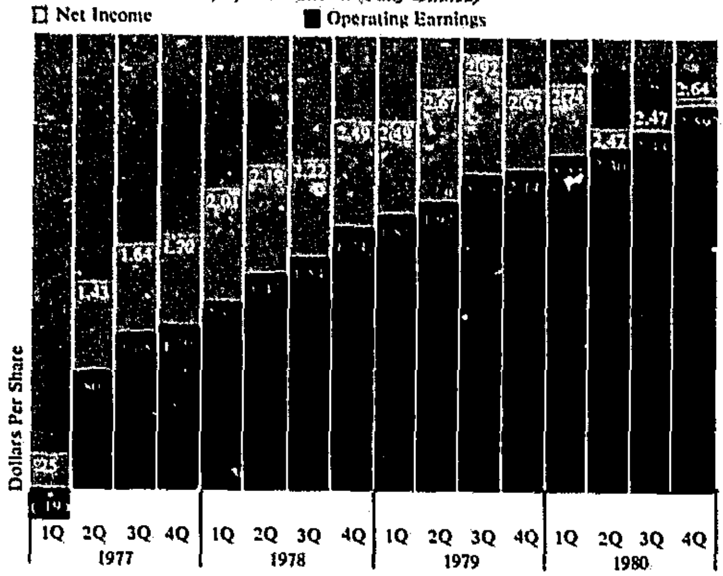
Financial Highlights

(In thousands, except per share data)	*1980*	*1979*	*% Change*
Revenue	**$ 726,434**	$ 705,890	2.9
Operating earnings	**59,644**	59,549	.2
Net income	**60,763**	74,282	(18.2)
Assets	**1,474,578**	1,412,297	4.4
Shareholders' equity *(fully converted)*	**194,313**	193,209	.6
Operating earnings per share (fully diluted)	**2.59**	2.14	21.0
Net income per share (fully diluted)	**2.64**	2.67	(1.1)
Dividends declared per common share	**.43**	.36	19.4
Book value per share (fully converted)	**8.99**	7.68	17.1
Weighted average shares (fully diluted)	**23,003**	27,753	(17.1)

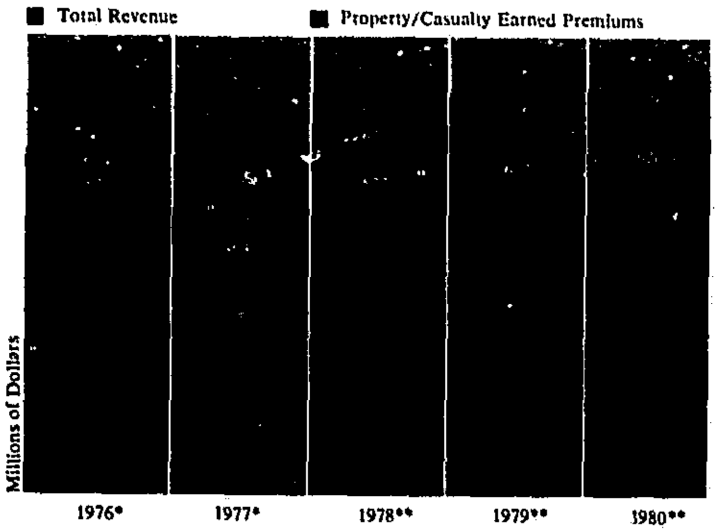
Operating Earnings and Net Income
Twelve Months Ending Quarter Shown



Operating Earnings and Net Income Per Share
Twelve Months Ending Quarter Shown (Fully Diluted)



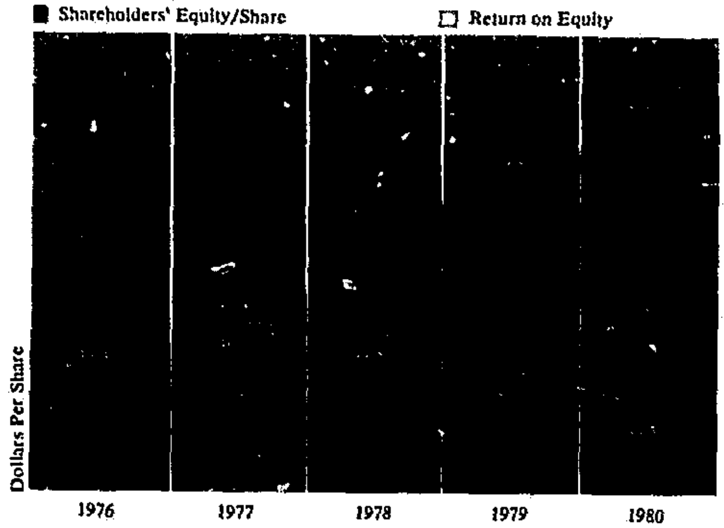
Consolidated Revenue



*GEICO unconsolidated prior to 1978

**Includes life insurance premiums plus investment income in addition to property casualty earned premiums

Shareholders' Equity Per Share and Return on Equity
(Fully Converted)



To Our Shareholders

On balance 1980 was a reasonably good year for your Company. Our operating earnings were about level with 1979. Net income was off 18%. On the other hand earnings per share were up nicely, and the underwriting gain in our property casualty business remained respectable.

Our property and casualty written premiums were up 5%, life premiums were flat and investment income rose 6%. Overall a little better but not yet exciting.

Bill Snyder, President of GEICO, and George Lewin, Criterion's President, and their managers deserve applause for producing good underwriting results under trying economic conditions. It took skillful management to achieve profitable underwriting results in 1980, as it will again in 1981. In our combined property casualty lines the underwriting ratio was 96.4%—not to our standard but quite respectable. Although our customers are having fewer accidents inflation is wreaking havoc with automobile repair costs. Inflation is a tough opponent and it is not clear that we can hold these ratios to similar levels in 1981, although I do expect us to manage an underwriting profit. We are working hard at all levels to become known once again as good underwriters—1981 will provide us with another opportunity to see how far we have come.

We are pleased with the progress being made by GEICO in reducing its operating expenses. GEICO sliced a full 2½ points, or 8%, off its expense ratios in 1980, the result of continued management emphasis on productivity. There is still more to come here. And all the time our service has continued to improve and policy persistency has remained at 90%. A job well done.

As a result of these productivity improvements, we are passing expense savings on to our customers in the form of lower rates. This is key to our marketing strategy to again become the industry's low cost operator in markets where we want to expand. Price advantage and good customer service have always been GEICO's hallmarks. Your recommendation of our insurance services to your prudent friends and neighbors will be most helpful.

In December we announced the formation of a new enterprise—Resolute Group, Inc. Resolute is a wholly-owned subsidiary of GEICO Corporation that will write both domestic and international reinsurance. We are committed to careful risk selection and underwriting profitability in this new field.

Our life insurance affiliate, GELICO, earned close to its planned modest increase. Individual life sales were slow in 1980, as they were for the industry. We are pleased with the prospects for GELICO's new Brokerage Division, Professional Life Associates, which was formed in December 1980. The division will offer new products through professional brokers, a new distribution system. Senior Vice President Billy Joyner, CLU, is managing the new division and Vice President Joseph Albert, CLU, is responsible for marketing. They are proven professionals in the field and we expect that Professional Life Associates will be a constructive supplement to GELICO's marketing effort.

In September we increased our investment in the Common Stock of AVEMCO Corporation from 5% to 22%. The purchase of these additional shares was made with AVEMCO's approval. AVEMCO specializes in general aviation aircraft and pilot insurance as well as aircraft financing.

The results of our investment in GEFCO were disappointing in 1980. The consumer finance business is being whipsawed by high interest rates and the recently liberalized bankruptcy laws. The outlook here is fair at best.

A factor in the Corporation's increased earnings per share over the last two years has been the restructuring of our capital. Since year-end 1978, we have reduced the number of outstanding common share equivalents by 37%, substituting debt capital for some of the equity. So far this program has had a favorable impact on your per share earnings.

The real value of our bond portfolio took a licking—like all portfolios of medium and long-term bonds. We should have managed that better. While our reported book value per share increased 38% in the last two years, the real net worth clearly did not do that well. We have shifted our investment portfolio objectives to improve real value. We placed increased emphasis on aftertax total return, including long-term capital appreciation, rather than focusing so much on current income. We are foregoing current earnings in order to improve the real value of your enterprise. At year end we enjoyed a fair degree of liquidity with $68 million in cash and near cash, plus in excess of $75 million in bonds that mature during 1981. This gives us powerful buying power if value develops in the marketplace.

Your Board of Directors was pleased to increase the quarterly cash dividend on the Common Stock during 1980. Our dividend payout was $.43 per share, up 19%. In February 1981 your Board increased the quarterly dividend again, this time to $.12.

I expect us to continue to manage to an underwriting profit but 1981 looks more difficult than 1980. Our property casualty premiums should pick up a little smarter now, while life insurance premiums may grow only sluggishly. Our investment income should continue to grow at only a modest pace, as we stick to our strategy of protecting value. Dividends should continue to rise and our earnings per share should grow but the pace may slow somewhat.

You will notice that we emphasize in this report the important role our employees have in the success of the enterprise. We have assembled a staff of tough-minded business men and women who are working well together. As a medium-sized company, highly focused, we think of ourselves as a family serving the needs of other families. I am proud of what the GEICO family achieved in 1980.

The best is yet to be.

John J. Byrne
Chairman

"On balance 1980 was a reasonably good year for your Company... the underwriting gain in our property casualty business remained respectable."

Respectfully submitted,

Jack Byrne

John J. Byrne
Chairman

By establishing programs that meet both professional and personal needs, we help employees help themselves... By working together as a family of Companies and as a family of individuals, our combined accomplishments become greater than the sum of our individual efforts... Making the most of human resources means providing a comprehensive program of professional development.

Maximizing the Human Potential

GEICO's ability to provide quality service to policyholders and an equitable return to shareholders depends upon the collective efforts of its individual employees. Maximizing the human potential is the key to success in every aspect of operations, from sales to claims to management of investments. To achieve good results for the shareholder, we need good employees—and they need the proper incentives, training and environment.

By establishing programs that meet both professional and personal needs, we help employees help themselves. By strengthening individuals, we in turn strengthen our overall performance. By working together as a family of Companies and as a family of individuals, our combined accomplishments become greater than the sum of our individual efforts.

Making the most of human resources means providing a comprehensive program of professional development. This begins with the recruiting process. Drawing first from the human resources within the Companies, vacant positions are highlighted to all employees through our Job Post Program. In 1980, 43% of our positions were filled through this program.

External recruiting also is necessary to fill our diverse needs. We visit high schools and colleges to let graduating students know of our career opportunities within the Companies. We participate in the Howard University Internship Program in Washington, D.C., with students majoring in insurance studies working in different areas of the Companies' operations.

New employees receive extensive training, but this is just the beginning of the process. Many instructional programs are available so that employees can improve their skills and prepare themselves for additional responsibilities.

A modern approach includes course work offered through a computer-based, self-instruction program.

On-the-job training programs are complemented by other programs, such as our Washington headquarters becoming the Insurance Studies Center for the Washington Metropolitan area in 1980. Through the Center, employees can take Insurance Institute of America/Chartered Property and Casualty Underwriter (IIA/CPCU) course work leading to certification and the CPCU designation. For undergraduate and graduate level studies, the Companies reimburse the employee for 75% of tuition costs for course work that is generally job related. In 1980, 9% of all GEICO and Criterion employees participated. This is more than double the national average for corporate tuition reimbursement programs.

We are particularly pleased with the results of our ESOL (English Spoken as an Other Language) Program in the Washington area which provides us a pool of valuable employees while assisting them to perfect their English and to become better citizens.

Our Management Development Task Force, with wide company representation, works to develop general management skills and future leaders. Corporate Strategy Seminars bring together members of management for intense study designed to broaden their perception of our business and knowledge of its operations.

Employee compensation programs are tied to productivity. We do not believe in cost of living increases as such. Our merit system rewards performance and productivity. Those who prove themselves to be achievers are compensated accordingly. Periodic reviews assure that basic salaries are competitive with comparable jobs outside the Companies. We emphasize to all employees that productivity pays their compensation and for all additional benefits.

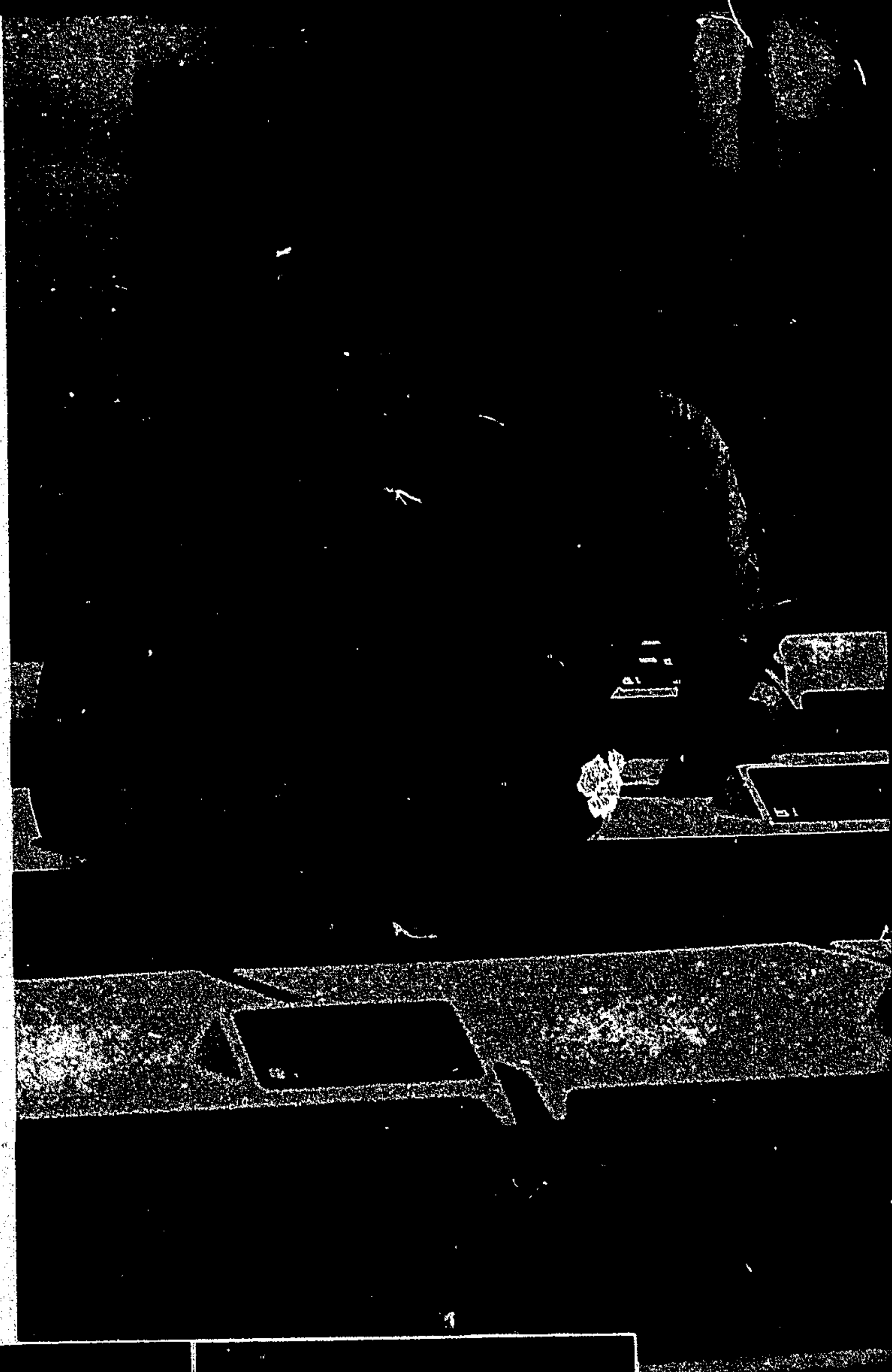
Among tailored employee benefits first offered in 1980, the GEICO Student Loan Program enables employees to obtain low interest educational loans for their spouses and children. A GEICO Family Scholar Program was initiated with 55 children of employees receiving scholarships with selection based on academic achievement.

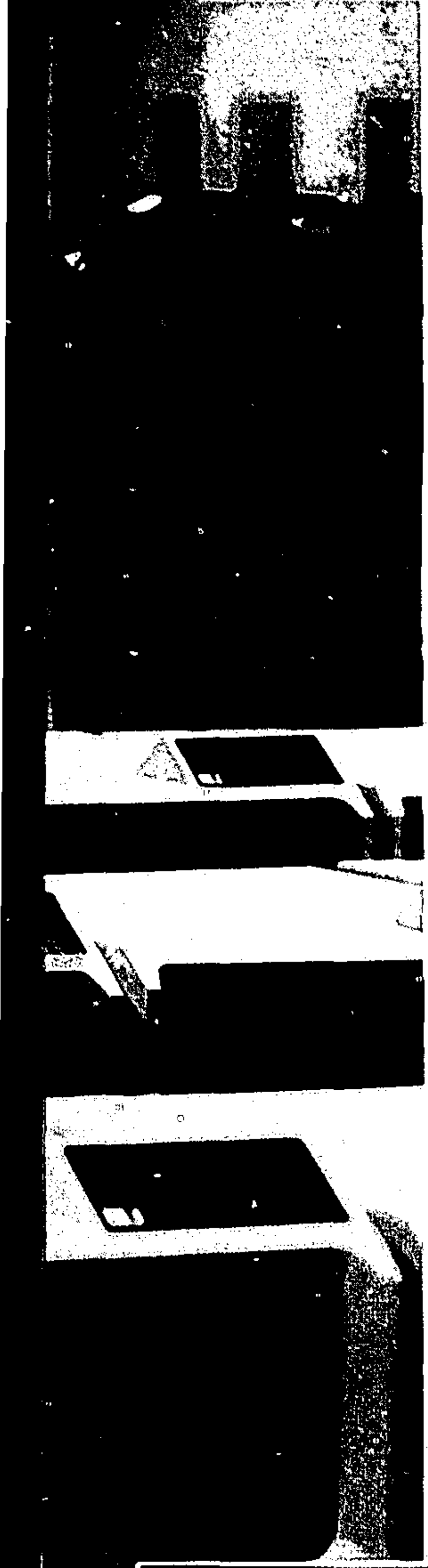
We strongly support our Credit Union designed to assist our employees with a wide range of financial benefits and services.

Just as we recognize that an employee's performance is affected by factors outside the work environment, our Companies are affected by factors outside the world of business. By striving to improve the quality of life in the community, we believe we serve our employees, our policyholders and our shareholders. We want to be a strong and vital organization operating in a strong and vital community. Social responsibility comes in many forms.

In 1980, we installed audio typing units so that blind transcriptionists may be productively employed.

We provided an emergency grant during the 1980-81 school year for the driver training program in the District of Columbia, which the school board had eliminated because of severe budget problems. This grant enabled 5,400 students to take driver training courses during 1980, kept intact the cadre of 25 professional teachers, preserved a $1 million grant for the District from the National Highway Safety Administration for traffic safety programs—and was good business. Driver education protects the safety of District residents and visitors while providing insurance premium discounts to families of students (offered by most major insurance companies). We believe





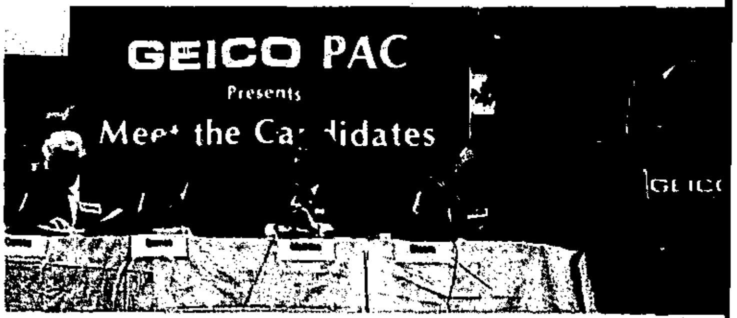
this grant will save lives, save the public money and provide many young people with available transportation for that all-important first job.

Our employees are generous with donations of their time and money to a variety of worthy charities in the Washington, D.C., Macon, Georgia and Woodbury, New York areas, where our three large Regional Offices are located. Local United Way campaigns benefited from substantial donations by employees and their personal efforts. Regional Vice President Ross Pierce of Woodbury headed the 1980/81 Long Island, New York campaign, which was most successful. Employees volunteered their services to raise funds for the Children's Hospital and the National Symphony in the Washington area, as well as the Cystic Fibrosis Foundation, Cerebral Palsy Foundation and the Special Olympics in all locations. The Companies' telephone equipment and networks and our employees are uniquely valuable for these fund raising activities.

During 1980 the Corporation was honored by the Newcomen Society in North America, a prestigious group of business, industrial, governmental and educational leaders. Chairman Jack Byrne's address at the dinner, tracing the Companies' history and accomplishments, will be distributed to shareholders. The Corporation was also named "Business of the Year" for 1980 by the Bethesda-Chevy Chase, Maryland Chamber of Commerce for its contributions to the economic development of the area.

We believe the Corporation was so honored by these two institutions for meeting the one most important social responsibility we have—to remain a healthy business and make a profit. Only healthy, profitable, concerned companies can meet their full obligations to their employees and society as a whole. We firmly endorse this concept.

Just as we recognize that an employee's performance is affected by factors outside the work environment, our Companies are affected by factors outside the world of business. By striving to improve the quality of life in the community... we serve our employees, policyholders and our shareholders. We want to be a strong and vital organization operating in a strong and vital community.



Principal Business Segments

Property and Casualty Insurance

Private Passenger Automobile Insurance

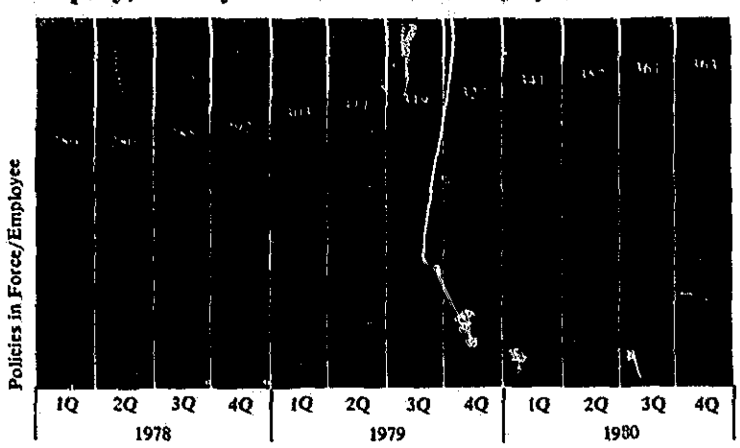
Government Employees Insurance Company

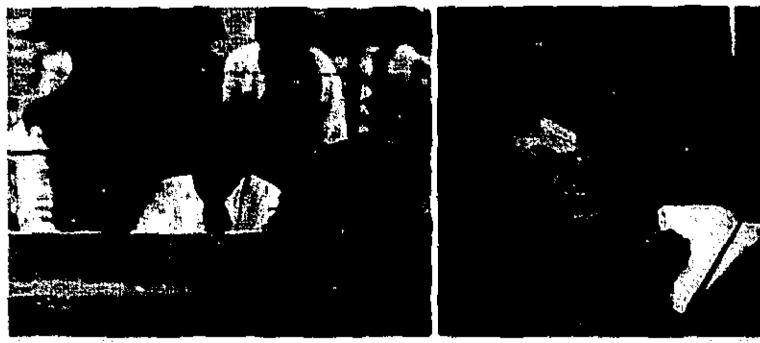
Criterion Insurance Company

Founded in 1936, Government Employees Insurance Company, or GEICO as it is known, is one of the country's largest providers of private passenger automobile insurance. GEICO operates in the District of Columbia and all states except New Jersey. Although emphasis is being placed on developing other property and casualty lines, such as homeowners insurance, boatowners insurance and selected reinsurance lines, GEICO's primary business is insuring family automobiles and is likely to remain so. In 1980 over 90% of GEICO's business came from this line.

Criterion Insurance Company was organized in 1961 by GEICO's management to write automobile insurance for individuals not meeting GEICO's preferred risk underwriting standards. Criterion operates in the District of Columbia and all states except Massachusetts, New Jersey and South Carolina, although still licensed to do business in the latter. New customers are acquired and service is provided through General Field Representatives (commissioned agents), sales offices operated by GEICO and GEFCO, company-operated sales offices and by direct mail. Criterion's marketing programs are targeted to military personnel, young drivers, senior citizens and other standard risk prospects through newspaper, radio, television, magazine and direct mail advertising. Criterion writes private passenger automobile and motorcycle insurance exclusively. At a Special Meeting held on January 25, 1980, Criterion's Shareholders approved an Agreement and Plan of Merger under which it became a wholly-owned subsidiary of the Corporation.

Property / Casualty Policies in Force Per Employee





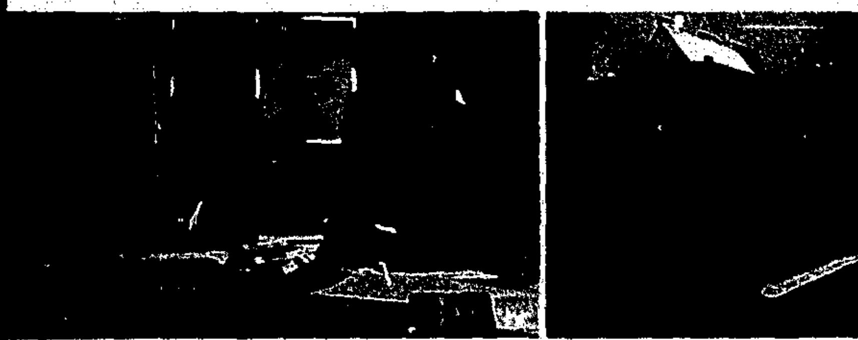
GEICO occupies a unique position in the family automobile insurance marketplace. Using direct response marketing techniques which allow the Company to deal directly with its customers and insuring drivers with good driving records, GEICO is able to deliver quality insurance protection at a significant price advantage over most of its competitors. GEICO has traditionally been identified with low cost insurance coverage, and the Company and its employees work diligently to enhance that reputation. By achieving a 27% increase in productivity over the past two years the Company was able to reduce its operating expense ratios (both claims and general expenses) by 2.5 points or 8% in 1980.

GEICO and Criterion are two of the few automobile insurers that still offer their customers rates for one-year rather than six-months. We believe that customers have a strong preference for the one-year policy because of the protection it affords against rising rates. GEICO's automobile policy persistency remained at high levels during 1980—over 90% of GEICO's customers accepted our offer to renew their coverage. With their seasoned driving records, these customers provide a sound base on which to build a profitable book of business and are a valuable asset. We appreciate their continuing business and will work to deserve it. GEICO's marketing efforts are concentrated in those jurisdictions that provide the opportunity for a fair underwriting profit, thus permitting sound and sustained growth.

The "GEICO Preferred" sponsored marketing program, designed to allow associations

to sponsor GEICO and Criterion to their memberships for the providing of auto and homeowners insurance, achieved notable success in 1980. Endorsements were received during the year from many new associations. Over 500,000 members are represented by the associations which have endorsed GEICO since this program was introduced in 1979.

Although emphasis is being placed on developing other property and casualty lines… GEICO's primary business is insuring family automobiles and is likely to remain so.



In 1980 the number of new voluntary automobile policies written by GEICO and Criterion increased 16.1% compared with a 1.0% gain in 1979. Exclusive of residual market business, such as assigned risk and other involuntarily written policies, automobile policies in force were 1,258,505 at year-end 1980, a nominal increase from the 1,252,045 in force at the end of 1979 but significant as a reversal of the year-to-year declines experienced since 1975.

Residual market policies, which are typically unprofitable, are assigned by state insurance mechanisms in relation to an insurer's premium volume in preceding years. Our assignments have decreased steadily since 1977, declining 26.0% in 1980 to 77,957 compared with a 16.7% decline in 1979 to 105,285 policies, a particularly favorable development.

In 1980 the Corporation's automobile written premiums including service charges totaled $593.9 million, up 4.9% from $566.1 million in 1979, which in turn was 3.1% lower than in 1978. Voluntary policy premiums increased by 8.1% while premiums from involuntary business declined 22.0%, reflecting countrywide rate increases of 7.7% for both the voluntary and involuntary lines.

The number of claims reported to the casualty Companies decreased 10.6% in 1980 to 418,561 compared with a reduction of 5.5% in 1979. For the last three years there was a substantial reduction in residual auto market policies, a countrywide trend of lower accident frequency, more widespread acceptance by policyholders of higher deductibles and continued dedication by management to disciplined underwriting.

While claim counts continued to decline in 1980, the cost of settling claims, particularly material damage claims, rose rapidly. Our estimates indicate that costs associated with repairing damaged automobiles are increasing at a rate in excess of 15% per year while injury claim settlements are increasing approximately 12%.

After careful study the decision was reached to merge the GEICO and Criterion claim departments. This merger will be accomplished by June 30, 1981 and is expected to achieve significant savings for the two Companies in loss and loss adjustment expenses.

During the past two years our claim staffs focused a great deal of attention on the settlement of pending claims. At year-end there were 79,856 claims pending compared with 91,221 and 102,344 at year-end 1979 and 1978, respectively. Bodily injury suits pending were reduced 15.9% in 1980 following an 18.3% decrease in 1979.

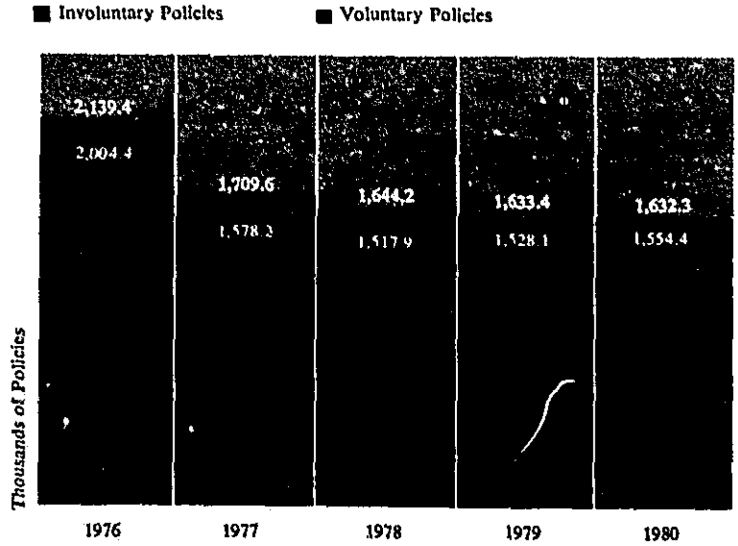
During 1979 and 1980 we expanded our telephone adjusting and claim processing capabilities by investing in system improvements to increase productivity and reduce claim expenses. To enhance the productivity of our material damage adjusters, contain costs and improve claim service,

Criterion's marketing programs are targeted to military personnel, young drivers, senior citizens and other standard risk prospects . . . Criterion writes private passenger automobile and motorcycle insurance exclusively.

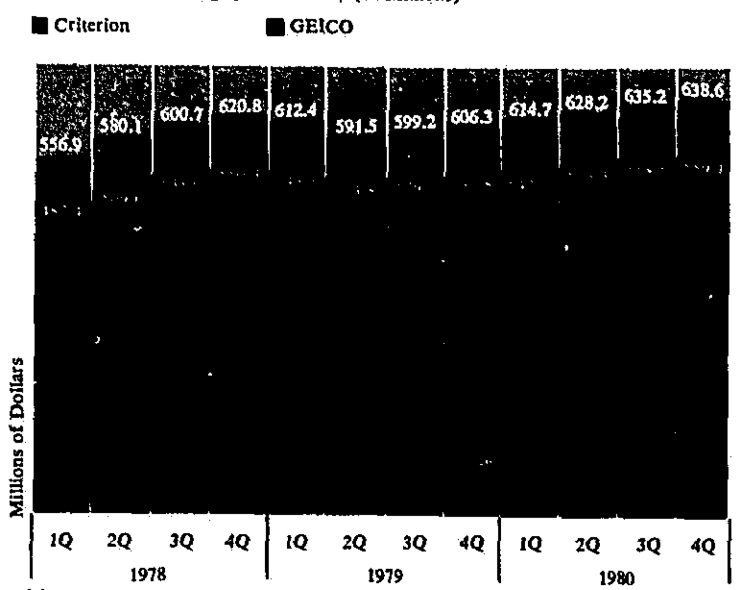
computerized claim estimating systems were installed in our drive-in claim centers during 1979 and 1980. These allow our material damage adjusters to estimate claims more efficiently and quickly. In many locations where the concentration of policyholders was not sufficient to justify maintaining a drive-in claim facility, resident staff adjusters were assigned to cover a broad geographical area. These adjusters permit improved control of material damage costs.

GEICO and Criterion recorded a statutory underwriting profit of $18.8 million in 1980 compared with a profit of $22.5 million in 1979 and $20.3 million in 1978. The underwriting ratio for the two Companies combined was 96.4% compared with 96.0% (before policyholder dividends) in 1979 and 95.9% in 1978. This is not quite up to our standard but is somewhat better than many of our competitors.

Total Property/Casualty Policies in Force
(In Thousands)



Property / Casualty Written Premiums, Including Service Charges
Twelve Months Ending Quarter Shown (In Millions)

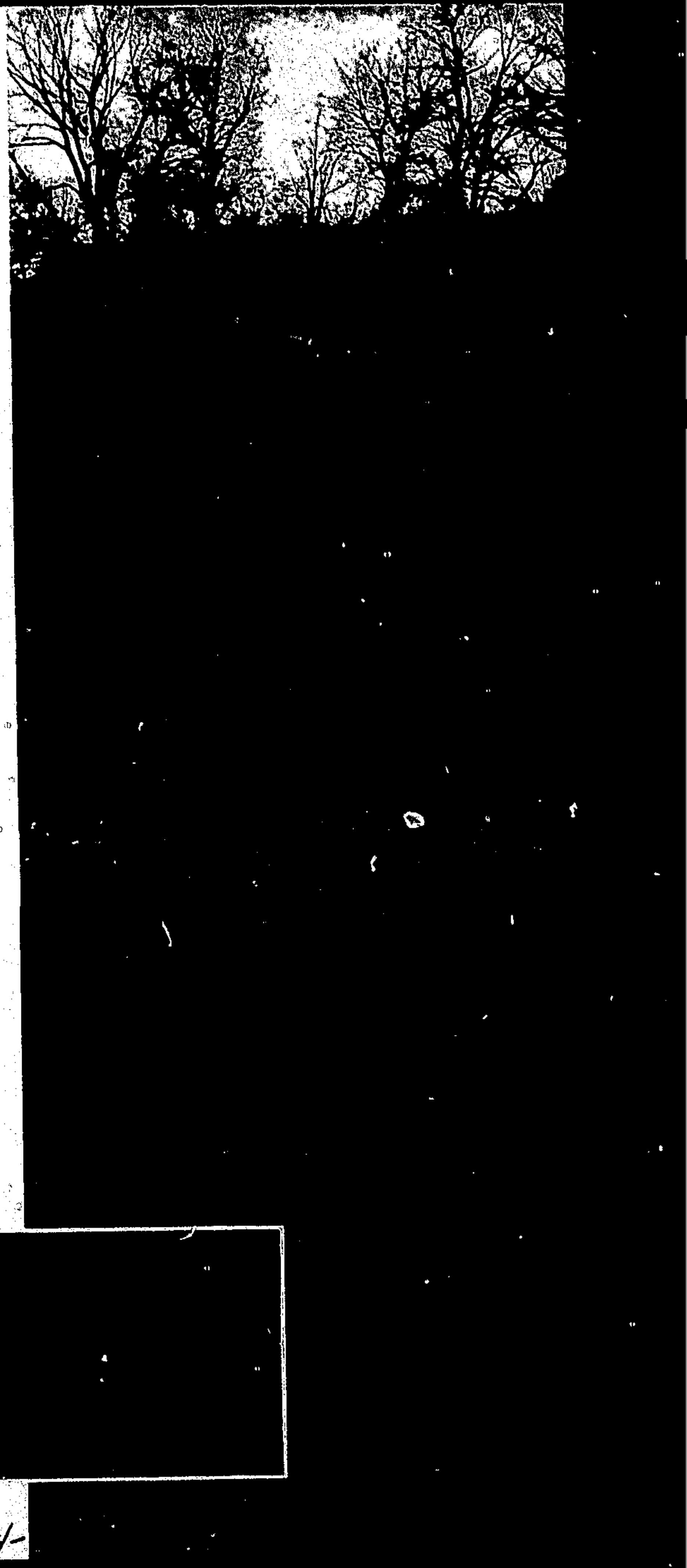


Homeowners Insurance
Our homeowners insurance is marketed by GEICO primarily through direct mail solicitation to existing automobile policyholders. Although still relatively small when compared with the Company's automobile business, GEICO's homeowners line has grown steadily though new sales declined 2.2% in 1980 after a 15.5% increase in 1979. Policies in force totaled 246,121 on December 31, 1980, up 6.9% from year-end 1979, which in turn was a 6.0% gain from 1978 levels. Written premiums, which rose 10.5% to $37.1 million, represented 7% of GEICO's total.

The homeowners loss ratio of 99.2% in 1980, an increase from 79.2% and 70.4% in 1979 and 1978, respectively, is quite unacceptable and reflects an alarming increase in jewelry, precious metal and fur thefts. As widely reported by the news media, items made of precious metals have become an increasingly popular target of burglars. These are sometimes melted down and sold directly to dealers with no questions asked. We have been working closely with law enforcement officials on this problem and have been supportive of proposed legislation that would place greater restrictions on the sale of jewelry and precious metals.

In 1979 we introduced a homeowners policy designed to offer complete coverage for well-maintained older homes. The standard homeowners policy is geared toward insuring homes in an amount equal to at least 80% of the replacement cost. For many older homes replacement cost exceeds their market value because of materials used and type of construction. Owners of such homes often found the cost of insurance to be prohibitive and were forced to obtain affordable coverage through FAIR (Fair Access to Insurance Requirements) Plans. GEICO's new policy insures the home for its actual cash value (replacement cost less depreciation up to the time of loss). The policy is now offered in 20 states.

In general, we are pleased that the homeowners line is growing nicely, but growth is now secondary until loss ratios are once again under control. During 1980 we reorganized the management and administration of all fire and allied lines and put them under the



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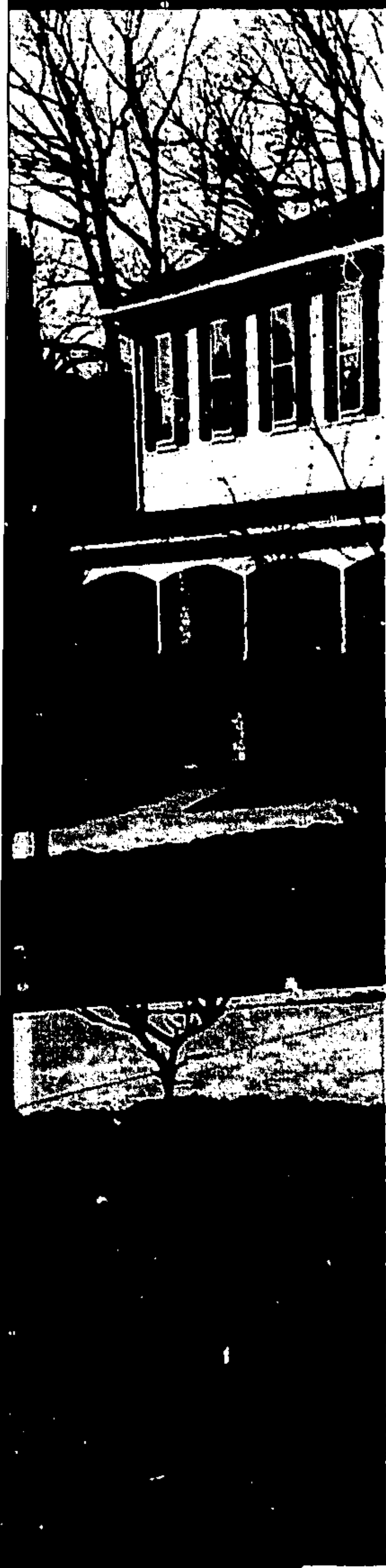


direction of Vice President Donn Knight, one of our most effective managers.

Other Property and Casualty Lines

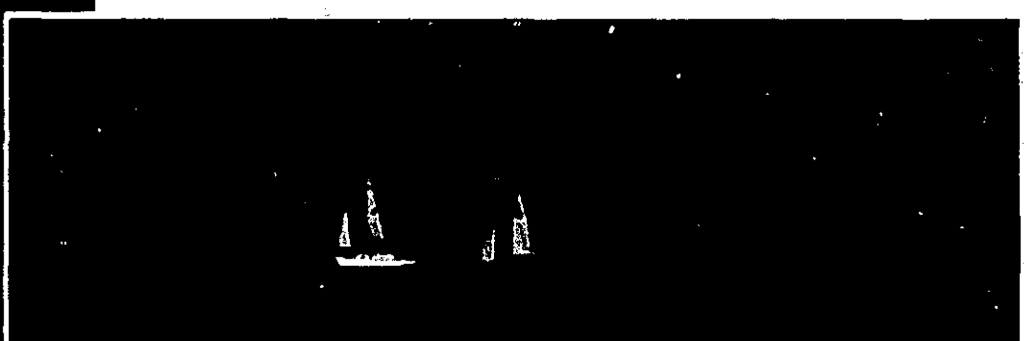
In addition to its automobile and homeowners lines, GEICO offers as an accommodation policies providing fire as well as boat and yacht, accident and health, and comprehensive personal liability coverages. A new line, lawyers general and excess liability, holds promise. In the aggregate, in 1980 these coverages accounted for less than 2% of GEICO's earned premiums. These miscellaneous policies in force totaled 49,734 at year-end, an increase of 8.4% from the 45,889 in force a year earlier.

In January 1981 we agreed to provide $15 million to finance Resolute Group, Inc., a new wholly-owned subsidiary. Resolute will write treaty and facultative reinsurance, both domestic and international, and will be headquartered in New York. Its reinsurance services will be offered through the brokerage community, where the Company expects to be recognized as a preferred market. We expect that the initial development of business will be slow as the Company selectively underwrites its business and positions itself for firmer markets to come in the future.

AVEMCO Corporation

In late 1980 we increased our investment in AVEMCO Corporation to 22.3% of that Company's outstanding shares of Common Stock. AVEMCO specializes in general aviation and pilot insurance as well as aircraft financing. Paul J. Hanna, Vice Chairman and Chief Financial Officer of GEICO Corporation, was elected to AVEMCO's Board of Directors. Our investment in AVEMCO is reflected herein on the equity accounting basis. The Corporation's equity in AVEMCO's 1980 earnings was $.3 million.

Although still relatively small when compared with the Company's automobile business, GEICO's homeowners line has grown steadily . . . In general, we are pleased that the homeowners line is growing nicely, but growth is now secondary until loss ratios are once again under control.



Life and Health Insurance

Government Employees Life Insurance Company
GELICO's product line includes life insurance, health insurance and annuities, all of which are available on an individual and group basis. Approximately 96% of that business is produced by a staff of field representatives (agents) using a direct mail follow-up program.

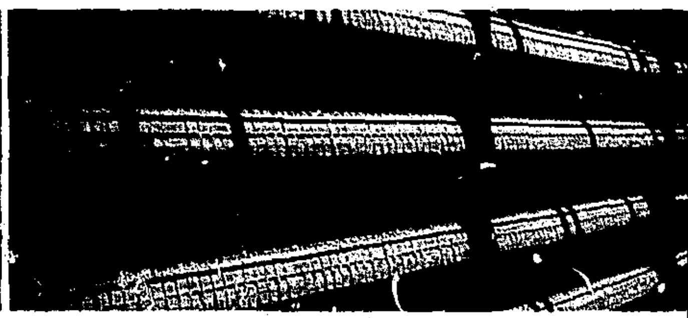
Sales of individual life insurance totaled $195.1 million, a decrease of 1.5% from 1979 after an increase of 14.2% over 1978. Annualized premium on individual life sales reflected a similar pattern totaling $2.5 million, down 5.5% from 1979 which was 3.1% higher than 1978. An important source of GELICO's business is from leads generated by direct mail solicitation to the customers of its sister companies and other receptive groups. A sharp decline in responses to GELICO's direct mail solicitations occurred during the second quarter of 1980, contributing to a decline in new annualized life premiums.

At December 31, 1980, life insurance in force totaled $2,049.2 million, up 3.0% compared to an increase of 7.3% in 1979. This excludes participation in the Federal Employees Group Life Insurance (FEGLI) and the Serviceman's Group Life Insurance (SGLI) programs in which GELICO no longer participates. Individual life, consisting of $1,114.6 million whole life and $363.3 million term life, represented 72.1% of the in force and totaled $1,477.9 million, up 4.0% compared with a 3.7% increase in 1979. Group life, which accounted for the balance of the in force, totaled $571.3 million, an increase of .6% compared with a 17.5% gain in 1979.

Premium income (excluding FEGLI and SGLI) totaled $34.9 million, up 4.8% compared with an increase of 22.5% in 1979. Individual life insurance premiums were $21.7 million, approximately level with the prior two years. Premium income for group life insurance (excluding FEGLI and SGLI) remained essentially level at $6.0 million after a substantial increase in 1979, while sickness and accident premiums rose 12.4% to $6.7 million following a 73.0% increase in 1979. The increases in GELICO's 1979 group life and health premiums were largely due to the development of the Company's group credit life and health insurance marketing program introduced in the first quarter of 1979. GELICO's net income totaled $8.4 million ($1.88 per share) compared with $8.2 million ($1.82 per share) and $8.0 million ($1.79 per share) in 1979 and 1978, respectively.

In December 1980 GELICO formed a new brokerage division, Professional Life Associates, that is developing life insurance products to be distributed through professional brokers aimed at high income professionals, business insurance and estate planning markets. This division is supplementary to the existing GELICO marketing effort and designed to provide insurance benefits to these markets through professional insurance representatives.

GELICO's product line includes life insurance, health insurance and annuities . . . available on an individual and group basis . . . In 1980 GELICO formed a new brokerage division, Professional Life Associates, that is developing life insurance products to be distributed through professional brokers aimed at high income professionals, business insurance and estate planning markets.



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Consumer Finance

Government Employees Financial Corporation
GEFCO, an unconsolidated affiliate, and its wholly-owned subsidiaries provide consumer finance, industrial banking and insurance brokerage services, the latter offered to residents of the United States who are transferred overseas and to U.S. nationals already residing in foreign countries. GEFCO is headquartered in Denver, Colorado. The Corporation's equity in GEFCO's 1980 loss was $1.1 million compared with equity of $1.3 and $1.7 million in 1979 and 1978 earnings, respectively. GEFCO's 1980 loss is attributable principally to the increased provision for loss expense incurred during the third quarter reflecting record loan write-offs, primarily due to the impact of the new Federal Bankruptcy Code, and the adverse effects of a recessionary economy.

Selected Financial Data

GEICO Corporation

(In thousands, except per share data and ratios)	1980	1979	1978	1977	1976
Operating Results					
Premiums earned	**$ 653,099**	$ 634,518	$ 604,946	$ 463,600	$ 575,402
Net investment income	**74,138**	70,070	63,490	40,870	38,126
Equity in earnings of unconsolidated affiliates	**(803)**	1,302	1,727	696	—
Total revenue	**726,434**	705,890	670,163	505,166	613,528
Total benefits and expenses	**666,790**	646,341	607,754	467,402	639,898
Operating earnings	**59,644**	59,549	62,409	37,764	(26,370)
Realized investment gains net of tax	**1,119**	(723)	(6,958)	120	60
Utilization of operating loss carryforward	**—**	15,456	32,747	20,697	—
Net income	**$ 60,763**	$ 74,282	$ 88,198	$ 58,581	$ (26,310)
Weighted average shares outstanding					
Fully diluted	**23,003**	27,753	34,343	34,345	17,737
Primary	**20,522**	17,336	18,040	17,744	17,737
Per Share Results					
Fully Diluted:					
Operating earnings	**$ 2.59**	$ 2.14	$ 1.74	$ 1.10	$ (1.51)
Net income	**$ 2.64**	$ 2.67	$ 2.49	$ 1.70	$ (1.51)
Primary:					
Operating earnings	**$ 2.87**	$ 3.24	$ 2.99	$ 1.78	$ (1.51)
Net income	**$ 2.92**	$ 4.09	$ 4.42	$ 2.96	$ (1.51)
Common Stock dividends	**$ .43**	$ .36	$ .20	$ .03	$ —
Financial Condition					
Assets	**$1,474,578**	$1,412,297	$1,344,641	$ 989,994	$ 911,829
Long-term debt	**137,920**	120,037	47,154	47,524	47,864
Redeemable Preferred Stock	**6,227**	17,443	72,078	100,864	75,897
Common Stock and other shareholders' equity	**188,086**	175,766	150,865	79,711	27,926
Book value per share (fully converted)	**$ 8.99**	$ 7.68	$ 6.51	$ 4.54	$ 3.03

Significant Statutory Indicators

	1980	1979	1978	1977	1976
GEICO					
Surplus for protection of policyholders	**$283,321**	$251,078	$220,473	$178,630	$136,665
Ratio of twelve months written premiums to surplus	**1.9:1**	2.1:1	2.4:1	2.5:1	3.3:1
Active policies in force	**1,456**	1,463	1,468	1,536	1,967
Voluntary policies in force	**1,379**	1,358	1,342	1,406	1,837
GEICO Natural Information*					
Loss ratio	**80.7%**	79.1%	80.8%	84.4%	98.2%
Expense ratio	**15.6%**	16.1%	14.9%	14.8%	12.4%
Underwriting ratio	**96.2%**	95.2%	95.7%	99.2%	110.6%
Underwriting ratio after policyholder dividends	**96.2%**	95.5%	95.7%	99.2%	110.6%
Ratio of twelve months written premiums to surplus	**1.9:1**	2.1:1	2.3:1	3.0:1	4.6:1
Criterion*					
Surplus for protection of policyholders	**$ 30,696**	$ 34,353	$ 33,607	$ 29,383	$ 22,911
Ratio of twelve months written premiums to surplus	**2.5:1**	2.0:1	2.1:1	2.2:1	2.5:1
Active policies in force	**176**	170	176	174	172
Voluntary policies in force	**176**	170	176	172	167
Loss ratio	**79.1%**	85.6%	80.9%	81.8%	96.7%
Expense ratio	**18.4%**	17.1%	16.0%	16.2%	14.8%
Underwriting ratio	**97.5%**	102.7%	96.9%	98.0%	111.5%
GEICO and Criterion combined*					
Surplus for protection of policyholders	**$283,321**	$261,036	$230,469	$198,717	$159,576
Ratio of twelve months written premiums to surplus	**2.2:1**	2.3:1	2.5:1	3.0:1	4.3:1
Active policies in force	**1,632**	1,633	1,644	1,710	2,139
Voluntary policies in force	**1,555**	1,528	1,518	1,578	2,004
Loss ratio	**80.5%**	79.8%	80.8%	84.1%	98.1%
Expense ratio	**15.9%**	16.2%	15.1%	15.0%	12.6%
Underwriting ratio	**96.4%**	96.0%	95.9%	99.1%	110.7%

*Natural ratios exclude the effects of the quota share reinsurance agreement (terminated June 30, 1978) on 1978, 1977 and 1976 operations. Expense ratios are calculated using underwriting expense less net service charges, as related to premiums written.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Capital Structure

On December 31, 1978 GEICO's capital structure consisted of Common Stock (18,567,574 shares), Cumulative Convertible Preferred Stock, $.736 Series (7,834,592 shares) and Cumulative Senior Preferred Stock (250,000 shares). Convertible Preferred Stock, each share of which is convertible into two shares of Common Stock, was sold in 1976 to strengthen surplus for the protection of policyholders by $74.5 million. An additional $24.8 million of capital was raised in 1977 through the private placement of the Senior Preferred Stock with institutional investors. The infusion of additional capital plus net income combined to increase both surplus for the protection of policyholders and total shareholders' equity to over $220 million by December 31, 1978.

On January 31, 1979 GEICO Corporation became the parent company of GEICO. Pursuant to an Agreement and Plan of Reorganization approved by the shareholders, the common shares and convertible preferred shares of GEICO were converted into common shares and convertible preferred shares, respectively, of GEICO Corporation on a share for share basis. GEICO's Senior Preferred Stock continued as a senior security of GEICO and is included in minority interest in the Consolidated Balance Sheet. It was redeemed in January 1981 at $100 per share and cancelled.

Early in 1979 the Corporation initiated a program to reduce the common equivalent shares outstanding. In 1979 and 1980 a total of 2,034,222 convertible preferred and 8,748,333 common shares were acquired in exchange for Debentures ($91.6 million) and purchases for cash ($52.0 million). Please see Note F to the Financial Statements for a description of the terms of the Debentures. This repurchase program was completed by mid-1980.

The Corporation increased the quarterly dividend on Common Stock to $.10 per share in the third quarter of 1979 and to $.11 in the second quarter of 1980. Consequently, conversions of preferred into common shares accelerated because the dividend yield on two shares of Common Stock was higher than on one share of Convertible Preferred Stock. In 1979 and 1980, 5,117,058 convertible preferred shares were converted into 10,234,116 common shares.

All convertible preferred shares acquired or converted were cancelled and 676,801 such shares (equal to 1,353,602 common equivalent shares) or approximately 8% of the original issue were outstanding at December 31, 1980. The common shares acquired are held in treasury and 20,263,305 common shares were outstanding at December 31, 1980. The 21,616,907 common share equivalents outstanding at December 31, 1980 represent a reduction of 37% during the past two years. These purchases have enabled the Corporation to increase its return on shareholders' equity while still maintaining a sound capital structure.

Liquidity

Cash Flow

Historically, the property casualty and life insurance companies have a positive cash flow. In the three years 1978 through 1980 GEICO Corporation and subsidiaries generated cash of $369.7 million from operations. During the period, despite non-operating expenditures of $52.0 million for repurchasing shares and $66.4 million to bring ownership in subsidiaries and affiliates up to present levels, the Companies paid $40 million in dividends to their public shareholders and added $214.5 million of new investments, net, to their portfolios. The net increase of $90.4 million in the Corporation's long-term debt was due to the Debentures issued in exchange for shares and involved neither receipt nor expenditure of cash.

Investments

Pretax net investment income amounted to $74.1 million in 1980, an increase of only 6% over the $70.1 million earned in 1979 because we utilized $35.8 million of cash for common share repurchases which otherwise would have been invested in the portfolio and because we continued our shift towards common stocks and shorter-term tax-exempt bonds.

During the year net new investments of $35.7 million were made in the consolidated portfolio. Consistent with our longer-term objectives which emphasize total investment return, we made net purchases of $46.4 million in common stocks and $14.5 million in tax-exempt bonds due in less than 10 years. $11.7 million was invested in redeemable and other preferred stocks. U.S. Government and corporate bond holdings were reduced $45.7 million and long-term tax exempts increased $2.2 million. With the historically high short-term yields that prevailed in 1980, cash was invested in money market instruments pending longer-term placement.

With respect to our fixed income securities which we carry at amortized cost, the current market values have deteriorated substantially as interest rates moved higher, as shown on the Consolidated Balance Sheet. The Corporation intends to hold the majority of these securities to maturity and has ample liquidity to do so. Therefore we expect no impact on insurance operations. We may selectively sell long-term bonds in favor of investments that provide better long-term growth potential. We remain concerned about the longer-term inflation outlook and do not presently intend to make additional investments in long-term fixed income instruments.

The common stock portion of the portfolio, adjusted for net purchases, appreciated $14.5 million during 1980. We have concentrated our equity investments in areas of the market that appear undervalued, and where we perceive the opportunity for above average total return over a longer-term time horizon. We are seeking higher yielding equities for the portfolio because of the favorable tax treatment of dividend income. This strategy may not produce superior results over the short-term, but it is our judgment that over longer time periods our emphasis on undervalued issues will provide a return superior to that achievable by following market fashions. At year-end the largest industry positions in our common stock portfolio were in packaged foods (21.8%), banks (9.1%), aluminums (8.7%), international oils (7.3%) and defense (6.3%)

The GEICO Corporation Investment Summary below shows the year-end investment portfolios for 1980, 1979 and 1978. The carrying value of bonds and redeemable preferred stocks is amortized cost while other equity securities are at year-end market values. At 1980 year-end the Corporation and its consolidated subsidiaries had $68.3 million in cash and cash equivalents. In addition, approximately $77 million of the bond portfolio will mature in 1981. The Corporation has a continuing outlook for positive cash flow from operations and ample liquidity.

GEICO Corporation Investment Summary

(Millions)	1980 Carrying Value	1980 % Portfolio	1979 Carrying Value	1978 Carrying Value
Money market instruments	$ 54.2	5.1%	$ 49.2	$ 44.1
U.S. Government bonds	120.9	11.4	150.7	157.4
Corporate bonds	109.3	10.4	125.2	152.0
Tax-exempt bonds	477.8	45.2	457.1	404.7
Bonds	708.0	67.0	733.0	714.1
Redeemable preferred stocks	22.3	2.1	9.0	6.0
Preferred stocks	60.4	5.7	73.0	81.1
Common stocks	184.8	17.5	124.8	93.5
Other equity securities	245.2	23.2	197.8	174.6
Mortgage loans	24.3	2.3	22.9	22.0
Real estate	3.3	.3	3.2	3.0
Totals	$1,057.3	100.0%	$1015.1	$963.8

Bond Maturity Table — Property Casualty and Life Insurance Companies

(Thousands)	Property and Casualty		Life		Total	
Maturity	% Portfolio	Amortized Value	% Portfolio	Amortized Value	% Portfolio	Amortized Value
Less than one year	12.4%	$ 76,136	1.6%	$ 1,500	11.0%	$ 77,636
1-5 years	18.6	113,998	4.4	4,095	16.7	118,093
6-10 years	14.9	91,253	7.0	6,504	13.8	97,757
11-15 years	17.5	107,125	6.0	5,580	16.0	112,705
16-20 years	10.9	66,689	26.7	24,802	13.0	91,491
Greater than 20 years	25.7	157,818	54.3	50,531	29.5	208,349
	100.0%	$ 613,019	100.0%	$ 93,012	100.0%	$ 706,031

Loss Reserves

Claim settlement costs continued to rise in 1980, but at a rate that was consistent with expectations. In 1980 property casualty loss reserves remained relatively flat as our business became more seasoned and claim volume and involuntary assignments continued to decline, and as bodily injury claims incurred prior to 1977 were settled. Loss reserves decreased in 1979 due to a concerted effort to reduce pending claims and as claim volume declined in response to a smaller book of business.

The year-end net loss reserves and the ratio of those reserves to earned premiums (excluding service charges) at

Year-end	Net Loss Reserves (Millions)	Ratio of Loss Reserves to Year's Earned Premiums
1980	$470.6	77.8%
1979	$468.9	79.8%
1978	$482.2	80.6%

the end of 1980 and the two preceding years are shown in the table above.

The Corporation analyzes loss information, including timing of claim payments, to have sufficient maturities of investments and other liquid assets to meet claim payment patterns. In addition, the Companies' reinsurance treaties are structured to avoid the serious cash drains that can accompany catastrophic losses.

Results of Operations

Revenue

Consolidated revenue rose only 3% in 1980, compared with a 5% increase in 1979. In both years property and casualty earned premiums reflected modest growth in new policy sales and higher premiums in recognition of the effects of inflation on automobile repair costs, personal property values and services. The increases in property casualty earned premiums (3% in 1980 and 4% in 1979) accounted for the major portion of revenue growth in both periods. Life, accident and health insurance premiums were substantially unchanged in 1980.

Pretax net investment income increased 6% in 1980 compared with a 10% increase in 1979. Aftertax net investment income was up 7%. The decrease in the growth rate reflects the utilization of cash to repurchase shares and management's decision early in 1980 to shift the investment objectives to maximize real economic return.

The Corporation's equity in GEFCO's 1980 loss was $1.1 million compared with earnings of $1.3 million in 1979 and $1.7 million in 1978. The adverse effects of record high interest rates on the cost of borrowed funds and the substantial increase in GEFCO's provision for loan losses account for GEFCO's disappointing performance in 1980. The Corporation's equity in the earnings of AVEMCO for part of the third quarter and the fourth quarter of 1980 was $.3 million.

Benefits and Expenses

Benefits and expenses, before minority interest, interest expense and income taxes, rose 3.3% to $627.8 million compared with an 8.8% increase in 1979. Property casualty benefits and expenses totaled $584.9 million, up 2.2% compared with a 7.9% increase in 1979.

Reduced driving continued to have a favorable impact on accident frequency through 1980. Automobile claims reported on the property and casualty line decreased 10.6% in 1980, the third consecutive year in which there was a decline. However, inflation continues to be a severe problem. The cost of automobile repairs more than offset any reduction in claim costs that might otherwise have been realized by a decline in accident frequency. Loss adjustment expenses decreased 10.4% because of higher productivity and more widespread use of telecommunications in settling claims. Through increased productivity and a reduction in the provision for anticipated policyholder dividends, general expenses on the property and casualty line decreased 10.3%.

Interest expense increased to $14.1 million in 1980 reflecting the issuance of $73.3 million of Debentures on April 1, 1979 and $18.3 million on July 1, 1980, in exchange for shares of the Corporation.

The minority interest was $5.5 million and represented the share of operating earnings of GELICO and Criterion attributable to the stock of those Companies held by other shareholders, and the dividend requirement on GEICO's Senior Preferred Stock. Minority interest has declined over the last three years as GEICO increased its ownership interest in its consolidated subsidiaries.

Income Taxes
In 1979 and 1980 Federal income taxes decreased 43.1% and 12.4%, respectively, as a result of decreased operating earnings, the shift in GEICO's investment portfolio to a greater proportion of tax-exempt bonds, preferred stocks and common stocks, and because of the reduction in the tax rate. For income tax purposes at year-end 1980 GEICO Corporation and subsidiaries had operating loss carryforwards of $14.8 million. We anticipate no problem in using these carryforwards. Please see Note E to the Financial Statements for additional income tax information.

Operating Earnings
Although consolidated operating earnings were flat in 1980 and down 4.6% in 1979, operating earnings per share increased 21% and 23%, respectively, as a result of restructuring the Corporation's capital. As described in the Capital Structure section of this report, management substantially reduced the number of common share equivalents outstanding in 1979 and 1980 through the repurchase of shares for cash and through the exchange of shares for Debentures.

The portion of aftertax operating earnings attributable to ownership interests in Criterion, GELICO, GEFCO and AVEMCO Corporation (since third quarter 1980) was $9.4 million compared with $8.4 million and $8.2 million in 1979 and 1978, respectively.

Net Income
Net income for 1980 includes a realized investment gain of $1.1 million ($.05 per share) compared with investment losses of $.7 million ($.03 per share) and $7.0 million ($.21 per share) in 1979 and 1978, respectively.

The Corporation's 1979 and 1978 results reflect the tax benefit of $.56 per share and $.96 per share, respectively, from GEICO's operating loss carryforwards (extraordinary item) which under financial reporting principles were fully utilized by year-end 1979. Income totaled $60.8 million in 1980, and before the extraordinary item, $58.8 million and $55.5 million in 1979 and 1978, respectively. As noted above, 1980 and 1979 per share earnings reflect a decrease in outstanding shares as a result of the repurchase of shares and exchange of Debentures for shares. If the 1980 share repurchases and conversions from convertible preferred to common had been consummated as of January 1, 1980, reported net income would have been $2.72 per share for the year ended December 31, 1980. All of the above per share figures are on the fully diluted basis.

Inflation
Please see Supplemental Information on the Effects of Changing Prices regarding the impact of inflation using measurement bases developed by the Financial Accounting Standards Board. Additional explanatory comments are included in those disclosures on the effect of changing prices on the Corporation's operations.

Common Stock Market Prices and Dividends

The Corporation's Common Stock was listed on the New York Stock Exchange (ticker symbol GEC) on October 1, 1980. Prior to that date it was traded over-the-counter. Under a recent SEC rule, certain securities dealers may continue to make an over-the-counter market in the Corporation's stock. The number of record holders of the Corporation's Common Stock at January 31, 1981 was 9,247.

The following table shows the over-the-counter quarterly NASDAQ high and low bid prices for the Common Stock prior to October 1, 1980 and dividends declared for 1980 and 1979. The fourth quarter 1980 entry shows the high and low prices on the New York Stock Exchange during that quarter.

1980	*High*	*Low*	*Dividends Declared*
Fourth Quarter ..	$16½	$13⅞	$ .11
Third Quarter	16¼	12	.11
Second Quarter ..	13⅜	8⅜	.11
First Quarter	14⅞	8⅛	.10
1979			
Fourth Quarter ..	$12⅛	$10	$ .10
Third Quarter	13⅜	8⅞	.10
Second Quarter ..	9½	7¼	.08
First Quarter	9½	6⅞	.08

**Report of
Ernst & Whinney,
Independent Auditors**

**To the Shareholders
GEICO Corporation**

We have examined the consolidated balance sheet of GEICO Corporation and subsidiaries as of December 31, 1980 and 1979, and the related consolidated statements of income, redeemable preferred stock; common stock and other shareholders' equity, and changes in financial position for each of the three years in the period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of GEICO Corporation and subsidiaries at December 31, 1980 and 1979, and the consolidated results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst + Whinney
Ernst + Whinney

Washington, D.C.
February 19, 1981

Consolidated Balance Sheet

December 31, in thousands of dollars

Assets

	1980	1979
Investments:		
Certificates of deposit and commercial paper	$ 54,212	$ 49,227
Bonds and notes, at amortized cost (market $530,254 and $626,555)	708,031	732,992
Redeemable preferred stocks, at amortized cost (market $19,122 and $7,500)	22,322	9,016
Preferred stocks, at market (cost $98,700 and $100,151)	60,400	72,951
Common stocks, at market (cost $164,428 and $118,895)	184,819	124,810
Mortgage loans	24,295	22,854
Real estate, at cost less accumulated depreciation of $267 and $110	3,223	3,220
Total Investments	1,057,302	1,015,070
Cash	14,089	20,799
Investment in unconsolidated affiliates—Note A	20,191	14,280
Accrued investment income	15,209	14,715
Premiums receivable, less allowance for cancellations of $1,200 and $1,075	201,873	188,137
Property and equipment, at cost less accumulated depreciation of $28,523 and $27,171—Note F	45,383	48,162
Deferred policy acquisition costs—Note D	63,191	62,148
Other assets	57,340	48,986
Total Assets	$1,474,578	$1,412,297

See Notes to Consolidated Financial Statements

	1980	1979
Liabilities; Redeemable Preferred Stock; Common Stock and Other Shareholders' Equity		
Liabilities		
Loss reserves	**$ 405,096**	$ 400,912
Life benefit reserves	**135,998**	125,899
Loss adjustment expense reserves	**65,515**	68,014
Unearned premiums	**366,925**	348,424
Accounts payable and accrued expenses	**22,581**	23,138
Deferred income taxes—Note E	**27,478**	10,542
Long-term debt—Note F	**137,920**	120,037
Other liabilities	**69,057**	63,072
Minority interest (including $25,000 of Senior Preferred Stock of subsidiary—Note G)	**49,695**	59,050
Total Liabilities	**1,280,265**	1,219,088
Redeemable Preferred Stock—Notes C and H		
Cumulative Preferred Stock, $.736 Convertible Series—$1 par value, $9.20 redemption value, 15,000,000 shares authorized, 676,801 and 1,895,928 shares issued and outstanding (aggregate liquidation value $6,768 and $18,959)	**6,227**	17,443
Common Stock—$1 par value, 60,000,000 shares authorized, 29,011,638 and 26,350,579 shares issued and 20,263,305 and 21,365,806 outstanding—Notes C and I	**29,012**	26,351
Paid-in surplus	**138,137**	127,877
Unrealized depreciation of investments	**(10,781)**	(13,174)
Retained earnings—Note E	**135,764**	84,681
Treasury Stock, at cost (8,748,333 and 4,984,773 shares of Common Stock)	**(104,046)**	(49,969)
Total Liabilities; Redeemable Preferred Stock; Common Stock and Other Shareholders' Equity	**$1,474,578**	$1,412,297

Consolidated Statement of Income

GEICO Corporation

For the year ended December 31, in thousands of dollars except per share results

	1980	1979	1978
Revenue			
Premiums:			
Property and casualty insurance			
Premiums written	**$638,621**	$606,315	$620,763
Change in unearned premiums	**(18,501)**	(4,762)	(43,510)
Premiums earned	**620,120**	601,553	577,253
Life insurance	**32,979**	32,965	27,693
	653,099	634,518	604,946
Investment income, net of expenses of $3,474, $2,789 and $1,806	**74,138**	70,070	63,490
Equity in earnings of affiliates (includes dividends of $259, $422 and $502)—Note A	**(803)**	1,302	1,727
Total Revenue	**726,434**	705,890	670,163
Benefits and Expenses			
Losses and loss adjustment expenses	**484,597**	460,619	440,260
Life insurance benefits	**25,842**	26,814	22,317
Policy acquisition expenses—Note D	**55,968**	49,545	32,844
Interest expense—Note F	**14,117**	10,192	4,205
Other operating expenses	**61,406**	70,641	63,038
Minority interest	**5,517**	6,444	6,254
Total Benefits and Expenses	**647,447**	624,255	568,918
Operating Earnings Before Income Taxes	**78,987**	81,635	101,245
Income taxes—Note E	**19,343**	22,086	38,836
Operating Earnings	**59,644**	59,549	62,409
Realized gains (losses) on sale of investments, net of tax effect (net unrealized appreciation (depreciation) on investments in stocks reflected directly in shareholders' equity was $2,393, $(4,116), and $(8,782))	**1,119**	(723)	(6,958
Income Before Extraordinary Item	**60,763**	58,826	55,451
Utilization of operating loss carryforward	—	15,456	32,747
Net Income	**$ 60,763**	$ 74,282	$ 88,198

Per Share Results—Note J:

	1980	1979	1978
Fully Diluted:			
Operating earnings	**$2.59**	$2.14	$1.74
Income before extraordinary item	**$2.64**	$2.11	$1.53
Net income	**$2.64**	$2.67	$2.49
Primary:			
Operating earnings	**$2.87**	$3.24	$2.99
Income before extraordinary item	**$2.92**	$3.20	$2.61
Net income	**$2.92**	$4.09	$4.42

See Notes to Consolidated Financial Statements

Consolidated Statement of Redeemable Preferred Stock; Common Stock and Other Shareholders' Equity

GEICO Corporation

For the three years ended December 31, 1980, in thousands of dollars

	1980	1979	1978
Redeemable Preferred Stock			
Senior Preferred Stock:			
Balance, beginning of year			$ 25,000
Reclassification to minority interest—Note G			(25,000)
Balance, end of year			$ —
Cumulative Preferred Stock, $.736 Convertible Series:			
Balance, beginning of year	**$ 17,443**	$ 72,078	$ 75,864
Conversion of Preferred Stock into Common Stock	**(11,216)**	(35,861)	(3,786)
Purchase and retirement of shares		(18,715)	
Other		(59)	
Balance, end of year	**$ 6,227**	$ 17,443	$ 72,078
Common Stock and Other Shareholders' Equity			
Common Stock:			
Balance, beginning of year	**$ 26,351**	$ 18,568	$ 17,744
Conversion of Preferred Stock into Common Stock	**2,438**	7,796	823
Exercise of stock options and other	**223**	(13)	1
Balance, end of year	**29,012**	26,351	18,568
Paid-in surplus:			
Balance, beginning of year	**127,877**	100,068	97,101
Proceeds over par value of stock issued upon:			
Conversion of Preferred Stock into Common Stock	**8,778**	28,065	2,963
Exercise of stock options and other	**1,482**	(256)	4
Balance, end of year	**138,137**	127,877	100,068
Unrealized depreciation of investments:			
Balance, beginning of year	**(13,174)**	(9,058)	(276)
Unrealized appreciation (depreciation)	**3,979**	(5,328)	(12,232)
(Increase) decrease in deferred income taxes	**(1,586)**	1,212	3,450
Balance, end of year	**(10,781)**	(13,174)	(9,058)
Retained earnings (deficit):			
Balance, beginning of year	**84,681**	41,287	(34,858)
Net income	**60,763**	74,282	88,198
Dividends declared on:			
Senior Preferred Stock ($10.00 per share)			(2,500)
Convertible Preferred Stock ($.736 per share)	**(743)**	(3,284)	(5,936)
Common Stock ($.43, $.36 and $.20 per share)	**(8,937)**	(6,723)	(3,621)
Purchase and retirement of Convertible Preferred Stock		(20,881)	
Other			4
Balance, end of year	**135,764**	84,681	41,287
Treasury Stock, at cost:			
Balance, beginning of year	**(49,969)**		
Purchase of Common Stock	**(54,077)**	(49,969)	
Balance, end of year	**(104,046)**	(49,969)	—
Total Common Stock and Other Shareholders' Equity	**$188,086**	$175,766	$150,865

See Notes to Consolidated Financial Statements

Consolidated Statement of Changes in Financial Position

GEICO Corporation

For the year ended December 31, in thousands of dollars

	1980	1979	1978
Funds Provided			
Income before extraordinary item	**$ 60,763**	$ 58,826	$ 55,451
Charges (credits) to earnings not involving funds:			
Amounts due from reinsurers	**—**	—	54,752
Net premiums receivable	**(13,736)**	(993)	5,067
Deferred policy acquisition costs	**(1,044)**	(7,016)	(9,556)
Loss and loss adjustment expense reserves	**1,685**	(13,239)	1,467
Life benefit reserves	**10,099**	11,814	9,288
Unearned premiums	**18,501**	4,762	43,510
Unearned reinsurance commissions	**(932)**	(184)	(7,659)
Deferred income tax	**16,433**	4,087	1,834
Equity in undistributed earnings of affiliates	**1,062**	(880)	(1,225)
Minority interest	**5,517**	6,444	(1,439)
Provision for depreciation	**4,344**	4,023	3,496
Accrual of discount and amortization of premiums on investments	**(4,247)**	(3,749)	(3,138)
Other	**(4,423)**	15,338	(3,588)
Cash provided from operations exclusive of extraordinary item	**94,022**	79,233	148,260
Utilization of operating loss carryforward	**—**	15,456	32,747
Cash Provided From Operations	**94,022**	94,689	181,007
Sale of investments	**517,536**	648,648	632,582
Issuance of Debentures	**18,323**	73,287	—
Proceeds from exercise of stock options	**1,044**	—	—
Increase in short-term debt	**5,000**	—	—
Conversion of Convertible Preferred Stock:			
Increase in Common Stock	**11,216**	35,861	3,786
(Decrease) in Preferred Stock	**(11,216)**	(35,861)	(3,786)
Total Funds Provided	**635,925**	816,624	813,589
Funds Applied			
Increase (decrease) in receivable from security sales	**(8,680)**	3,516	(2,477)
Decrease (increase) in payable on security purchases	**4,616**	2,610	(5,731)
Purchase of fixed assets, net of sales	**1,642**	3,264	1,349
Purchase of investments	**553,058**	701,470	758,737
Investment in insurance subsidiaries and affiliates	**20,319**	1,901	44,154
Purchase of Convertible Preferred Stock (Retired)	**—**	39,596	—
Purchase of Common Stock	**54,077**	49,969	—
Cash dividends paid to shareholders	**9,906**	11,096	10,896
Cash dividends paid by subsidiaries to minority shareholders	**3,474**	3,505	1,074
Other	**4,223**	3,212	180
Total Funds Applied	**642,635**	820,139	808,182
Change in Cash	**(6,710)**	(3,515)	5,407
Cash, Beginning	**20,799**	24,314	18,907
Cash, Ending	**$ 14,089**	$ 20,799	$ 24,314

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

Note A: Consolidation

On January 31, 1979 GEICO Corporation (the Corporation) became the parent company of Government Employees Insurance Company (GEICO). Pursuant to an Agreement and Plan of Reorganization approved by the Shareholders the outstanding Common Stock and Cumulative Convertible Preferred Stock of GEICO were converted into Common Stock and Cumulative Junior Preferred Stock, respectively, of GEICO Corporation on a share for share basis and the authorized capitalization of GEICO Corporation was increased. The accompanying financial statements are presented as if the reorganization had been accomplished on December 31, 1978.

The consolidated financial statements include the accounts of GEICO Corporation and its 100% owned subsidiaries, GEICO, Criterion Insurance Company (CRICO), and real estate and property subsidiaries, and the accounts of majority-owned Government Employees Life Insurance Company (GELICO). Investments in Government Employees Financial Corporation (GEFCO), a consumer finance company, and AVEMCO Corporation, a general aviation insurance and finance company, are accounted for using the equity method.

GEICO's ownership of common stock of GELICO (65.5%), CRICO (100%) and GEFCO (67.4%) at December 31, 1980 was increased to majority levels in 1978. In January 1980 the shareholders of CRICO approved a proposal whereby the Corporation purchased the remaining outstanding shares (27.2%) of CRICO Common Stock for $13.9 million. In September 1980 the Corporation purchased 435,000 shares of AVEMCO Common Stock for $6.1 million which increased ownership from approximately 5% to 22%.

The excess of cost of the investment in GELICO over its historical book value was $10.5 million. This excess has been reclassified to deferred policy acquisition costs based upon fair value analysis and is being amortized over 20 years by the sum-of-the-digits method. GEICO's equity in the aggregate net book value of GEFCO, CRICO and AVEMCO approximates its cost. Significant intercompany accounts and transactions have been eliminated in consolidation.

Summary financial data for the consolidated insurance subsidiaries of the Corporation are as follows:

Combined Property and Casualty Companies

Condensed Balance Sheet
(In millions)

	December 31, 1980			December 31, 1979		
	GEICO	CRICO	Combined	GEICO	CRICO	Combined
Assets						
Investments						
Certificates of deposit and commercial paper	$ 38.4	$ 2.5	$ 40.9	$ 34.6	$ —	$ 34.6
Bonds and notes	550.0	63.0	613.0	574.7	68.1	642.8
Common and preferred stocks	219.0	13.5	232.5	162.1	17.4	179.5
Affiliates	107.0	7.5	72.8	92.6	—	64.2
Cash	6.7	1.5	8.2	10.2	2.1	12.3
Premiums receivable, net	173.2	28.7	201.9	163.3	24.9	188.2
Deferred policy acquisition costs	26.0	4.4	30.4	26.7	3.9	30.6
Other assets	59.5	2.3	64.6	68.4	2.7	70.4
	$1,179.8	$ 123.4	$1,264.3	$1,132.6	$ 119.1	$1,222.6
Liabilities and Shareholders' Equity						
Reserves for losses and loss adjustment expenses	$ 435.3	$ 35.4	$ 470.7	$ 433.7	$ 35.3	$ 469.0
Unearned premiums	324.2	42.7	366.9	310.0	38.4	348.4
Other liabilities	113.3	6.5	119.7	107.7	5.5	113.2
Shareholders' equity (including Senior Preferred Stock)	307.0	38.8	307.0	281.2	39.9	292.0
	$1,179.8	$ 123.4	$1,264.3	$1,132.6	$ 119.1	$1,222.6

Combined Property and Casualty Companies

Condensed Income Statements
(In millions)

	Year Ended December 31, 1980			Year Ended December 31, 1979			Year Ended December 31, 1978		
	GEICO	*CRICO*	*Combined*	*GEICO*	*CRICO*	*Combined*	*GEICO*	*CRICO*	*Combined*
Premiums	$544.9	$ 75.2	$620.1	$532.1	$ 69.5	$601.6	$507.6	$ 69.6	$577.2
Losses and loss adjustment expenses	427.8	57.7	485.5	404.0	57.4	461.4	385.9	55.0	440.9
Other expenses	83.4	16.0	99.4	97.2	13.6	110.8	77.0	12.4	89.4
Underwriting income	33.7	1.5	35.2	30.9	(1.5)	29.4	44.7	2.2	46.9
Investment income, net of expenses	53.5	5.8	59.3	51.8	5.6	57.4	47.5	5.3	52.8
Equity in operating earnings of affiliates:									
CRICO	5.9	—	—	3.0	—	—	3.5	—	—
GELICO	4.6	—	4.6	4.4	—	4.4	3.2	—	3.2
GEFCO	(1.1)	—	(1.1)	1.3	—	1.3	1.7	—	1.7
AVEMCO	—	.3	.3	—	—	—	—	—	—
Interest expense	(4.1)	—	(4.1)	(4.2)	—	(4.2)	(4.2)	—	(4.2)
Operating earnings before income taxes	92.5	7.6	94.2	87.2	4.1	88.3	96.4	7.5	100.4
Income taxes	21.7	1.5	23.2	21.7	.1	21.8	34.0	1.7	35.7
Operating earnings	70.8	6.1	71.0	65.5	4.0	66.5	62.4	5.8	64.7
Realized gains (losses)	.9	(.2)	.9	(.7)	.1	(.6)	(7.0)	—	(7.0)
Income before extraordinary item	71.7	5.9	71.9	64.8	4.1	65.9	55.4	5.8	57.7
Utilization of operating loss carryforward	—	—	—	15.5	—	15.5	32.8	1.3	34.1
Net income	$ 71.7	$ 5.9	$ 71.9	$ 80.3	$ 4.1	$ 81.4	$ 88.2	$ 7.1	$ 91.8

The combined financial data includes in shareholders' equity and in net income amounts applicable to minority interests in CRICO as follows:

	1980	*1979*	*1978*
Shareholders' equity at December 31	$ —	$10.8	$10.3
Net income	$ .2	$ 1.1	$ 3.6

Government Employees Life Insurance Company (GELICO)

Condensed Balance Sheet
(In millions)

	December 31, 1980	December 31, 1979
Assets		
Investments		
Certificates of deposit and commercial paper	$ 9.2	$ 8.1
Bonds	93.0	88.2
Common and preferred stocks	33.5	24.9
Mortgage loans	24.3	22.9
Real estate	3.2	3.2
Cash	5.8	8.0
Deferred policy acquisition costs (excludes $7.6 and $8.6 attributable to GEICO's purchases)	25.1	23.0
Other assets	53.3	41.6
	$247.4	$219.9
Liabilities and Shareholders' Equity		
Reserves	$136.0	$125.9
Other liabilities	43.4	30.7
Shareholders' equity	68.0	63.3
	$247.4	$219.9

Condensed Income Statement
(In millions)

	Year Ended December 31, 1980	1979	1978
Premiums	$ 35.1	$ 35.0	$ 29.1
Investment income, net of expenses	13.6	11.7	10.7
Total revenue	48.7	46.7	39.8
Benefits	15.4	15.0	12.8
Increase in reserves	10.5	12.0	9.5
Other expenses	10.7	8.3	6.4
Operating income before income taxes	12.1	11.4	11.1
Income taxes	3.7	3.2	3.1
Net income	$ 8.4	$ 8.2	$ 8.0

The net income included in the consolidated financial statements for CRICO and GELICO is less than the net income reflected in the condensed income statements because of minority interests and amortization of the excess of cost over book value.

Summary financial data for GEICO's unconsolidated affiliate, GEFCO, is as follows:

(In millions)	1980	1979	1978
Receivables, net	$172.2	$201.4	$199.6
Total assets	206.4	228.6	223.6
Long-term debt	94.7	91.8	93.8
Redeemable Preferred Stock	1.0	—	—
Non-Redeemable Preferred Stock; Common Stock and Other Shareholders' Equity	33.9	35.9	34.7
Revenue	39.6	42.5	40.0
Net income	(1.5)	2.0	3.3

GEICO Corporation's consolidated balance sheet at December 31, 1980 includes investments in GEFCO's notes of $8,500,000, redeemable preferred stock of $1,000,000 and preferred stock of $67,650.

Summary financial data as reported by AVEMCO Corporation, an equity investee, is as follows:

(In millions)	1980
Total assets	$ 46.9
Shareholders' equity	19.1
Revenue	24.2
Net income	2.9

Note B: Significant Accounting Policies

Basis of Reporting
The accompanying financial statements are presented in conformity with generally accepted accounting principles (GAAP). These principles differ from statutory accounting practices prescribed or permitted by the Department of Insurance of the District of Columbia as described in Note C.

Investments
Investments in bonds and notes are reported at amortized cost, redeemable preferred stocks at amortized cost and other preferred and common stocks at market value. Realized gains and losses on sales of investments, as determined on a specific identification basis, are included in the statement of income. GEICO Corporation's equity in changes in unrealized appreciation (depreciation) on common and preferred stocks, after deferred income tax effects, is reported directly in shareholders' equity. The consolidated unrealized investment losses at December 31, 1980 before minority interest and tax effects consisted of gross gains of $25,835,652 and gross losses of $43,744,777.

Deferred Policy Acquisition Costs
Costs that vary with and are directly related to the production of business and are recoverable have been deferred. The costs of acquiring property, casualty and health insurance are being amortized to income as the related written premiums are earned. Costs of acquiring individual and group life insurance and annuities are being amortized over the lesser of 35 years or the premium paying periods in proportion to the receipt of premium revenue.

Loss and Benefit Reserves
Property and casualty reserves are based on averages for automobile claims reported within the most recent three months, case basis estimates for other reported claims and calculated estimates of unreported losses. The reserve for losses further includes additional amounts to reflect anticipated future economic and social conditions. The determination of these additional amounts includes consideration of studies of reserve levels performed by independent consulting actuaries. The reserve for losses has been reduced by approximately \$17.9 million and \$18.3 million at December 31, 1980 and 1979, respectively, for anticipated salvage and subrogation recoveries. Loss adjustment expense reserves are based upon estimates of expenses to be incurred in the settlement of claims.

Management believes that its aggregate provision for loss and loss adjustment expense at December 31, 1980 is reasonable and adequate to cover the ultimate net cost of losses on reported and unreported claims arising from accidents which had occurred by that date, but such provision is necessarily based on estimates and the ultimate net cost may vary from such estimates. As adjustments to these estimates become necessary, such adjustments are reflected in current operations. The methods used to develop these reserves are subject to continuing review and refinement.

Benefit reserves for individual life policies have been computed by the net level premium method based upon assumptions regarding interest, mortality and withdrawals, including provisions for unfavorable deviations from such assumptions. Interest rates range from 2¾% to 7¼% and mortality and withdrawal assumptions have been based on experience. Reserves for life policies are graded to cash values over 35 years.

Recognition of Premium Revenue
Property and casualty premiums are earned prorata over the terms of the policies and are reported net of reinsurance. The expected effects of certain states' regulations on underwriting income are recorded in other operating expenses based upon current estimates. In 1980 accrued experience reserves were reduced \$11,000,000, based primarily upon judicial actions during the year, and credited to operations. Individual life and annuity premiums are recognized as revenue over the premium paying period. Premiums on credit life policies and accident and health policies are recognized over the contract terms generally by the sum-of-the-digits method with the unearned premiums included in benefit reserves. Experience refunds on group contracts are charged to premium income.

Property and Equipment
The annual provisions for depreciation are computed by the straight-line method over 45 year useful lives for buildings and over 3-10 year useful lives for equipment.

Note C: Reconciliation of Statutory Accounts

The generally accepted accounting principles which differ significantly from statutory accounting practices are:

- Policy acquisition costs are deferred and amortized in proportion to premium recognition.
- Loss reserves are based upon estimates of ultimate losses net of salvage and subrogation recoverable.
- Life benefit reserves are based upon estimates of mortality, interest and withdrawals at policy issue date.
- The effects of regulations on underwriting income are recorded based upon current estimates.
- Deferred income taxes are provided for timing differences between pretax accounting income and taxable income.
- Nonadmitted assets, principally certain premiums receivable and property and equipment, are reported as assets.
- The mandatory securities valuation reserve is reported as a part of retained earnings.
- Reinsurance commissions are deferred and earned over the term of the business ceded.
- Equity in the undistributed net income of affiliates is included in net income.

A reconciliation of net income and shareholders' equity of GEICO under statutory practices to net income and redeemable preferred stock; common stock and other shareholders' equity reported herein under GAAP for the Corporation is as follows:

Net Income
(In thousands)

	Year Ended December 31,		
	1980	*1979*	*1978*
GEICO-statutory accounting practices	**\$ 75,630**	\$ 76,611	\$ 61,174
Deferred income taxes	**(21,693)**	(5,763)	(706)
Income from consolidation of insurance subsidiaries	**6,936**	5,210	5,029
Equity in undistributed net income of GEFCO	**(1,177)**	880	1,225
Deferred policy acquisition costs	**(667)**	4,131	8,404
Additional statutory and accrued experience reserves	**10,481**	(1,381)	4,800
Unearned reinsurance commissions	**932**	184	7,659
Other	**1,290**	384	613
GEICO—in accordance with GAAP	**71,732**	80,256	88,198
Senior preferred dividends	**(2,531)**	(2,500)	—
Parent company operations	**(8,438)**	(3,474)	—
The Corporation in accordance with GAAP	**\$ 60,763**	\$ 74,282	\$ 88,198

Redeemable Preferred Stock; Common Stock and Other Shareholders' Equity
(In thousands)

	December 31, 1980	1979	1978
GEICO-statutory accounting practices	**$283,321**	$251,078	$220,473
Deferred policy acquisition costs	**26,025**	26,692	22,561
Additional statutory and accrued experience reserves	**16,400**	5,919	7,300
Deferred income taxes	**(29,541)**	(5,411)	(492)
Effects of consolidated real estate subsidiaries	**(18,837)**	(20,320)	(21,058)
Nonadmitted assets	**8,022**	7,811	7,482
Valuation of consolidated insurance subsidiaries and GEFCO	**22,262**	17,465	14,760
Other	**(688)**	(2,052)	(3,083)
GEICO—in accordance with GAAP	**306,964**	281,182	247,943
Senior Preferred Stock of GEICO *included in minority interest*	**(25,000)**	(25,000)	(25,000)
Parent company capital transactions—net	**(75,742)**	(59,499)	—
Parent company operations	**(11,909)**	(3,474)	—
The Corporation in accordance with GAAP:			
Cumulative Preferred Stock, $.736 Convertible Series	**$ 6,227**	$ 17,443	$ 72,078
Common Stock and Other Shareholders' Equity	**$188,086**	$175,766	$150,865

Under the Holding Company System Regulatory Act applicable to District of Columbia domestic insurers, the maximum amount of dividends and other distributions to its Shareholders that may be paid by GEICO (without prior approval of the District of Columbia Department of Insurance) in any 12-month period is the greater of (i) investment income (as defined) for the preceding calendar year or (ii) 10% of statutory policyholders' surplus at the end of the preceding year.

Note D: Policy Acquisition Costs

Policy acquisition costs information is summarized as follows:

(In thousands)	1980	1979	1978
Policy acquisition costs incurred:			
Commission and brokerage	**$ 12,528**	$ 13,618	$ 11,693
Premium taxes	**12,970**	13,658	12,976
Direct mail selling and other, net of reinsurance commissions earned	**31,513**	29,285	17,791
	57,011	56,561	42,460
Purchase of GELICO insurance in-force	**—**	22	10,486
	$ 57,011	$ 56,583	$ 52,946
Policy acquisition costs expensed	**$ 55,968**	$ 49,545	$ 32,844

Note E: Income Taxes

Tax Expense
Tax expense has been computed upon pretax financial reporting income before utilization of the net operating loss carryforward as follows:

(In thousands)	1980	1979	1978
Tax on:			
Tax basis income before loss carryforward	**$ 13,275**	$ 19,172	$ 26,225
Timing differences	**6,068**	2,914	12,611
Income tax provision	**$ 19,343**	$ 22,086	$ 38,836

Effective Tax Rate Reconciliation
A reconciliation of the effective tax rates in the consolidated statement of income to the prevailing Federal income tax rates is as follows:

(In thousands)	1980	1979	1978
Income tax provision at prevailing rates	**$ 36,334**	$ 37,552	$ 48,598
Effect of:			
Minority interest	**2,538**	2,964	3,002
Tax-exempt interest income	**(10,388)**	(10,054)	(6,518)
Income not presently subject to taxation under Federal income tax regulations—GAAP basis	**(730)**	(1,429)	(1,573)
Dividends received deduction	**(7,617)**	(6,415)	(3,601)
Other items	**(794)**	(532)	(1,072)
Income tax provision	**$ 19,343**	$ 22,086	$ 38,836

Deferred Tax Provision
The deferred tax provision resulted from timing differences in recognition of revenue and expenses for tax and financial statement purposes as follows:

(In thousands)	*1980*	*1979*	*1978*
Deferral of policy acquisition costs	$ **414**	$ 2,622	$ 4,632
Commission on reinsurance treaties	**429**	85	3,677
Accrued investment income	**1,074**	1,027	1,322
Additional statutory reserves	**198**	2,527	4,349
Accrued experience reserves	**5,060**	(3,128)	(2,016)
Deferred compensation	**(1,337)**	(737)	—
Other	**230**	518	647
Deferred tax provision	$ **6,068**	$ 2,914	$ 12,611

Carryforwards
At December 31, 1980 the Corporation and its wholly-owned subsidiaries had net operating loss carryforwards for tax purposes of approximately $14.8 million, of which $14.0 million will expire in 1983 and $.8 million will expire in 1986. The unused investment tax credit carryforward is approximately $2.2 million, of which $2.1 million will be recognized by the flow-through method as utilized. In addition, at December 31, 1980 a capital loss carryforward of approximately $4.0 million, of which $3.8 million expires in 1983 and $.2 million in 1984, is available to offset future capital gains.

Because of timing differences, the net operating loss carryforward for financial statement purposes has been fully utilized. Utilization of the tax loss carryforward results in restoration of deferred taxes.

Subsidiaries' Undistributed Earnings
Consolidated retained earnings at December 31, 1980 includes approximately $10.2 million of undistributed earnings of GELICO and GEFCO for which no deferred taxes have been provided since it is GEICO's intention that they reinvest these undistributed earnings in their operations.

Policyholders' Surplus
GELICO has accumulated in "policyholders' surplus" as defined by the Life Insurance Company Income Tax Act of 1959 amounts which, subject to certain limitations, are not taxable except under conditions which management considers to be remote. The balance of the "policyholders' surplus" account at December 31, 1980 on which no tax has been provided was approximately $25.5 million.

Note F: Debt

On July 1, 1980 the Corporation issued Debentures with a face amount of $18.3 million in conjunction with the repurchase of approximately 2.1 million shares of Common Stock as described in Note I. The Debentures mature June 15, 1999 and bear interest at 13¾ % payable semi-annually. On April 1, 1979 the Corporation exchanged Debentures with a face amount of $73.3 million for approximately 4.4 million shares of Common Stock and 1.5 million shares of Cumulative Preferred Stock, $.736 Convertible Series. The Debentures mature March 15, 1999 and bear interest at 11% payable semi-annually. Long-term debt consisted of the following:

(In thousands)	*December 31,* *1980*	*1979*
Unsecured 13¾ % Debentures due 1999, annual sinking fund requirement 1990-1999 of 10% of principal amount outstanding January 1, 1990	**$ 18,323**	$ —
Unsecured 11% Debentures due 1999, annual sinking fund requirement 1990-1999 of 10% of principal amount outstanding January 1, 1990	**73,287**	73,287
GEICO's wholly-owned real estate subsidiaries—		
GEICO Properties, Inc.:		
8¼ % notes, due in equal quarterly installments of $339 including interest, until June 15, 2004	**14,008**	14,197
8½ % note, due in equal quarterly installments of $196 including interest, until May 1, 2004	**7,960**	8,064
GEICO Washington Properties, Inc.:		
9⅜ % note due in equal monthly installments of $203 including interest, until June 1, 2010	**24,342**	24,489
	$137,920	$120,037

Property with a cost of $41,691,876 has been pledged as security for the notes of the real estate subsidiaries and long-term leases have been assigned as additional collateral. The note agreements provide that the entire unpaid principal and interest become due and payable in the event of default.

The aggregate maturities of long-term debt for the years 1981 through 1985 are $479,664; $522,855; $569,949; $621,302 and $677,301, respectively.

The Corporation has $10.0 million of unsecured lines of credit with commercial banks, $5.0 million of which was unused at December 31, 1980, at the prime interest rate. The availability of these lines of credit is reviewed annually.

Note G: GEICO Cumulative Senior Preferred Stock

At December 31, 1980 GEICO had outstanding 250,000 shares of Cumulative Senior Preferred Stock (the GEICO Senior Preferred Stock), par value $10 per share, which is included in minority interest in the consolidated balance sheet of GEICO Corporation.

In January 1981 GEICO redeemed the 250,000 outstanding shares of GEICO Senior Preferred Stock at the redemption price of $100 per share plus accrued dividends.

Note H: Redeemable Preferred Stock

Description
GEICO Corporation has authorized 15 million shares of Cumulative Junior Preferred Stock, par value $1 per share. The only authorized series thereof is the $.736 Convertible Series (the Convertible Preferred Stock) which is junior to the Corporation's Senior Preferred Stock (none of which has been issued), but senior to its Common Stock with respect to both dividends and distributions of assets upon liquidation.

Dividends
Holders of the Convertible Preferred Stock are entitled to receive quarterly cash dividends, when and as declared by the Board of Directors, at an annual rate of $.736 before any dividends (other than dividends payable in Common Stock) are paid on the Common Stock. So long as any shares of its Convertible Preferred Stock are outstanding, GEICO Corporation may not pay any cash dividend on its Common Stock or redeem, purchase or otherwise acquire any shares of its Common Stock if the dividend and sinking fund payments on the Convertible Preferred Stock have not been met.

Conversion and Redemption
Shares of Convertible Preferred Stock are convertible at any time at the option of the holder into fully paid and nonassessable shares of Common Stock of the Corporation at the rate of two shares of Common Stock for each share of Convertible Preferred Stock surrendered for conversion. From and after January 1, 1981, shares of Convertible Preferred Stock may be redeemed at prices ranging downward from $9.752 during 1981 to $9.20 during 1987 and thereafter, plus in each case an amount equal to all accrued and unpaid dividends.

Sinking Fund and Other Provisions
The Convertible Preferred Stock is entitled to the benefit of a sinking fund pursuant to which, on or before January 1, 1992 and on or before each January 1 thereafter, to and including January 1, 2001, GEICO Corporation will pay to the transfer agent for the Convertible Preferred Stock an amount sufficient to redeem 10% of the number of shares of Convertible Preferred Stock outstanding on January 1, 1991, at $9.20 plus an amount equal to accrued and unpaid dividends.

Note I: Common Stock and Other Shareholders' Equity

Debenture Exchanges, Share Acquisitions and Conversions
In 1980, the Corporation acquired 2.1 million shares of Common Stock through the issuance of Debentures described in Note F and cash payment of $15 million. In other transactions the Corporation purchased for cash 1,680,860 shares of Common Stock at an aggregate cost of $20,734,643. Further, during 1980 1,219,127 shares of Convertible Preferred Stock were converted into 2,438,254 shares of Common Stock.

In 1979 the Corporation exchanged Debentures for approximately 4.4 million shares of Common Stock and 1.5 million shares of Convertible Preferred Stock on the basis of $10 of Debentures for each common share and $20 for each preferred share. In addition, the Corporation purchased for cash 576,638 shares of Common Stock and 572,900 shares of Convertible Preferred Stock during 1979 at an aggregate cost of $16,278,156. Further, during 1979 3,897,931 shares of Convertible Preferred Stock were converted into 7,795,862 shares of Common Stock.

Stock Option and Performance Share Plans; Warrants
During 1973 a Stock Option Plan was adopted under which both qualified and nonqualified options may be granted to officers and key employees for the purchase of capital stock at 100% or more of fair market value at date of grant. The options are exercisable in installments beginning one year from date of grant and expire not more than 10 years thereafter (five years in the case of qualified options).

		Options Outstanding	
	Shares Available For Grant	Per Share On Date of Grant	Number Of Shares
Balance at January 1, 1978	—	$4.59 to $36.06	401,498
Granted	(16,000)	9.25	16,000
Exercised	—	6.56	(686)
Terminated	30,628	6.59 to 36.06	(30,628)
Balance at December 31, 1978	14,628	4.59 to 36.06	386,184
Granted	(12,000)	8.69 to 11.88	12,000
Exercised	—	6.56	(843)
Terminated	32,481	6.56 to 36.06	(32,481)
Balance at December 31, 1979	35,109	4.59 to 36.06	364,860
Granted	(14,407)	2.68 to 16.72	14,407
Exercised	—	2.68 to 6.56	(222,805)
Terminated	11,066	6.56 to 20.75	(11,066)
Balance at December 31, 1980	31,768	$2.68 to $36.06	145,396

Pursuant to the Agreement and Plan of Merger in 1980 whereby the Corporation obtained 100% ownership of CRICO as discussed in Note A, the Corporation assumed CRICO's stock option plan. Stock options outstanding under CRICO's plan were converted into options to purchase 14,407 shares of the Corporation's Common Stock at prices ranging from $2.68 to $16.72 per share.

In 1980 the Corporation accepted notes for $962,500 from the Chairman of the Board payable on demand with interest at 6% per annum in return for the issuance of 209,741 shares of Common Stock to him upon exercise of options granted in 1976. In consideration of the Corporation agreeing to allow exercise by means of demand notes, which are included in other assets at December 31, 1980, the Chairman agreed to extend his term of employment.

In 1979 the Corporation's shareholders approved a performance share plan under which awards in the aggregate of 500,000 performance shares may be made to key executives. Awards for 406,550 performance shares are outstanding at December 31, 1980 and will be paid in shares of the Corporation's Common Stock or cash based on the attainment of certain goals. Charges of $2,589,094 and $1,532,659 were made against 1980 and 1979 earnings, respectively, under the plan.

At December 31, 1980 GEICO Corporation had outstanding warrants exercisable at anytime to August 1, 1983 to purchase 1,348,999 shares of its Common Stock at $24 per share. A total of 1,932,713 shares have been reserved for stock options, performance share awards and warrants.

Note J: Earnings Per Share

Fully diluted earnings per share were determined using 23,002,821 shares in 1980, 27,753,153 in 1979 and 34,342,875 in 1978 assuming conversion of the Convertible Preferred Stock and exercise of dilutive stock options and performance share awards and reflect adjustment for GEICO's equity interest in the fully diluted earnings per share of its insurance subsidiaries and finance affiliate.

Primary earnings per share have been computed by dividing the weighted average number of common shares outstanding of 20,522,424 in 1980, 17,336,112 in 1979 and 18,040,284 in 1978 into earnings after deduction for preferred stock dividend requirements and adjustment for GEICO's equity interest in the primary earnings per share of its insurance subsidiaries and finance affiliate.

Net income per share would have been $2.72 (fully diluted) and $2.92 (primary) for 1980 if the share repurchases and conversions of Convertible Preferred Stock to Common Stock described in Note I had taken place January 1, 1980.

Note K: Employee Benefits

GEICO Corporation and its subsidiaries have a defined benefit pension plan covering most full-time employees, the cost of which was $4,224,200 in 1980, $3,887,885 in 1979 and $3,834,836 in 1978. GELICO administers the pension plan funds and, as a result, the assets and liabilities are included in the accompanying consolidated balance sheet. The policy is to fund accrued pension costs, including amortization of prior service costs over 30 years.

Accumulated plan benefits, as estimated by consulting actuaries, and plan net assets at December 31, 1979 (latest valuation date) and 1978 were as follows:

(In thousands)	December 31, 1979	December 31, 1978
Actuarial present value of accumulated plan benefits:		
Vested	$22,236	$18,488
Nonvested	7,140	6,668
	$29,376	$25,156
Net assets available for plan benefits	$29,923	$25,296

The assumed rate of return on invested assets used in determining the actuarial present value of accumulated plan benefits was 6% for both the December 31, 1979 and 1978 valuations.

Note L: Quota Share Reinsurance Agreement

Pursuant to a program carried out under the supervision of the District of Columbia Superintendent of Insurance, effective June 30, 1976, GEICO executed reinsurance agreements with 27 property and casualty insurance companies obligating them to provide quota share reinsurance on 25.36% of GEICO's business. The reinsurance treaty was terminated at mid-year 1978. The direct effect of the reinsurance treaty on GEICO Corporation for 1978 was as follows:

(In thousands)	
Net premiums ceded	$(35,912)
Losses and loss expenses ceded	28,206
Reinsurance commissions earned	4,809
Termination adjustments	3,917
Effect on GEICO's underwriting income	$ 1,020

Interest at 3% per annum on funds held by the reinsurers amounted to $1.5 million in 1978 and was included in investment income.

In addition to the quota share reinsurance, GEICO and its insurance subsidiaries maintain certain reinsurance agreements for the purpose of insuring excess risks. GEICO and its insurance subsidiaries remain liable for any amounts to the extent that the reinsuring companies are unable to meet their obligations.

Note M: Commitments

Rental expense for all leases was approximately $6,630,000 in 1980, $6,400,000 in 1979 and $6,350,000 in 1978.

The Corporation and its subsidiaries have entered into noncancellable leases expiring at various dates through 1992 for both real estate and equipment, all of which are operating leases. The future minimum rental commitments as of December 31, 1980 for noncancellable leases with a remaining term of at least one year are as follows:

(In thousands)	*Total*	*Building Space*	*Equipment*
1981	$ 2,999	$ 1,318	$ 1,681
1982	1,960	1,287	673
1983	1,430	1,186	244
1984	1,251	1,087	164
1985	1,160	1,026	134
1986-1992	2,376	2,031	345
	$11,176	$ 7,935	$ 3,241

Certain of the building space leases contain renewal options for periods ranging from 1 to 10 years. No options extend beyond the periods indicated.

Under an agreement dated August 12, 1980, the Corporation is committed to guarantee up to $15.0 million of GEFCO commercial paper, if any, maturing through December 31, 1981 for which the Corporation receives a fee at an annual rate of $18,750. At December 31, 1980 no commercial paper subject to this agreement was outstanding.

Note N: Segment Reporting

A summary of the Corporation's segment information for 1980, 1979 and 1978 is as follows:

(In thousands)	*1980*	*1979*	*1978*
Revenue:			
Private passenger automobile insurance	**$ 635,018**	$ 622,058	$ 597,644
Life and health insurance	**48,697**	46,689	39,830
Other segments	**44,273**	36,931	32,394
	727,988	705,678	669,868
Intersegment life and health insurance	**(2,072)**	(2,043)	(1,432)
Equity in unconsolidated affiliates	**(803)**	1,302	1,727
Parent company revenue	**1,321**	953	—
Consolidated	**$ 726,434**	$ 705,890	$ 670,163
Operating Earnings Before Taxes:			
Private passenger automobile insurance	**$ 103,269**	$ 88,328	$ 96,428
Life and health insurance	**11,163**	10,443	10,131
Other segments	**(8,777)**	(1,490)	3,418
	105,655	97,281	109,977
Equity in unconsolidated affiliates	**(803)**	1,302	1,727
Interest expense	**(14,117)**	(10,192)	(4,205)
Minority interest	**(5,517)**	(6,444)	(6,254)
Parent company operating expenses, net	**(6,231)**	(312)	—
Consolidated	**$ 78,987**	$ 81,635	$ 101,245
Identifiable Assets:			
Private passenger automobile insurance	**$1,142,705**	$1,124,501	$1,099,517
Life and health insurance	**254,946**	228,461	205,011
Other segments	**47,299**	33,188	28,080
	1,444,950	1,386,150	1,332,608
Investment in unconsolidated affiliates	**20,191**	14,281	12,033
Parent company	**9,437**	11,866	—
Consolidated	**$1,474,578**	$1,412,297	$1,344,641

Intersegment revenue represents group insurance coverage provided by GELICO. Investment income included in revenue, operating earnings before taxes and identifiable assets have been allocated to segments based upon assumptions and estimates.

Quarterly Highlights of Operating Results (Unaudited)
(In millions, except per share results)

	1980				1979			
	Three Months Ended				*Three Months Ended*			
	Dec. 31	*Sept. 30*	*June 30*	*Mar. 31*	*Dec. 31*	*Sept. 30*	*June 30*	*Mar. 31*
Revenue								
Premiums earned	$169.0	$166.4	$158.3	$159.4	$161.1	$162.2	$154.5	$156.7
Net investment income	19.3	18.2	18.3	18.3	18.7	17.4	16.9	17.1
Equity in earnings of affiliates	.1	(.9)	(.2)	.2	.1	.3	.5	.4
Total Revenue	188.4	183.7	176.4	177.9	179.9	179.9	171.9	174.2
Benefits and Expenses								
Losses and benefits	133.2	126.9	125.2	125.2	124.6	122.6	115.4	124.8
Operating expenses	30.0	28.4	29.0	30.0	32.9	29.2	31.9	26.3
Interest expense	3.9	3.7	3.4	3.1	3.1	3.0	3.1	1.0
Minority interest	1.4	1.4	1.3	1.4	1.4	1.8	1.7	1.5
Income taxes	4.5	6.9	3.9	4.0	4.4	7.0	5.0	5.7
Total Benefits and Expenses	173.0	167.3	162.8	163.7	166.4	163.6	157.1	159.3
Operating Earnings	15.4	16.4	13.6	14.2	13.5	16.3	14.8	14.9
Realized gains (losses) on sale of investments, net of tax effect	(.5)	1.7	(2.0)	1.9	(2.3)	(.2)	1.8	—
Income before extraordinary item	14.9	18.1	11.6	16.1	11.2	16.1	16.6	14.9
Utilization of operating loss carryforward	—	—	—	—	1.3	5.4	3.9	4.9
Net Income	$ 14.9	$ 18.1	$ 11.6	$ 16.1	$ 12.5	$ 21.5	$ 20.5	$ 19.8
Per Share Results								
Fully Diluted:								
Operating earnings	$ .70	$ .76	$ .58	$ .57	$ .53	$ .64	$ .57	$ .44
Income before extraordinary item	$ .68	$ .83	$ .50	$ .65	$ .44	$ .63	$ .64	$ .44
Net income	$ .68	$ .83	$ .50	$ .65	$ .49	$ .84	$ .79	$ .58
Primary:								
Operating earnings	$ .76	$ .82	$ .64	$ .66	$ .66	$ .98	$ .95	$ .73
Income before extraordinary item	$ .73	$ .90	$ .54	$ .75	$ .54	$ .97	$ 1.07	$ .73
Net income	$ .73	$ .90	$ .54	$ .75	$ .61	$ 1.30	$ 1.34	$ .99

Supplemental Information on the Effects of Changing Prices (Unaudited)

Five-Year Comparison of Supplemental Financial Data Adjusted for Effects of Changing Prices

(In thousands, except per share data)

	Year Ended December 31,				
	1980	1979	1978	1977	1976
Total revenue:					
As reported	**$726,434**	$705,890	$670,163	$505,166	$613,528
Adjusted for general inflation (1)	**$726,434**	$801,351	$846,449	$686,914	$888,086
Purchasing power loss from holding net monetary assets during the year (1):					
As required	**$ 19,584**	$ 28,685	—	—	—
Alternative computation	**$ 3,914**	$ 12,131	—	—	—
Net assets at year end:					
As reported	**$194,313**	$193,209	$222,943	$180,575	$103,823
Adjusted for general inflation (2)	**$194,313**	$217,161	$283,925	$250,729	$153,918
Cash dividends declared per common share:					
As reported	**$ .43**	$ .36	$ .20	$ .03	$ —
Adjusted for general inflation (1)	**$ .43**	$ .41	$ .25	$ .04	$ —
Market price per common share at year end:					
Historical amount	**$ 14.63**	$ 12.06	$ 7.19	$ 8.31	$ 7.38
Adjusted for general inflation (2)	**$ 14.63**	$ 13.56	$ 9.16	$ 11.54	$ 10.94
Consumer price index:					
Average	**246.8**	217.4	195.4	181.5	170.5
Year-End	**258.4**	229.9	202.9	186.1	174.3

(1) In average 1980 dollars
(2) In year-end 1980 dollars

As required by Financial Accounting Standards Board (FASB) Statement No. 33, "Financial Reporting and Changing Prices," the Corporation must provide supplemental information concerning the effects of changing prices on its financial statements. The disclosures are intended to address two different aspects of an inflationary environment: (1) the effect of a rise in the general price level on the exchange value or purchasing power of the dollar (called "general inflation") and (2) the specific price changes in the individual resources used by the Corporation. Because there is presently no consensus on which aspect, if any, of inflation should be reported, especially as related to insurance companies, the FASB has devised an experiment requiring certain large, publicly held companies to present supplemental information reflecting both types of inflation measures.

The supplemental information on changing prices does not reflect a comprehensive application of either type of inflation accounting. The FASB decided to focus on items most affected by changing prices, that is: (1) the effect of both general inflation and specific price changes on properties and related depreciation expense, and (2) the effect of general inflation on holding monetary assets and liabilities.

Effect on Properties and Related Depreciation Expense

FASB Statement No. 33 requires the presentation, if material, of a supplemental statement of income from continuing operations. The Corporation has computed income from continuing operations (equivalent to income before extraordinary item) as required by the Statement. The supplemental statement of income from continuing operations is not presented because fixed assets and depreciation expense are not significant items in the Corporation's financial statements and the resulting difference between net income, as reported, and income adjusted for general inflation or specific price changes was not material.

Holding Monetary Assets and Liabilities

When prices are increasing, the holding of net monetary assets during any given period results in a loss of general purchasing power.

The FASB's current methodology requires nonmonetary classification for unearned premiums and deferred policy acquisition costs of property and casualty companies despite the recommendation of its own advisory Insurance Task Force that these and all other assets and liabilities be categorized as monetary. Based on the current methodology required by FASB, the Corporation incurred a purchasing power loss from holding net monetary assets during the year of $19.6 million in 1980, while the loss would have been $3.9 million if unearned premiums and deferred policy acquisition costs were classified as monetary.

GEICO Corporation Board of Directors

Thomas E. Bolger
Executive Vice President, American Telephone and Telegraph Company

Samuel C. Butler
Partner, Cravath, Swaine & Moore

John J. Byrne
Chairman of the Board, President and Chief Executive Officer, GEICO Corporation

John M. Christie
Chairman of the Executive Committee, The Riggs National Bank of Washington, D.C.

Paul J. Hanna
Vice Chairman of the Board and Chief Financial Officer, GEICO Corporation

Alvin E. Kraus
Consultant to GEICO; Chairman of the Board, Criterion Insurance Company

Melvin M. Payne
Chairman of the Board, National Geographic Society

Joseph J. Sisco
Partner, Sisco Associates

William B. Snyder
President, GEICO

Frank A. Weil
Partner, Ginsburg, Feldman, Weil & Bress

H. Edward Wrapp
Professor of Business Policy, Graduate School of Business, University of Chicago

Honorary Directors

Daniel J. Callahan, Jr.
Retired Senior Vice President, The Riggs National Bank of Washington, D.C.

Lorimer A. Davidson
Chairman Emeritus, GEICO

Harvey B. Gram, Jr.
Chairman of the Board, Johnston, Lemon & Co., Inc.

William K. Jacobs, Jr.
Private financial consultant

David Lloyd Kreeger
Honorary Chairman of the Board, GEICO

Committees of the Board

GEICO Corporation's Board of Directors consists of eleven members. Assisting the Board in the management of its responsibilities are five Board Committees. The names of those serving on the committees and primary committee functions are as follows:

Audit Committee

John M. Christie, *Chairman*
Thomas E. Bolger
Joseph J. Sisco

In addition to recommending for appointment the Corporation's Independent Accountants, the Audit Committee, which is composed entirely of nonmanagement Directors, monitors the Accountants' audits, reviews the audit results with management and the Accountants, recommends changes to internal controls and accounting procedures, reviews the basis for determining intercompany charges and monitors compliance with the Foreign Corrupt Practices Act. The Internal Auditor reports directly to the Audit Committee and functions as a staff thereto.

Executive Committee

Samuel C. Butler, *Chairman*
John J. Byrne
Paul J. Hanna
Alvin E. Kraus
H. Edward Wrapp

This committee exercises the powers of the Board of Directors when the Board is not in session, recommends plans relating to the development of corporate structure, reviews proposals regarding merger or affiliation with other companies and reviews proposals to enter new or expanded lines of business.

Human Resources Committee

H. Edward Wrapp, *Chairman*
Samuel C. Butler
Alvin E. Kraus
Melvin M. Payne
Joseph J. Sisco
Frank A. Weil

This committee reviews programs relating to the development of human resources, including personnel and compensation practices; education and training programs; and the introduction of external resources (both the hiring of new employees and retention of consultants). It recommends to the Board the compensation of the Chairman of the Board, Chief Executive Officer, President, Executive Vice Presidents and Senior Vice Presidents, and fixes the compensation of other Officers, approves and administers compensation programs, elects all officers except the Chairman of the Board, Chief Executive Officer, President, Executive Vice President and Senior Vice Presidents, and approves Directors' compensation. The Committee also recommends proposed nominees for election to the Board by the Shareholders at the Annual Meetings.

Investment Committee

Paul J. Hanna, *Chairman*
John J. Byrne
John M. Christie
Frank A. Weil

The Investment Committee authorizes the purchase, conversion, transfer and sale of stocks, bonds and of other securities within guidelines prescribed by the Board of Directors.

Social Responsibility Committee

Joseph J. Sisco, *Chairman*
John M. Christie
Paul J. Hanna
Melvin M. Payne
William B. Snyder

This committee oversees the fulfillment of social responsibilities to shareholders, policyholders, employees and the general public. It reviews the Affirmative Action Program with respect to employment and upward mobility of females, minorities and disadvantaged segments of society. The Committee also monitors involvement in political action, particularly with respect to state legislative affairs, and reviews our responsibilities to society in the providing of insurance services and allocating charitable contributions.

Directors and Officers

Government Employees Insurance Company

John J. Byrne *†°
Chairman of the Board and Chief Executive Officer

Paul J. Hanna *†°
Vice Chairman of the Board

William B. Snyder †
President

Senior Vice Presidents
Richard C. Lucas *†°
Eugene J. Meyung
James E. Reagan
Louis A. Simpson *†°
Donald K. Smith *†°
General Counsel

Vice Presidents
Martin Adler
Actuary
Ralph L. Belford, III
Marion E. Byrd
Edward J. Clark
Theodore F. Culp
DeWayne C. Cuthbertson
Thomas N. Exarhakis
Alvin Kaltman
K. Thomas Kemp *
Merrill D. Knight, III
Ernest M. Lucas
Legislative Counsel
Donald D. Messmer
Olza M. Nicely
Richard A. Ollen
Ross D. Pierce
Walter R. Tinsley
Edward H. Utley

Treasurer
Albert M. McKenney

Medical Director
Elaine W. Murphy, M.D.

Secretary
John M. O'Connor *

Criterion Insurance Company

Alvin E. Kraus †°
Chairman of the Board

George F. Lewin °
President and Chief Operating Officer

Senior Vice Presidents
Harry I. Bond °
Charles T. Connolly °
Actuary

Vice Presidents
Marie G. Baker
Daniel J. Coughlin, III
DeWayne C. Cuthbertson
Robert L. Green
Treasurer
Ernest M. Lucas
Legislative Counsel
Andrew J. Lyons, Jr.
Gerald F. O'Neal
Clark E. Simcock
Louis A. Simpson *†°
Paul A. Sullivan, Jr.

Medical Director
Elaine W. Murphy, M.D.

Secretary
John M. O'Connor *

* Executive Officer of GEICO Corporation with titles shown. Additionally, Messrs. Byrne and Hanna are President and Chief Financial Officer, respectively, of the Corporation

† GEICO Director

° Criterion Director

Transfer Agents and Registrars

The Riggs National Bank of Washington, D.C.
Corporate Trust Department
P.O. Box 2651
Washington, D.C. 20013

Manufacturers Hanover Trust Company
Stock Transfer Department
4 New York Plaza
New York, N.Y. 10015

Shareholder Inquiries

Communications concerning transfer requirements, lost certificates, dividends and change of address should be directed to one of the Corporation's transfer agents.

Form 10-K

The Corporation's Annual Report on Form 10-K and those of GELICO and GEFCO, as filed with the Securities and Exchange Commission, will be available after March 1981, without charge to shareholders, upon written request directed to:

Mr. John M. O'Connor, Secretary
GEICO Corporation
GEICO Plaza
Washington, D.C. 20076

Statistical Supplement

A statistical supplement for GEICO containing details of certain of the financial and other data which are summarized in this report is available to shareholders and other interested parties upon request directed to the Office of the Secretary.

Independent Auditors

The financial statements contained in this report have been examined by Ernst & Whinney, GEICO Corporation's independent auditors, who have been appointed by the Board of Directors, subject to ratification by the shareholders, to examine the Corporation's 1981 financial statements. A representative of Ernst & Whinney will be present at the Annual Meeting to respond to shareholders' questions.

This report and the financial statements herein have been published for the general information of shareholders of GEICO Corporation and are not intended to induce or to be used in connection with any sale or purchase of securities.

Exhibit 22

SUBSIDIARIES OF GEICO CORPORATION

(1) Government Employees Insurance Company (GEICO) is a wholly-owned District of Columbia property, casualty and liability insurer.

(2) GEICO Properties, Inc. (GPI) is a Delaware real estate holding company wholly-owned by GEICO.

(3) GEICO Washington Properties, Inc. (GWPI) is a Delaware real estate holding company wholly-owned by GEICO.

(4) Criterion Insurance Company (Criterion) is a District of Columbia property and casualty insurer wholly-owned by GEICO.

(5) Government Employees Life Insurance Company (GELICO), a majority-owned subsidiary of GEICO, is a District of Columbia life and health insurer.

(6) Government Employees Life Insurance Company of New York (GELICONY), a wholly-owned subsidiary of GELICO, is a New York life and health insurer.

(7) Government Employees Financial Corporation (GEFCO), a majority-owned subsidiary of GEICO, is a Colorado corporation primarily engaged in the business of consumer finance. GEFCO itself has a number of subsidiaries engaged in various aspects of the finance, industrial banking and insurance brokerage businesses which are incorporated in various states and the Federal Republic of Germany.

(8) GEICO Facilities Corporation is a wholly-owned Delaware property company.

(9) Resolute Group, Inc. (RGI) is a wholly-owned Delaware general business corporation.

(10) Resolute Reinsurance Company, a wholly-owned subsidiary of RGI, is a New York domiciled insurer in the process of organization.

(11) Resolute Management Corporation, a wholly-owned subsidiary of RGI, is a New York management corporation.

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