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GEICO CORP

10-K

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DISCLOSURE INC BETHESDA MD. 20816

FOR 12/31/84

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			ARS	Listing Application	N-1R	N-10
									'34 Act		'33 Act "S" Type				
									F-10	8-A 8-B					
Auditor															
<input type="checkbox"/> Name	A	A						A	A		A	A		A	
<input type="checkbox"/> Opinion	A	A							A			A		A	
<input type="checkbox"/> Changes				A											
Compensation Plans															
<input type="checkbox"/> Equity							F	F	A		F				
<input type="checkbox"/> Monetary								F	A		F				
Company Information															
<input type="checkbox"/> Nature of Business	A	A				F		A	A		A				
<input type="checkbox"/> History	F	A						A			A				
<input type="checkbox"/> 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															
<input type="checkbox"/> Identification	F	A				F	A	A	A		A	F			
<input type="checkbox"/> Background		A				F	F	A			A				
<input type="checkbox"/> Holdings		A					A	A	A		A				
<input type="checkbox"/> Compensation		A					A	A	A		A				
Earnings Per Share	A	A	A			F			A			A		A	
Financial Information															
<input type="checkbox"/> Annual Audited	A	A							A			A		A	
<input type="checkbox"/> Interim Audited		A													
<input type="checkbox"/> 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															
<input type="checkbox"/> Content (Listing of Securities)														A	
<input type="checkbox"/> 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 occurred or significant F - frequently included ■ special circumstances only

TENDER OFFER/ACQUISITION REPORTS	13D	13G	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

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SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

MARKETING GROUP

FORM 10-K

1985 APR 15 PM 5:22

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

Rec'd
4/1/85

For the Fiscal Year Ended December 31, 1984 Commission File No. 1-8012

GEICO CORPORATION

Delaware
(Jurisdiction of Incorporation)

52-1135801
(IRS Employer Identification No.)

GEICO Plaza, Washington, D. C. 20076

Registrant's telephone number (301) 986-3000

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

28EX

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock	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 March 27, 1985.....\$1,344,919,332 (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 27, 1985

Common Stock, \$1.00 par value 18,554,786 shares

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the GEICO Corporation Annual Report to Shareholders for the fiscal year ended December 31, 1984 are incorporated by reference into Parts I and 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 April 10, 1985 are incorporated by reference into Part 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 the closing price of \$76.00 per share of Common Stock on the Composite Tape for New York Stock Exchange listed stocks for March 27, 1985. The amount excludes the market value of 858,479 shares of Common Stock beneficially owned by the Registrant's directors and executive officers (including 152,491 shares of Common Stock as to which said directors and/or executive officers disclaim beneficial ownership) and includes the market value of 6,850,000 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 (the "Corporation") was organized as a Delaware corporation in 1978 and in 1979 became the parent of Government Employees Insurance Company ("GEICO" or the "Company") which has been engaged in the insurance business since 1936. The Corporation is an insurance and financial services organization the principal subsidiary of which, GEICO, is a multiple line property and casualty insurer engaged in writing preferred risk private passenger automobile, homeowners, fire and extended coverage, professional and comprehensive personal liability, excess business liability, boat and yacht insurance. GEICO wholly owns Criterion Insurance Company ("Criterion") and GEICO General Insurance Company ("GGIC"), which both write standard risk private passenger automobile insurance. Criterion also writes motorcycle insurance and, through its subsidiary, Criterion Casualty Company, nonstandard risk automobile insurance.

Through wholly-owned Garden State Life Insurance Company ("GSLIC") and its subsidiary, GEICO Annuity and Insurance Company ("GEICO Annuity"), GEICO writes consumer-oriented life insurance and sells structured settlement annuity policies. Other wholly-owned insurance related subsidiaries of the Corporation include: The Top Five Club, Inc. which specializes in marketing automobile insurance to military personnel in the top five grades; International Insurance Underwriters, Inc. ("IIU") which specializes in marketing automobile insurance to military personnel as they are transferred overseas; GEICO Financial Services, GmbH ("GFS") which sells automobile policies to American military personnel through offices in Germany and which places unsecured loans for Government Employees Financial Corporation ("GEFCO"), a wholly-owned subsidiary of GEICO; Plaza Financial Services Company, formed primarily to facilitate the marketing of life insurance products; and Resolute Group, Inc. which, through its wholly-owned subsidiaries, Resolute Reinsurance Company and Resolute Management Corporation, writes property and casualty reinsurance. In addition to these insurance related subsidiaries, financial services are provided by GEFCO, which directly or through one or more subsidiaries is in the business of consumer and business lending, industrial banking and timeshare marketing and services and GEICO Investment Services Company ("GEIVEST"), a registered investment adviser and broker-dealer which is wholly-owned by the Corporation. GEIVEST provides investment management and administrative services to GEICO Investment Series Trust (the "Investment Trust") and to GEICO Tax Advantaged Series Trust (the "Tax Trust"). GEIVEST is the distributor of shares of Government Securities Cash Fund, a no-load money market mutual fund which currently is the only series of the Investment Trust and of GEICO Adjustable Rate Preferred Fund, a no-load mutual fund designed specifically for corporate investors which can fully avail themselves of the 85% intercorporate dividends received deduction available

under current Federal tax law. GEIVEST also provides other financial and investment services to the public. Other subsidiaries of the Corporation include Plaza Resources Company, which is engaged in oil and gas exploration and other investment ventures and several real estate/property companies: Maryland Ventures, Inc., GEICO Facilities Corporation, GEICO Properties, Inc. ("GPI") and GEICO Washington Properties, Inc. ("GWPI"). GPI and GWPI are wholly-owned by GEICO.

Private passenger automobile insurance is the Corporation's dominant business segment, although other insurance and financial service products have been and are being developed and marketed.

Seasonal variations in the business of the Companies are not material. While extraordinary weather conditions or other factors may from time to time have a noticeable impact on the frequency or severity of automobile or home-owners claims, such impact has not been material.

Each of the Corporation's insurance company subsidiaries is subject to regulation and supervision of its respective insurance business in each of the jurisdictions in which it does business. In general, the various state laws establish supervisory agencies with broad administrative powers. Those powers relate to the issuance to and revocation of licenses of 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. Such regulation and the requirements for prior approval in certain states of new or revised forms and rate schedules may impair the ability of the insurance company subsidiaries to take timely action to respond to newly perceived trends or claim experience. GEIVEST is regulated by the federal government and the various states in which it is licensed; the primary purpose of such regulation is to protect the investing public.

The United States Congress is currently reviewing the federal tax laws as they apply to property and casualty insurance industries. The outcome of such review is uncertain at this time. The Congress and certain state legislatures are considering the effects of the use of sex as a basis for rating classification and its use also has been and is being challenged in the courts.

The insurance industry is highly competitive. GEICO currently competes most directly with the other companies, including mutual companies, that concentrate on preferred risk insurance. As the pressures on competitors from mounting and continuing underwriting losses increase, competition, particularly from insurers which may have a larger capital base or a broader policyholder base or may be able to realize economies of scale from a more

diverse operating organization, may also be expected to increase. Although most insurance companies are stock companies like GEICO, in 1983 mutual companies wrote approximately thirty-three percent 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; in certain instances, however, stock companies can pay dividends to their policyholders and in 1983 GEICO accrued \$16.1 million for policyholder dividends of which \$13.9 million was paid in 1984 with the remainder scheduled to be paid in 1985.

The latest available statistics as published in the National Underwriter reveal that, based upon 1983 earned premiums, GEICO was the tenth largest automobile insurer and the fifth largest stock automobile insurer in the United States.

As of December 31, 1984 the Corporation and its subsidiaries had 4,201 full-time employees and 922 part-time employees. A number of benefits are provided or made available for full-time employees including profit sharing, savings, pension and employee stock ownership plans and various insurance programs.

PRINCIPAL BUSINESS SEGMENT

The information concerning GEICO Corporation's private passenger automobile insurance business required by the remainder of this Item 1 is contained in its 1984 Annual Report to Shareholders under the caption "Principal Business Segments" on pages 8 through 11 and Note M of the "Notes to Consolidated Financial Statements" contained on page 35 and is incorporated herein by reference.

Item 2. Properties.

Through several of its real estate/property subsidiaries, the Corporation owns its headquarters building (GEICO Plaza) in Chevy Chase, Maryland and its Regional Office Buildings in Woodbury, New York and Macon, Georgia, certain of its claims drive-in facilities and certain additional properties.

GEICO Plaza is a 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; an additional four-story portion and an eight-story tower were completed in 1964. Both the Woodbury and Macon Regional Office Buildings are similar to each other in design and capacity, each being a modern four-story structure containing approximately 250,000

square feet of office space. There is sufficient capacity at these facilities to accommodate the Corporation's foreseeable requirements.

GEICO Plaza, the Woodbury and Macon Regional Office Buildings and certain claims facilities are each owned subject to long term notes which are held by institutional investors. The notes are each secured by an indenture of mortgage, a deed of trust on the particular property and the assignment to the trustees of an occupancy lease coincident (including automatic renewals) with the term of the notes. GEICO Plaza, together with certain sales/drive-in facilities, is owned by GWPI subject to a 9 3/8% note due July 1, 2010. The outstanding balance at December 31, 1984 was \$23,590,590. The Woodbury and Macon Regional Office Buildings, together with certain claims facilities, are owned by GPI subject, respectively, to 8 1/4% notes due June 15, 2004 and an 8 1/2% note due May 1, 2004. At December 31, 1984 the aggregate outstanding balance on these notes was \$20,525,817.

GEICO also leases office space and drive-in claims facilities in various cities in the United States. These leases expire at various times between 1985 and 1992 with renewal options in a number of cases. In addition, GEICO maintains electronic data processing equipment with a depreciated cost as of December 31, 1984 of \$10,439,638, located principally at GEICO Plaza.

Item 3. Legal Proceedings.

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

Item 4. Submission of Matters to a Vote of Security Holders.

Not Applicable.

Executive Officers of the Registrant.

Pursuant to General Instruction G-3 to Form 10-K and Instruction 3 to Regulation S-K, Item 401(b), the following information is included hereunder.

John J. Byrne, 52, was elected Chairman of the Board and Chief Executive Officer of the Corporation in November 1978. He also was President from November 1978 until September 1981. He has been Chairman of the Board of GEICO since May 1976 and was President and Chief Executive Officer of GEICO from May 1976 to February 1980 and August 1983, respectively. Mr. Byrne has also served and/or continues to serve as Chairman of the Board and/or a director of various other subsidiaries of the Corporation.

Richard C. Lucas, 58, has been a director of GEICO since October 1979 and Senior Vice President since July 1978; he was Vice President from May 1977 until July 1978 and Internal Auditor from April 1978 to August 1978. Mr. Lucas may be deemed an "executive officer" (as that term is defined in Rule 3b-7 under the Act) of the Corporation because of his positions with its principal subsidiary. Mr. Lucas served as Senior Vice President of the Corporation from January 1980 to May 1982 and was its Controller from November 1978 until January 1982. Mr. Lucas is or has been a director and/or an officer of various other subsidiaries of the Corporation and GEICO and has been a director of AVEMCO, a holding company engaged through subsidiaries in the general aviation insurance and related businesses in which the Corporation (through Criterion) owns a 33.3% equity investment, since September 1981.

Eugene J. Meyung, 59, was elected a director of GEICO in May 1981 and Executive Vice President in September 1981. From July 1978 to September 1980 he was a Vice President of GEICO and from September 1980 to September 1981 he was a Senior Vice President. Mr. Meyung may be deemed an "executive officer" (as that term is defined in Rule 3b-7 under the Act) of the Corporation because of his positions with its principal subsidiary. Mr. Meyung also serves or has served as a director or an officer of several subsidiaries of the Corporation and GEICO.

James E. Reagan, 60, was elected a director of GEICO in May 1981; he has served as Senior Vice President since August 1979. Prior to that time he served as Vice President from July 1974 to August 1979 and Assistant Vice President from March 1964 to July 1974. Mr. Reagan may be deemed an "executive officer" (as that term is defined in Rule 3b-7 under the Act) of the Corporation because of his positions with its principal subsidiary. Mr. Reagan also serves or has served as Chairman of the Board, a director and/or an officer of several subsidiaries of the Corporation and GEICO.

Louis A. Simpson, 48, was elected a director of the Corporation in May 1983, Senior Vice President of the Corporation and GEICO in August 1979, a director of GEICO in October 1979 and is Chairman of the Board, a director and/or an officer of various other subsidiaries of the Corporation and GEICO. Mr. Simpson has also served as vice president of GEICO Investment Series Trust since September 1981 and of GEICO Tax Advantaged Series Trust since May 1984.

Donald K. Smith, 52, was elected Senior Vice President of the Corporation in January 1980, General Counsel in December 1978 and has been Senior Vice President and General Counsel of GEICO since March 1977. He has been a director of GEICO since May 1979 and is or has been a director and/or an officer of various subsidiaries of the Corporation and GEICO. Mr. Smith has also served as General Counsel of GEICO Investment Series Trust since September 1981 and of GEICO Tax Advantaged Series Trust since May 1984.

William B. Snyder, 55, was elected President of the Corporation in September 1981, a director of the Corporation in May 1980, Chief Executive Officer of GEICO in August 1983 and a director and President of GEICO in May of 1979 and February of 1980, respectively, having served GEICO as Executive Vice President from May 1979 to February 1980 and Senior Vice President from March 1977 to May 1979. Mr. Snyder also serves or has served as Chairman of the Board, a director and/or an officer of various other subsidiaries of the Corporation and GEICO and has served as a Trustee of GEICO Investment Series Trust since September 1981 and of GEICO Tax Advantaged Series Trust since May 1984.

W. Alvon Sparks, Jr., 49, was elected Senior Vice President of the Corporation and GEICO in September 1982 and a director of GEICO in May 1982. He previously served as Vice President of the Corporation from November 1981 to September 1982 and January 1980 to August 1980 and of GEICO from November 1981 to September 1982 and from July 1978 to August 1980, having served as President and Chief Executive Officer of GEICO and its wholly owned subsidiaries from August 1980 to November 1981. Mr. Sparks also serves or has served as a director and/or an officer of several subsidiaries of the Corporation and GEICO. Mr. Sparks has also served as a Trustee of GEICO Investment Series Trust since June 1982 and of GEICO Tax Advantaged Series Trust since May 1984.

Edward H. Utley, 55, was elected a director of GEICO in May 1984 and Senior Vice President of GEICO in July 1984. Mr. Utley also served as Senior Vice President of GEICO from May 1978 to August 1979 and Vice President from August 1979 to July 1984 and from March 1974 to May 1978. Mr. Utley may be deemed an "executive officer" (as that term is defined in Rule 3b-7 under the Act) of the Corporation because of his positions with its principal subsidiary.

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

PART II

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

In response to this Item the material under the caption "Common Stock Market Prices and Dividends" (page 20) and the final paragraph of Note C (page 30) of the Notes to Consolidated Financial Statements in the Corporation's 1984 Annual Report to Shareholders is incorporated herein by reference.

Item 6. Selected Financial Data.

In response to this Item the material under the caption "Selected Financial Data" (pages 12 and 13) in the Corporation's 1984 Annual Report to Shareholders is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The response to this Item is incorporated herein by reference from the material under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" (pages 14 through 20) in the Corporation's 1984 Annual Report to Shareholders.

Item 8. Financial Statements and Supplementary Data.

In response to this Item the consolidated financial statements and the notes thereto contained in the Corporation's 1984 Annual Report to Shareholders (pages 21 through 35), Supplemental Financial Information on the Effect of Changing Prices (page 36) and the Quarterly Highlights of Operating Results (page 37) are incorporated herein by reference.

Item 9. Disagreements on Accounting and Financial Disclosure.

None

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information required by this Item from Regulation S-K, Item 401(a), is incorporated herein by reference from the Corporation's definitive proxy statement filed with the Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 (the "Act"). The information required by this Item from Regulation S-K, Item 401(b)-(f) is included in Part I pursuant to Instruction 3 to Regulation S-K, Item 401(b).

Item 11. Executive Compensation.

The information required by this Item is incorporated herein by reference from the Corporation's definitive proxy statement filed with the Commission pursuant to Regulation 14A under the Act.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information required by this Item 12 is incorporated herein by reference from the section entitled "Beneficial Ownership of Stock" in the Corporation's definitive proxy statement filed with the Commission pursuant to Regulation 14A under the Act.

Item 13. Certain Relationships and Related Transactions.

The information required by this Item is incorporated herein by reference from the Corporation's definitive proxy statement filed with the

Commission pursuant to Regulation 14A under the Act
PART IV

Item 14. 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, 1984, are incorporated by reference in Item 8:

Consolidated Balance Sheet - December 31, 1984 and 1983

Consolidated Statement of Income - Years Ended December 31, 1984, 1983 and 1982

Consolidated Statement of Shareholders' Equity - Years Ended December 31, 1984, 1983 and 1982

Consolidated Statement of Changes in Financial Position - Years Ended December 31, 1984, 1983 and 1982

Notes to Consolidated Financial Statements

The following financial information is included in response to Item 14(d):

	<u>Reference</u>
Report of Independent Accountants	Page No. 17.
Schedule I - Summary of Investments Other Than Investments in Related Parties	Page No. 18.
Schedule II - Amounts Receivable from Related Parties and Underwriters, Promoters and Employees Other Than Related Parties	Page No. 19.
Schedule III - Condensed Financial Information of Registrant	Page Nos. 20-23.
Schedule VI - Reinsurance	Page No. 24.
Schedule VIII - Valuation and Qualifying Accounts	Page No. 25.
Schedule IX - Short Term Borrowings	Page No. 26.
Schedule X - Supplemental Information Concerning Property/Casualty Insurance Operations	Page No. 27.

All other schedules to the consolidated financial statements required by Article 7 of Regulation S-X are not required under the related instructions or are inapplicable and therefore have been omitted. Financial statements of unconsolidated affiliates and 50% or less owned persons 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

The following exhibits are included in response to Item 14(c):

<u>Exhibit No.</u>	<u>Description</u>	<u>Reference</u>
3-a	Certificate of Incorporation	Exhibit 4 to File No. 2-63138 on Form S-14.
3-b	Bylaws of GEICO Corporation as amended.	Page No. 28.
4-a	Specimen certificate representing the common stock, \$1.00 par value.	Exhibit 6(c) to File No. 2-63138 on Form S-14.
<p>(Copies of certain indentures, which in the aggregate do not represent securities worth as much as ten percent of the total consolidated assets of GEICO Corporation, will be furnished upon request.)</p>		
9	Proxy Agreement between Berkshire Hathaway Inc. and Suburban Trust Company.	Exhibit 7 to GEICO's Annual Report on Form 10-K for the fiscal year ended December 31, 1977.
10-a	Employment Agreement between Paul J. Hanna and GEICO effective July 1, 1978.	Exhibit 9 to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1978.
10-b	Consultant Agreement between H. Edward Wrapp and GEICO Corporation dated June 1, 1984.	Page No. 43.
10-c	Government Employees Insurance Company's 1973 Stock Option Plan as amended.	Page No. 46.

- 10-d Form of Option Agreement under 1973 Stock Option Plan, as amended, together with form of Notice of Intent to Exercise. Exhibits 9-b and 9-d to GEICO's Annual Report on Form 10-K for the fiscal year ended December 31, 1973.
- 10-e Amendments to Form of Option Agreement under 1973 Stock Option Plan (for employees granted more than \$50,000 worth of options). Exhibits 10-n and 10-o to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1981.
- 10-f Form of Non-Qualified Stock Option Agreement, as amended. Exhibit 10-p to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1981.
- 10-g Stock Option Plan For Key Employees of GEICO Corporation and its Subsidiaries ("1985 Plan"). Page No. 54.
- 10-h Form of Incentive Stock Option Agreement Under 1985 Plan. Page No. 63.
- 10-i Form of Incentive Stock Option Agreement With Stock Appreciation Rights Under 1985 Plan. Page No. 68.
- 10-j Statement of 1985 Incentive Bonus Program. Page No. 74.
- 10-k Statement of 1984 Incentive Bonus Program. Exhibit 10-h to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1983.
- 10-l Deferred Compensation Plan. Exhibit 10 to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1978.
- 10-m Performance Share Plan, as amended. Exhibit 10-k to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1983.
- 11 Additional Earnings Per Share Information. Page No. 75.

- 13 Annual Report to Shareholders for the year ended December 31, 1984. Exhibit 13 of Form SE filed in connection with GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1984.
- 22 Subsidiaries of GEICO Corporation. Page No. 76.
- 24 Consent of accountants. Exhibit 24 of Form SE filed in connection with GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1984.
- 28 Form 11-K Annual Report for the Revised Profit Sharing Plan for the Employees of the Government Employees Companies for the fiscal year ended December 31, 1984. Page No. 77.

(b) Reports on Form 8-K

GEICO Corporation did not file any report on Form 8-K during the three months ended December 31, 1984.

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

March 29, 1985

By: /s/ W. A. Sparks, Jr.
W. A. Sparks, Jr.
Senior Vice President
(Principal Financial Officer)

March 29, 1985

By: /s/ W. H. Sprunk
W. H. Sprunk
Vice President and Controller
(Principal Accounting Officer)

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

/s/ John J. Byrne
John J. Byrne
Chairman of the Board, Principal Executive
Officer and Director

March 29, 1985

Date

/s/ Thomas E. Bolger
Thomas E. Bolger
Director

March 29, 1985

Date

Samuel C. Butler
Director

Date

/s/ Paul J. Hanna
Paul J. Hanna
Director

March 29, 1985

Date

Richard G. Rosenthal
Director

Date

/s/ Louis A. Simpson
Louis A. Simpson
Senior Vice President and Director

March 29, 1985

Date

/s/ Joseph J. Sisco
Joseph J. Sisco
Director

March 29, 1985

Date

/s/ William B. Snyder
William B. Snyder
President and Director

March 29, 1985

Date

John C. Steggle
Director

Date

/s/ Walter E. Washington
Walter E. Washington
Director

March 29, 1985

Date

Frank A. Weil
Director

Date

H. Edward Wrapp
Director

Date

ANNUAL REPORT ON FORM 10-K

ITEM 14(d)

FINANCIAL STATEMENT SCHEDULES

YEAR ENDED DECEMBER 31, 1984

GEICO CORPORATION

WASHINGTON, D. C.

REPORT OF INDEPENDENT ACCOUNTANTS

To The Shareholders
GEICO Corporation

We have examined the consolidated financial statements and related schedules of GEICO Corporation and subsidiaries listed in Item 14(a)(1) and (2) of the annual report on Form 10-K of GEICO Corporation for the year ended December 31, 1984. 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, 1984 and 1983, 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, 1984, in conformity with generally accepted accounting principles applied on a consistent basis. Further, it is our opinion that the 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

Washington, D.C.
February 20, 1985

SCHEDULE I - SUMMARY OF INVESTMENTS - OTHER THAN INVESTMENTS IN RELATED PARTIES

GEICO CORPORATION
DECEMBER 31, 1984
In Thousands

<u>Type of investment</u>	<u>Cost (1)</u>	<u>Market value</u>	<u>Amount at which shown in the Balance Sheet</u>
Fixed maturities:			
Bonds:			
United States Government and government agencies and authorities	\$ 92,531	\$ 96,647	\$ 92,531
States, municipalities and political subdivisions	435,568	406,303	435,568
Public utilities	8,256	8,408	8,256
All other corporate bonds	4,953	4,319	4,953
Redeemable preferred stocks	<u>257,671</u>	<u>259,837</u>	<u>257,671</u>
Total fixed maturities	<u>798,979</u>	<u>\$775,514</u>	<u>798,979</u>
Equity securities:			
Common stocks:			
Public utilities	163,251	\$195,267	195,267
Banks, trusts and insurance companies	4,659	5,380	5,380
Industrial, miscellaneous and all other	186,944	256,559	256,559
Nonredeemable preferred stocks	<u>88,474</u>	<u>85,685</u>	<u>85,685</u>
Total equity securities	<u>443,328</u>	<u>\$542,891</u>	<u>542,891</u>
Short-term investments	<u>37,373</u>		<u>37,373</u>
Total investments	<u>\$1,279,680</u>		<u>\$1,379,243</u>

(1) Fixed maturities at amortized cost and equity securities at original cost.

At December 31, 1984 GEICO Corporation and subsidiaries owned common stock of R.J. Reynolds Industries with a cost of \$14.8 million and a market value of \$23.1 million and redeemable preferred stock of R.J. Reynolds Industries with an amortized cost of \$19.5 million and a market value of \$20.0 million.

**SCHEDULE II - AMOUNTS RECEIVABLE FROM RELATED PARTIES
AND UNDERWRITERS, PROMOTERS AND EMPLOYEES OTHER THAN RELATED PARTIES**

**GEICO CORPORATION
YEAR ENDED DECEMBER 31, 1984
In Thousands**

<u>Name of debtor</u>	<u>Balance at beginning of period</u>	<u>Additions</u>	<u>Deductions</u>		<u>Balance at end of period</u>	
			<u>Amounts collected</u>	<u>Amounts written off</u>	<u>Current</u>	<u>Not current</u>
John J. Byrne	\$500(1)		\$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. \$462,500 of the note was collected in 1983 and the remaining \$500,000 was collected in 1984.

SCHEDULE III - CONDENSED FINANCIAL
 INFORMATION OF REGISTRANT
 GEICO CORPORATION
 (PARENT COMPANY)
 BALANCE SHEET
 In Thousands

	December 31,	
	1984	1983
ASSETS		
Short-term investments	\$ 6,751	\$ 384
Fixed maturities, at amortized cost (market \$14,552 and \$22,362)	15,287	23,112
Equity securities, at market (cost \$15,196 and \$76,325)	18,249	77,811
Investment in subsidiaries (1)	524,579	467,163
Cash	474	1,060
Notes receivable from subsidiaries (1)	1,775	2,025
Note receivable from related party	-	500
Income tax benefit receivable	1,522	2,052
Accrued investment income	718	564
Dividends receivable from subsidiary (1)	700	-
Other assets	6,091	4,975
Total Assets	\$576,146	\$579,646
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Accrued expenses and other liabilities	\$ 22,324	\$ 19,294
Amounts payable on purchase of securities	74	50,403
Amounts due (from) to subsidiaries (1)	(452)	411
Debt	133,799	104,099
Total Liabilities	155,745	174,207
 Shareholders' Equity:		
Common Stock	32,036	31,933
Paid-in surplus	182,752	177,600
Unrealized appreciation of equity securities:		
Parent only	4,731	1,980
Subsidiaries	65,610	67,029
Retained earnings:		
Parent only	246,649	157,568
Subsidiaries	210,282	185,176
Treasury Stock, at cost	(311,970)	(210,858)
Guaranteed bank loans of Employee Stock Ownership Trust	(9,689)	(4,989)
Total Shareholders' Equity	420,401	405,439
Total Liabilities and Shareholders' Equity	\$576,146	\$579,646

(1) Eliminated in consolidation.

See accompanying note to condensed financial statements.

SCHEDULE III - CONDENSED FINANCIAL
 INFORMATION OF REGISTRANT
 GEICO CORPORATION
 (PARENT COMPANY)
 STATEMENT OF INCOME
 In Thousands

	For The Year Ended December 31,		
	1984	1983	1982
Revenue:			
Dividends from subsidiaries (1)	\$108,750	\$ 73,000	\$63,599
Interest from subsidiaries (1)	428	157	192
Management fees from subsidiaries (1)	6,511	6,248	2,718
Other investment income	6,973	6,754	2,034
Other revenue	200	-	-
Total Revenue	<u>122,862</u>	<u>86,159</u>	<u>68,543</u>
Expenses:			
General and administrative	10,994	12,708	12,067
Interest paid to GEICO (1)	-	21	24
Other interest	13,503	12,052	11,467
Total Expenses	<u>24,497</u>	<u>24,781</u>	<u>23,558</u>
Income before income tax benefit, equity in undistributed income and realized gains (losses)	98,365	61,378	44,985
Income tax benefit from operations	6,913	7,614	8,848
Income before equity in undistributed income and realized gains (losses)	105,278	68,992	53,833
Equity in undistributed operating income (losses) of subsidiaries (1)	(4,869)	25,832	23,650
Operating Earnings	100,409	94,824	77,483
Realized gains on sale of investments	1,055	750	80
Equity in realized gains (losses) on sale of investments by subsidiaries (1)	29,849	18,179	(28,715)
Net Income	<u>\$131,313</u>	<u>\$113,753</u>	<u>\$48,848</u>

(1) Eliminated in consolidation.

See accompanying note to condensed financial statements.

SCHEDULE III - CONDENSED FINANCIAL
 INFORMATION OF REGISTRANT
 GEICO CORPORATION
 (PARENT COMPANY)
 STATEMENT OF CHANGES IN FINANCIAL POSITION
 In Thousands

	For The Year Ended December 31,		
	1984	1983	1982
OPERATING ACTIVITIES			
Operating earnings	\$100,409	\$ 94,824	\$ 77,486
Charges (credits) to earnings not involving funds:			
Equity in undistributed operating (income) losses of subsidiaries (1)	4,869	(25,832)	(23,650)
Income taxes	(1,105)	12,102	(15,000)
Increase (decrease) in amounts due subsidiaries (1)	(863)	352	(9,000)
Other	4,200	4,270	4,470
Cash provided from operating activities	<u>107,510</u>	<u>85,716</u>	<u>58,066</u>
DIVIDENDS PAID TO SHAREHOLDERS			
	<u>(17,126)</u>	<u>(15,017)</u>	<u>(11,340)</u>
FINANCING ACTIVITIES			
Issuance of long-term debt	25,000	-	7,500
Increase (decrease) in short-term debt, net	-	-	(6,000)
Proceeds from exercise of warrants and stock options	559	25,169	7,510
Purchase of Common Stock (Treasury)	(103,027)	(70,627)	(11,390)
Reissuance of Common Stock (Treasury)	1,915	4,327	-
Decrease in note receivable from related party	500	463	-
Other	3,519	(272)	(6,000)
Net cash flow from financing activities	<u>(71,534)</u>	<u>(40,940)</u>	<u>(2,440)</u>
Decrease (Increase) in cash	<u>586</u>	<u>(273)</u>	<u>(9,000)</u>
Net cash flow available for investment	<u>\$ 19,436</u>	<u>\$ 29,486</u>	<u>\$ 44,186</u>
INVESTMENT OF CASH FLOW			
Purchase of investments	\$ 17,272	\$146,919	\$ 40,900
Decrease (increase) in payable on security purchases	50,329	(49,740)	(43,000)
Sale of investments, net of related taxes	(84,105)	(77,412)	(17,020)
Investment in subsidiaries (1)	33,784	9,361	14,020
Sale of Garden State to GEICO (1)	-	-	(10,000)
Increase (decrease) in notes receivable from subsidiaries (1)	(250)	250	250
Investment in tax benefit transfer leases	-	-	16,340
Purchase of property and equipment, net	177	108	12,000
Other	2,229	-	-
Net investment of cash flow	<u>\$ 19,436</u>	<u>\$ 29,486</u>	<u>\$ 44,186</u>

(1) Eliminated in consolidation.

See accompanying note to condensed financial statements.

SCHEDULE III - CONDENSED FINANCIAL
INFORMATION OF REGISTRANT

GEICO CORPORATION
(PARENT COMPANY)

NOTE TO CONDENSED FINANCIAL STATEMENTS

December 31, 1984

The condensed financial statements of GEICO Corporation (parent company) should be read in conjunction with the consolidated financial statements and notes thereto of GEICO Corporation and subsidiaries incorporated by reference in this Form 10-K Annual Report.

SCHEDULE VI - REINSURANCE

GEICO CORPORATION
THREE YEARS ENDED DECEMBER 31, 1984
In Thousands

	<u>Gross amount</u>	<u>Ceded to other companies</u>	<u>Assumed from other companies</u>	<u>Net amount</u>	<u>Percentage of amount assumed to net</u>
<u>Year ended December 31, 1984:</u>					
Life insurance in force	\$736,501	\$213,072	\$ -	\$523,429	-
Premiums earned:					
*Accident and health insurance	\$ 1,163	\$ 1,250	\$ 1,823	\$ 1,736	105%
Property and liability insurance	850,261	33,026	47,443	864,678	5%
Life insurance	8,222	464	724	8,482	9%
Total premiums earned	\$859,646	\$ 34,740	\$ 49,990	\$874,896	
<u>Year ended December 31, 1983:</u>					
Life insurance in force	\$228,955	\$138,719	\$132,487	\$222,723	59%
Premiums earned:					
*Accident and health insurance	\$ 1,108	\$ 231	\$ (702)	\$ 175	-
Property and liability insurance	764,476	24,387	26,343	766,432	3%
Life insurance	1,797	1,051	963	1,709	56%
Total premiums earned	\$767,381	\$ 25,669	\$ 26,604	\$768,316	
<u>Year ended December 31, 1982:</u>					
Life insurance in force	\$154,024	\$176,147	\$134,674	\$112,551	120%
Premiums earned:					
*Accident and health insurance	\$ 985	\$ 220	\$ 20,692	\$ 21,457	96%
Property and liability insurance	709,767	17,692	17,251	709,326	2%
Life insurance	809	487	614	936	66%
Total premiums earned	\$711,561	\$ 18,399	\$ 38,557	\$731,719	

* Includes premiums earned by life insurance and property/casualty insurance subsidiaries.

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS

GEICO CORPORATION
THREE YEARS ENDED DECEMBER 31, 1984
In Thousands

Description	Balance at beginning of period	A D D I T I O N S		Deduction (Note 1)	Balance at end of period
		Charged to costs and expenses	Charged to other accounts		
<u>Year ended December 31, 1984:</u>					
Allowance for amounts uncollectible on cancelled policies	\$ 1,100	\$ 1,241	-	\$ 1,091	\$ 1,250
<u>Year ended December 31, 1983:</u>					
Allowance for amounts uncollectible on cancelled policies	\$ 1,100	\$ 956	-	\$ 956	\$ 1,100
<u>Year ended December 31, 1982:</u>					
Allowance for amounts uncollectible on cancelled policies	\$ 1,050	\$ 1,479	-	\$ 1,429	\$ 1,100

Note 1: The deductions from the allowance during the three years ended December 31, 1984 represent the net write-off of amounts not collected on cancelled policies.

SCHEDULE IX - SHORT TERM BORROWINGS
 GEICO CORPORATION
 THREE YEARS ENDED DECEMBER 31, 1984
 In Thousands

<u>Category of aggregate short term borrowings</u>	<u>Balance at end of period</u>	<u>Weighted average interest rate</u>	<u>Maximum outstanding during the period</u>	<u>Average amount outstanding during the period (3)</u>	<u>Weighted average interest rate during the period(4)</u>
Year ended December 31, 1984:					
Note payable to banks (2)	\$4,200	10.75%	\$4,200	\$3,756	12.28%
Year ended December 31, 1983:					
Note payable to bank (2)	\$3,300	11.00%	\$3,300	\$2,561	10.65%
Year ended December 31, 1982:					
Note payable to bank (2)	\$2,100	11.50%	\$2,100	\$ 518	11.73%
Notes payable to bank (1)	-	-	6,000	49	15.75%
Consolidated totals	<u>\$2,100</u>	11.50%	\$6,000	<u>\$ 567</u>	12.08%

- (1) Demand notes payable to banks represent borrowings by GEICO Corporation under lines of credit borrowing arrangements which have no termination date but are reviewed periodically for renewal.
- (2) Demand note payable to bank represents borrowing by a subsidiary of GEICO Corporation which was refinanced in January 1985 as long term debt due March 31, 1991.
- (3) Computed by averaging the daily amounts outstanding.
- (4) Computed by dividing the interest expense for the period by the average amount outstanding during the period.

SCHEDULE X--SUPPLEMENTAL INFORMATION CONCERNING PROPERTY/CASUALTY INSURANCE OPERATIONS

GEICO CORPORATION AND SUBSIDIARIES
(Thousands of Dollars)

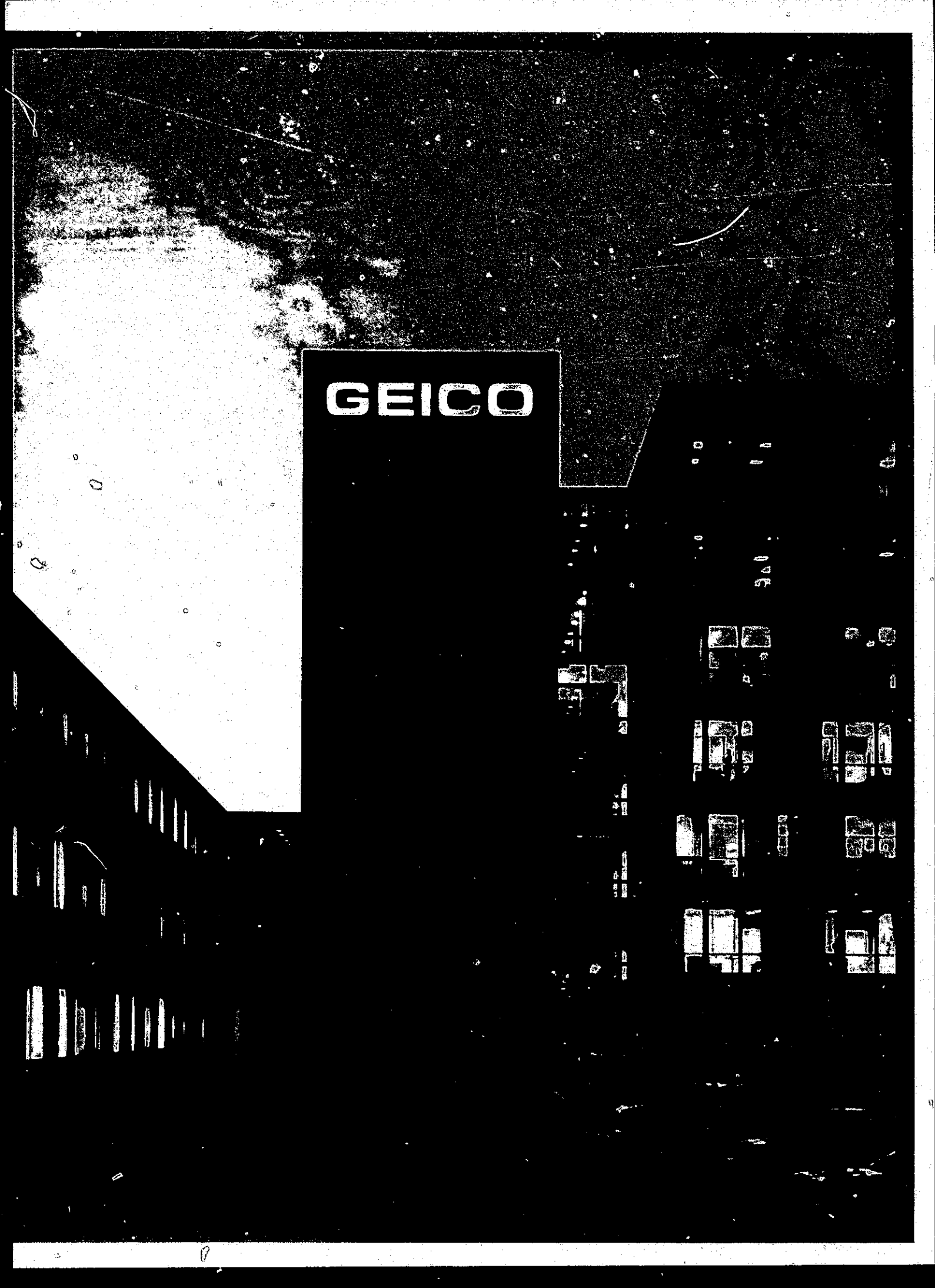
Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H		Column I	Column J	Column K
Affiliation with Registrant	Deferred Policy Acquisition Costs	Reserves for Unpaid Losses and Loss Adjustment Expenses	Discount, if any Deducted in Column C	Unearned Premiums	Earned Premiums	Net Investment Income	Loss and Loss Adjustment Expenses Incurred Related to		Amortization of Deferred Policy Acquisition Costs	Paid Losses and Loss Adjustment Expenses	Premiums Written
							(1) Current Year	(2) Prior Years			
Consolidated property and casualty subsidiaries											
Year ended December 31, 1984	\$44,941	\$580,154	-	\$509,510	\$866,241	\$94,057	\$733,418	\$(44,670)	\$ 74,013	\$634,936	\$923,814
Year ended December 31, 1983	\$39,343	\$526,342	-	\$451,936	\$766,436	\$83,864	\$619,154	\$(47,483)	\$ 61,810	\$563,398	\$800,186
Year ended December 31, 1982					\$730,669	\$78,999	\$599,400	\$(30,364)	\$ 63,566	\$528,739	\$743,517

GEICO CORPORATION



ANNUAL REPORT 1984

GEICO



CORPORATE PROFILE AND FINANCIAL HIGHLIGHTS

CORPORATE HEADQUARTERS:

GEICO Plaza
Washington, D.C. 20076
Telephone (301) 986-3000

GEICO Corporation is primarily an insurance organization whose largest subsidiary, Government Employees Insurance Company (GEICO), is a multiple line property and casualty insurer principally engaged in writing preferred risk private passenger automobile insurance and homeowners insurance. Criterion Insurance Company (Criterion), a wholly owned subsidiary of GEICO, writes standard risk private passenger automobile and motorcycle insurance with emphasis on marketing to military personnel. GEICO General Insurance Company (GGIC), also a wholly owned subsidiary of GEICO, writes exclusively standard risk private passenger automobile insurance. Criterion Casualty Company, a wholly owned subsidiary of Criterion, writes non-standard risk private

passenger automobile insurance. Garden State Life Insurance Company, also a wholly owned subsidiary of GEICO, and GEICO Annuity and Insurance Company, a wholly owned subsidiary of Garden State, offer consumer-oriented life insurance products. Government Employees Financial Corporation (GEFCO), a wholly owned subsidiary of GEICO, engages in consumer lending, industrial banking and the marketing of timeshare intervals. Resolute Reinsurance Company, a subsidiary of Resolute Group, Inc., a wholly owned subsidiary of GEICO Corporation, writes property and casualty reinsurance in the domestic and international markets. GEICO Investment Services Company (GEIVEST), also wholly owned by GEICO Corporation, is a registered investment adviser and broker-dealer engaged in marketing registered and non-registered investment-oriented products.

FINANCIAL HIGHLIGHTS

(In thousands, except per share data)

	1984	1983	1982	1981	1980
Premiums	\$ 874,896	\$ 768,316	\$ 731,719	\$ 656,669	\$ 620,120
Net investment income (pretax)	108,186	96,478	82,743	66,401	60,492
Net investment income (aftertax)	96,786	87,665	71,758	56,494	50,754
Operating earnings	100,409	94,824	77,483	64,432	59,644
Net income	131,313	113,753	48,848	83,286	60,763
Assets	1,907,342	1,775,790	1,563,799	1,362,009	1,274,796
Shareholders' equity (1)	420,401	405,439	344,797	238,904	192,178
Operating earnings per share (2)	5.11	4.48	3.67	2.98	2.59
Net income per share (2)	6.68	5.37	2.32	3.85	2.64
Dividends paid per common share88	.72	.56	.48	.43
Return on equity (three year rolling)	28.5%	31.7%	32.7%	39.8%	43.9
Book value per share (1)	22.40	19.88	16.85	11.60	8.89
Common shares outstanding (1)	18,766	20,393	20,459	20,597	21,617
Weighted average shares (2)	19,660	21,172	21,092	21,644	23,003

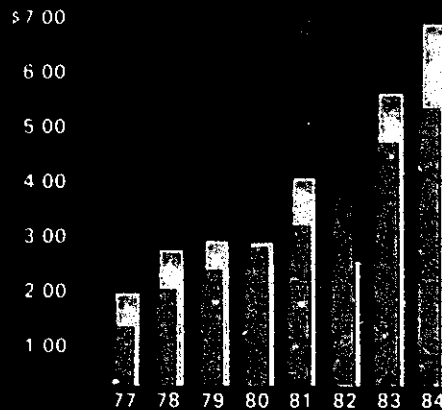
(1) fully converted

(2) fully diluted

TO OUR SHAREHOLDERS

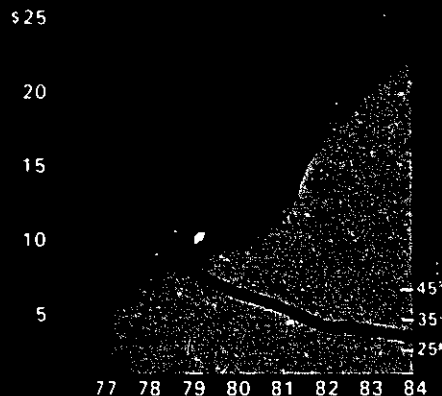
operating earnings and net income
(per share)

operating earnings net income



book value per share and return on equity

book value return on equity*



*three years rolling

1984 was a good (not landmark) year for GEICO.

Earnings per share were up 14% - our pace here seems to have slowed. Net income per share was up 24%. The overall return we produce on the equity you leave with us continues to be satisfactory. We continue to pound away at our one simple business idea which we haven't changed much in 50 years. It's the best we can do and stay comfortable managing your capital.

The enterprise is growing quite rapidly now. Premium revenues were up substantially across the board with little in rate increase. We think that this growth is now coming because we stuck for so long to the plain fundamentals of our business - careful underwriting, claims service that is quick, pleasant and fair, and constant attention to expense control so as to stay the low-cost operator. More than ever before, our valued, long-term customers stayed with us in 1984. I just hope this all doesn't prove to be too much growth.

Our affiliate GEFCO, now wholly owned, had a fine year. I am pleased with John Krieger and his associates who are slowly bringing GEFCO's return on capital up to decent standards.

Our colleagues in Criterion suffered through some unexpected poor financial times. About half of their shortfall came from poor underwriting results in their natural business and about half from their new projects - Criterion Casualty and Cycle-Guard. As any captain of industry would say at this point, we are pleased with the way Criterion is positioned for the future and expect much better financial results from here on out.

Our cash flow was quite good and Lou continues his magic with our investment portfolio. You will notice large realized capital gains during 1984. Gains are taken when Lou decides the fundamentals demand it - never for any manufactured earnings purposes. I wouldn't be surprised

if you saw substantial realized capital gains included in our net income results of the next few years. This element of value is often overlooked by those studying GEICO.



Government Employees Insurance Company's underwriting ratio is satisfactory and to our standards. This element, of course, fuels the entire enterprise. You will notice that our expense ratios dropped once more and by a substantial amount - this is wonderful! Bill Snyder

and his associates are doing just the grandest job.

Our new savings plans designed to make all employees owners have been well received. These plans, over time, will be of great benefit to you, our employers.

1985? Pretty much more of the same. I see a more modest underwriting gain, a quickening in price increases, a nice growth in both new sales and total revenue, solid growth in both the total value of the investment portfolio and investment income. I believe our expense ratios will improve even more as we continue focusing on productivity. I expect our earnings per share and net income per share to continue to grow at least moderately, and you can expect some further growth in dividends to you. Overall, we hope 1985 will be an unremarkable year. Our guarded forecast is that GEICO will continue to prosper modestly in 1985.

It is easy to do business with GEICO - pass it on.

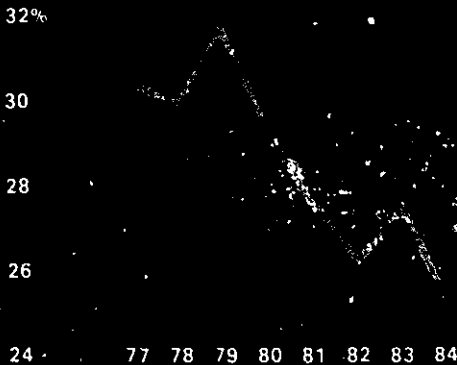
John J. Byrne

John J. Byrne
Chairman

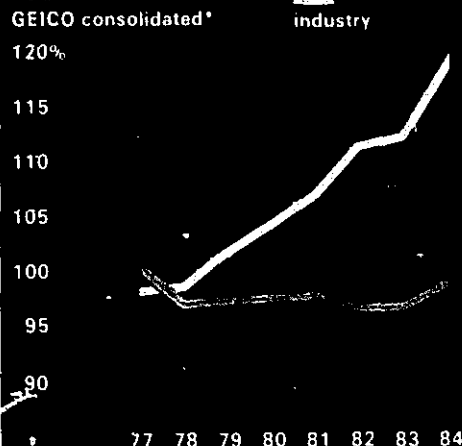
February 25, 1985

OPERATIONS

GEICO expense ratios
(general and loss adjustment
expenses combined)



combined loss and expense ratios*



*GEICO, Criterion, GEICO General, Criterion Casualty and Resolute
Source: A. M. Best estimate
After policyholder dividends

"Growth is a result of the things we do well" has been our refrain for several years. We are pleased with GEICO's auto policy growth of 9% and written premium growth of 15%. We believe this is just about as much growth as we can manage well.

GEICO's natural underwriting result (our direct written automobile and fire and allied lines business) was an underwriting ratio of 96.3%. Expense ratios (top chart) were quite acceptable. However, we believe the 1984 accident year results were not quite as good as this ratio indicates.

The 1984 all-lines combined loss and expense ratio of 97.5% for our four personal lines companies was affected by the automobile loss ratios and expenses of GEICO General, Criterion Insurance Company and Criterion Casualty Company. These companies wrote large amounts of new business and much of the excess loss and expense was planned. The 1984 homeowners underwriting ratio for GEICO of 94.3% indicates continued profitability even as new business and policies in force were up substantially.

As we strive to be the low-cost operator, GEICO's 1984 combined expense ratios (top chart) decreased to 25.0% from 27.1% in 1983. While pleased with this reduction, we recognize that it represents but a modest improvement since 1982.

We are pleased with our productivity improvement of 6.3% for 1984. We plan improvements of 6% - 7% each year as the minimum required to meet our objectives. Also, our employees' deferred compensation rewards are measured by productivity increases as well as profitability results.

Our 1984 premium rate increases of 1.3% for voluntary automobile business did not offset increasing losses for the second half of 1984. Rates did reflect our best estimate of the results of improved productivity, reduced expense ratios and

our assessment of proper rate levels for our renewing business. However, claims reported turned up sharply in the second half of 1984 and a program of increased rate filings has been pursued aggressively since the third quarter of 1984.



Criterion Insurance Company's underwriting results deteriorated in 1984. The company's underwriting ratio, including Criterion Casualty Company, was 109.6%. Significant new business increases in both the non-standard automobile and motorcycle lines, with which we are quite pleased, were responsible for part of the underwriting loss.

Despite the unprofitable financial results, our marketing efforts of the last two years to improve sales of standard and non-standard automobile insurance are encouraging. We are providing insurance to broader audiences, some of whom will become preferred auto customers in the future. Meanwhile, we are striving to bring the underwriting profitability of these other blocks of business up to our standard. Also, our investment in marketing to preferred customers over age 50 for both automobile and homeowners insurance appears to be returning the results we anticipated.

GEICO is dedicated to traffic safety, and we highlight the need for universal support of seatbelts in this annual report. We are proud of our GEICO employees as they support many traffic safety programs, community service programs and also prove "It's Easy To Do Business With GEICO."

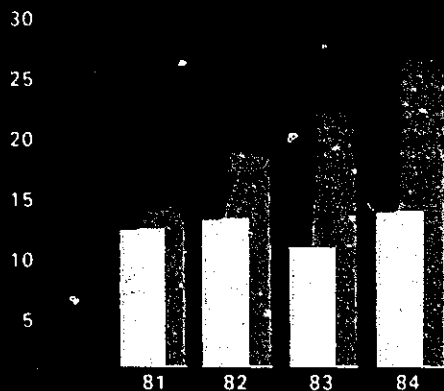
William B. Snyder

William B. Snyder
President
February 25, 1985

INVESTMENTS

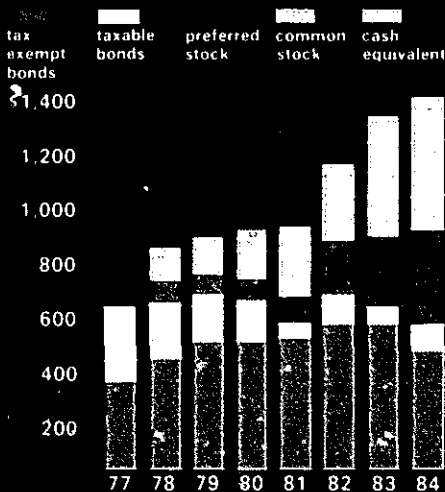
common stock annualized total rate of return aftertax*

GEICO commons S&P 500



*thirty six months ending

invested assets (millions of dollars)



I was at least partially right in last year's investment letter - 1984 was a tough year for the stock market - but GEICO's investment results were better than I had anticipated. Interest rates rose much higher in the first half than we had expected, but the powerful rally in fixed income markets later in the year resulted in a satisfactory full year performance for these markets. Your total portfolio performed well, earning an aftertax total return of approximately 12½% for the year. The aftertax total return on tax-exempts and preferreds exceeded 11% and, on common stocks, 17%.

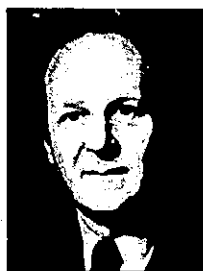
Since 1979, GEICO has focused on a 3-year time horizon to measure investment results. The top chart illustrates the performance of one sector of the portfolio, common stocks, for the 3-year periods ending December 1981 through December 1984. Over these time periods, the fixed income sectors of the portfolio have also outperformed their market indices, although by a less dramatic margin, producing gratifying overall results for your portfolio. I am quite apprehensive about our ability to duplicate these outstanding results in the future.

Investment income growth last year was substantially reduced by our use of \$103.0 million in cash to repurchase GEICO Corporation shares. Pretax investment income increased 12.1% and, after-tax, the gain was 10.4%.

During 1984, the major shift in the portfolio came on the fixed income side. We substantially reduced tax-exempt investments, particularly in short-term notes, and shifted the funds into sinking fund preferred stocks and short-term U.S. Treasury securities. In the common stock portfolio we maintained the large utility

commitment, but cut back on tobacco and food industry investments as selected stocks reached our price targets.

Looking forward, my crystal ball is cloudy. We currently expect continued moderate growth in the economy and relatively low inflation, an environment that could produce attractive gains in stock and bond prices. The outlook is complicated, however, by the huge deficits in the U.S. trade position and the Federal budget and by the extreme strength of



the dollar. In spite of the low level of inflation, I think government borrowing requirements will prevent interest rates from declining much further in the absence of a recession. The stock market has already risen sharply in 1985 and again stocks appear to me to be somewhat overvalued compared with bonds. I think it will take further decreases in interest rates or stronger profit gains than we now expect to carry stock prices significantly higher. Your investment team at GEICO has already taken some profits in equities this year and we probably will sell more if prices rise further.

Given our lack of conviction on the direction of the markets this year, we plan to pursue an opportunistic strategy limiting purchases of both fixed income and equity investments to periods of price weakness. In the past, this strategy of buying value has served you well.

Louis A. Simpson

Louis A. Simpson
Senior Vice President
February 25, 1985

AUTO SAFETY

Two significant events occurred during 1984 which focused attention on the issue of seat belt use throughout the United States.

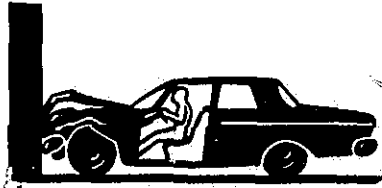
In July, the United States Department of Transportation issued a ruling requiring automatic occupant protection, such as air bags or automatically fastened seat belts, in all new passenger cars on a phased-in schedule beginning September 1, 1986. One hundred percent of all automobiles manufactured for the U.S. market after September 1, 1989 will be required to have automatic crash protection as standard equipment. However, if states representing two-thirds of the U.S. population enact mandatory seat belt laws by April 1, 1989 the automatic crash protection requirement will be rescinded.

The second important event was the enactment of this nation's first mandatory seat belt use law by the State of New York, effective December 1, 1984. Subsequently, New Jersey and Illinois passed similar seat belt use laws. Over 40 state legislatures are expected to address this issue during 1985.

In 1984, approximately 44,000 people were killed in automobile accidents, up slightly from 1983, despite concerted public and private efforts to reduce fatalities on our highways. The economic loss to society from motor vehicle accidents has been estimated to be a staggering \$57.2 billion per year. Automobile crashes are a national public health problem, second only to cancer and greater than heart disease. Seat belts reduce the

Within 1/10 of a second, the car has come to a stop, but the person is still moving forward.

1



1/50 of a second after the car has stopped, the unbelted person slams into the dashboard or windshield. This is the human collision.

chance of death or serious injury in a crash by at least 50%.

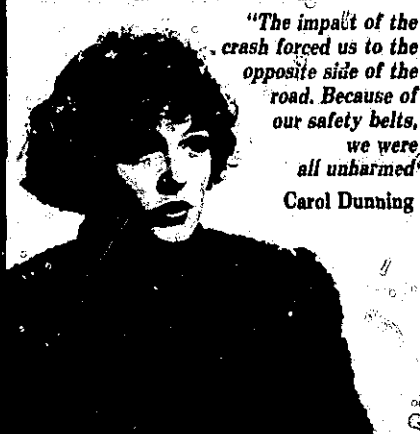
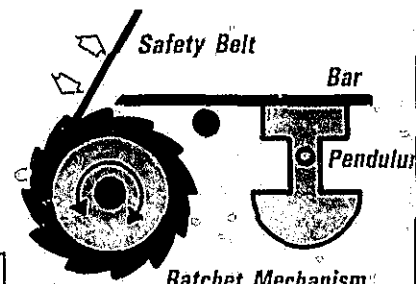
Your chances of being killed are 25 times greater if you are thrown from a vehicle and 38% of all deaths occur when automobile occupants collide with steering wheels and windshields. On the average, everyone can expect to be in a crash once every 10 years — for one out of 20 of us, it will be a serious crash. Still, only 14% of the population uses seat belts. Extensive and prolonged public education efforts, costing millions of dollars, have had little success in improving voluntary usage.

Safety belt use laws have been adopted in more than 30 countries, beginning with the Australian State of Victoria in 1970. The most recent foreign belt law went into effect in Great Britain on January 31, 1983. British belt use increased from 40% before the law to 95% after the law, and traffic deaths and injuries declined by approximately 25% during the first year, which was a period of increased traffic volume. In general, nations that are enforcing belt use laws report reductions in traffic deaths and injuries ranging from 15% to 30%. This is encouraging, but far less than the potential

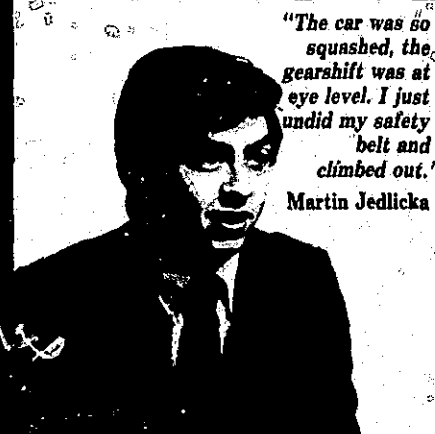
savings because less than 100% wear belts and those who are at greatest risk, such as young drivers, resist wearing seat belts the most.

We are pleased that the federal government has initiated installation of air bags or other automatic restraints, beginning in 1986. This is a positive step which will save lives and reduce injuries. However, we also believe that the states should enact mandatory seat belt use laws. We are concerned that the passive restraint requirement may ultimately be

HOW THEY WORK Under normal conditions, the pendulum and bar are in their rest positions. The reel, which holds the belt, is free to rotate. As the occupant moves forward the belt moves unrestrained with occupant.



"The impact of the crash forced us to the opposite side of the road. Because of our safety belts, we were all unharmed."
Carol Dunning



"The car was so squashed, the gearshift was at eye level. I just undid my safety belt and climbed out."
Martin Jedlicka



"The other car in my car skid about thirty yards sideways. If hadn't been for my safety belt, I would have been thrown around the inside of the car."
Vicki B.

With effective safety belts, the person will stop before hitting the steering wheel, dash or windshield



rescinded by state legislation intended to improve occupant protection by requiring seat belt use. This creates a disturbing paradox. Air bags are needed and seat belts should also be worn. Air bags and seat belts are not mutually exclusive. In fact, together they provide the best possible protection. Therefore, GEICO is actively supporting the passage of effective state mandatory seat belt use laws that will not result in the rescission of the federal passive restraint standard.

Traffic accidents are the number one

cause of on-the-job fatalities. Each employee death costs the victim's company an average of \$120,000.

At GEICO, 1985 is the Year of the Seat Belt. We are focusing on increasing voluntary seat belt use by our employees through a comprehensive education and incentive campaign.

Promotional materials, such as posters, flyers, bumper stickers and key chains are being used in conjunction with articles in company publications and features on internal television programs.

We've also purchased two seat belt "Convincers," devices which simulate an actual 8 mph crash impact, to give riders a personal sense of the physics of a crash. Employees will also be recognized and rewarded through a "Saved by the Belt" campaign. On these pages are pictures of just a few of our employees who have escaped possible death or serious injury because they were buckled up during an accident. These fortunate survivors serve

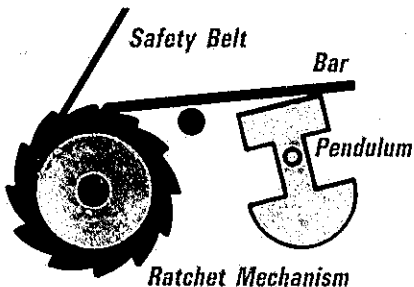
as examples to others of the value of belt use.

This year both employees and customers received a new brochure published by GEICO entitled *But Will They Work?* It details how seat belts work and why they are important. The brochure is intended to clarify common misunderstandings about seat belts. Information from this pamphlet is included in figures 1 and 2. If you would like to request free copies of this publication, please write to: Communications Department, GEICO Plaza, Washington, D.C. 20076.

GEICO wants youngsters to get the seat belt habit early. In 1978, Tennessee was the only state with an automobile child safety seat law. Today, all states and the District of Columbia have enacted this type of legislation. In 1983 we began offering specially discounted child safety seats to our customers in D.C., Maryland and Virginia and to employees in all states. The program was so successful that during 1984 we introduced this offer in twelve additional states and to shareholders in all states. Now over 900,000 of our policyholders in 14 states and the District of Columbia are eligible, and we are extending the offer through December 31, 1986. If you would like additional information about how shareholders may take advantage of our child seat discount offer write to: Communications Department, GEICO Plaza, Washington, D.C. 20076.

We hope that our efforts will help make 1985 a safer year for you and all who share our nation's highways.

Under emergency conditions, such as in a collision, the pendulum moves forward under the force of the impact causing the ratchet to engage the ratchet. The reel and safety belt now lock in place and the occupant is held firmly in place.



Gene Meyung, Exec. V.P. is "Convinced."

The nurse at the hospital said that he could tell we'd been wearing our safety belts because we still had our faces."

Joe Herman

"The officer who investigated the accident said that he couldn't believe that anyone had survived."

Mary Ellen Dollar

"The truck forced me into the path of oncoming traffic. My car was totaled, but I was uninjured."

Al Ledbetter

PRINCIPAL BUSINESS SEGMENTS

PROPERTY AND CASUALTY INSURANCE

PRIVATE PASSENGER AUTOMOBILE INSURANCE

Government Employees Insurance Company
Criterion Insurance Company
GEICO General Insurance Company
Criterion Casualty Company

Government Employees Insurance Company, the main operating subsidiary of GEICO Corporation (the Corporation), is one of the country's largest providers of private passenger automobile insurance. Founded in 1936, Government Employees Insurance Company, or GEICO as it is widely known, operates in the District of Columbia and all states except Massachusetts (where it is licensed to write non-automobile lines) and New Jersey. Although emphasis is being placed on developing other property and casualty lines, such as homeowners insurance, personal umbrella liability insurance, boatowners insurance and selected reinsurance lines, insuring family automobiles still accounts for over 90% of GEICO's business.

For 49 years the GEICO tradition has been built on a direct to the customer approach. With this long established concept GEICO continues to occupy a unique position in the automobile insurance marketplace. By focusing on direct response marketing techniques and insuring drivers with good driving records, GEICO is able to deliver quality insurance protection and excellent service at a significant price advantage over most of its competitors. In 1984, over 310,000 new automobile customers, shopping for good value, found it easy to do business with GEICO.

During 1984, GEICO strengthened several programs initiated in 1983 which were designed to more properly price and/or provide additional benefits for large homogeneous groups. These programs included discounts for mature drivers and homeowners and guaranteed renewability features for drivers age 50 and over. We will continue to develop this concept in 1985.

The membership of associations which have endorsed the "GEICO Preferred" sponsored marketing program since it was introduced in 1979, remained level at about 1.2 million members in 1984. The program is designed to allow associations to endorse GEICO and Criterion to their memberships for providing auto and homeowners insurance.

In 1984, we continued to push forward with the development of our multi-company strategy to enhance the productivity and effectiveness of our marketing effort. Criterion Insurance Company (Criterion), organized in 1961, is primarily responsible for meeting the automobile insurance needs of younger enlisted military personnel and other groups not meeting GEICO's preferred risk underwriting standards. It operates in the District of Columbia and all states except Massachusetts, New Jersey and South Carolina. Criterion writes only private passenger and motorcycle insurance, primarily through General Field Representatives (commissioned agents). During 1984, the General Field Representative (GFR) Program was expanded. Now operating with 100 offices in 31 states, the GFRs accounted for 76% of Criterion's new business, up from 72% in 1983. Other new locations are planned for 1985. With the endorsement by the American Motorcyclist Association (AMA), the 1984 results of Criterion's Cycle-Gard motorcycle insurance program were encouraging. The AMA has 135,000 members and is the oldest and largest motorcycle owners' organization in the U.S. and emphasizes responsible motorcycle usage.

Written premiums, including service charges, for Criterion business totaled \$81.4 million, up 15.1% from \$70.8 million in 1983.

GEICO General Insurance Company (GGIC) is a wholly owned GEICO subsidiary acquired in 1982. Through direct response marketing, it is taking

over from Criterion the role of providing automobile insurance coverage to most civilians not meeting GEICO's preferred risk underwriting standards. Now operating in 33 states and the District of Columbia, GGIC began to show modest growth in 1984. With two important additional states, Florida and New York, planned to become operational in 1985, continued modest growth is expected.

Criterion Casualty Company (Criterion Casualty), a Criterion subsidiary, was formed in 1982 to offer non-standard automobile insurance principally through its GFRs. Criterion Casualty is currently licensed in 24 states and operating in 19. While only two new states became operational in 1984, Criterion Casualty plans to do business in an additional 14 states by year-end 1985.

During 1984, GEICO significantly expanded its use of Criterion's GFR distribution system. Now most GFR offices also market the GEICO product lines. The prime market for this group will be senior non-commissioned officers since most GFR offices are located near military bases. This type of marketing represents a relatively small percentage of GEICO's new automobile and homeowners insurance business.

GEICO's traditional high level of automobile policy persistency improved in 1984. About 93.5% of the Company's customers who were offered renewal accepted our offer. The ratio in 1983 was about 92.8%. We are pleased with this favorable development.

In 1984, the Corporation's automobile written premiums, including service charges, totaled \$836.6 million, up 14.8% from \$728.8 million in 1983, which was an 8.0% increase from 1982. Premiums from voluntary auto policies increased

15.3% while assigned risk or involuntary policy premiums were up 6.1%. During 1984, GEICO's voluntary rates countrywide increased less than 2% while involuntary rates rose 9.4%. Since mid-1984, automobile experience, both for GEICO and the industry, indicated that the decreasing loss frequency trend has now reversed, particularly for the material damage coverages. GEICO has therefore begun a stepped-up program of filing for rate increases. GEICO will continue to seek rate levels that reflect its costs and permit underwriting profitability.

The number of automobile claims reported to GEICO and Criterion increased 10.8% in 1984 following reductions of 3.0% in 1983 and less than 1% in 1982. The increase reflects more policies in force and weather related losses, as well as a developing countrywide trend of higher accident frequency.

As reported earlier, GEICO will expand its efforts in 1985 to promote the use of seat belts and infant seats by policyholders, company employees and the general public. It is GEICO's policy to support legislation to enact seat belt laws in the various states and to take full advantage of available seat belt defenses in settling claims. In addition, our companies support programs to reduce drunk driving, to maintain the 55 MPH speed limit, to improve auto bumpers and to improve signs on streets and highways.

Although the overall inflation rate continued to moderate in 1984, the auto insurance industry faced medical and repair costs that outpaced the overall figure. Our estimates indicate that costs associated with repairing damaged automobiles grew at an annual rate of 10% compared to 6% in 1983 and 8% in 1982. While bodily injury claim costs are more difficult to quantify, we estimate these costs also increased 10% in 1984 compared to 7% in 1983 and 10% in 1982.

For nearly two years we have been developing a new automobile claims data processing system that provides on-line claims processing with one system for all companies. This multi-company system provides the capability to handle claims more quickly and efficiently, avoids duplication of effort, eliminates unnecessary communications and reduces clerical expenses. The system was installed on April 1, 1984 with some productivity improvements realized in 1984 and further productivity improvements expected in 1985 and beyond.

Overall, the Companies' property and casualty underwriting has been profitable in each of the last eight years. Property and casualty operations recorded an underwriting gain of \$23.1 million in 1984 compared to gains of \$37.2 million and \$34.1 million in 1983 and 1982, respectively. The Statutory Underwriting Ratio for property and casualty operations was 97.7% in 1984 compared to 95.7% (after policyholder dividends) in 1983 and 95.6% in 1982.

HOMEOWNERS INSURANCE

GEICO's homeowners insurance is marketed primarily through direct mail solicitation to existing automobile policyholders. New sales in 1984 rose 57.9% following an 89.7% increase in 1983. This line is now viewed as offering significant growth potential. During 1984 and 1983, our premium rates countrywide decreased 1.8% and 6.5%, respectively, however rates have now stabilized and appropriate increases can be expected in 1985.

In 1984, the automated policy processing system for our homeowners lines was upgraded. The enhancements will allow for improved management information and underwriting control as well as permit our employees to provide faster and more efficient customer service.

Homeowners written premiums, including service charges, totaled \$58.5 million in 1984, up 10.7% from \$52.9 million in the prior year and accounted for 6.3% of the Corporation's property and casualty premiums.

The underwriting ratio for homeowners business, excluding GGIC, was 94.3% in 1984 compared to 91.9% in 1983 and 101.1% in 1982.

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, yacht, accident and health, and personal umbrella liability insurance. These lines accounted for less than 2% of property and casualty written premiums in 1984.

REINSURANCE

Resolute Group, Inc. is the Corporation's property and casualty reinsurance subsidiary, operating from offices in New York. 1984 represented its third full year of reinsurance underwriting and in many ways was the first year in which significant results were recorded. Through its subsidiary, the Resolute Reinsurance Company, it writes domestic and international reinsurance on both a treaty and facultative basis, with emphasis on property and other short-tail risks. Business is obtained from reinsurance brokers and intermediaries.

Results in 1984 for the U.S. reinsurance industry were terrible; average combined ratios reached nearly 130%, with many individual examples much higher. Policyholders' surplus of professional reinsurers eroded nearly 10% and many discontinued or curtailed operations. One positive result is that premium rates have recently increased significantly in most areas and strong surviving reinsurers should be able to show improved results in 1985 and 1986.

Against this background, Resolute's results in 1984 improved from 1983, but not at all up to our standards. The underwriting ratio recorded in 1984 was 108.8% compared to 114.4% for 1983. Much of the improvement in this ratio was in expenses, which decreased to 34.8% of written premiums from 39.6% the prior year. The loss ratio improved slightly to 74.0% of earned premiums from 74.8% in 1983.

Resolute's reinsurance premiums assumed in 1984 rose sharply to nearly \$39 million, up from nearly \$23 million in 1983. Approximately 45% of 1984 premiums were retained for its net account, up from 40% in 1983 and 32% in 1982, with the balance ceded to other reinsurers. Net earned premiums in 1984 were \$15.5 million compared to \$6.2 million in 1983.

Operating income totaled \$996,000 in 1984, up from \$617,000 in 1983. Net income, including realized investment gains and losses, increased to \$1.1 million compared to \$612,000 in 1983.

For 1985 and 1986, we think Resolute is well positioned to take advantage of market improvements in which large rate increases are being obtained and contract terms are more favorable to reinsurers.

FINANCIAL SERVICES TO INDIVIDUALS

LIFE AND HEALTH INSURANCE

Garden State Life Insurance Company
GEICO Annuity and Insurance Company

Life and health insurance operations are conducted through Garden State Life Insurance Company (Garden State) and GEICO Annuity and Insurance Company (GEICO Annuity). Garden State was acquired by GEICO in 1982 and GEICO Annuity, a Garden State subsidiary, was formed the same year. Garden State is licensed in all states except New York, West Virginia and Wyoming and GEICO Annuity is now licensed in 24 states with applications pending in 15 additional states.

The life insurance companies continued the marketing efforts that were started in 1983. Using direct response methods, GEICO Annuity wrote term policies with a combined face amount of \$550.0 million in 1984. Garden State issued annuities with single premiums totaling \$4 million. Garden State also tested the introduction of a single premium deferred annuity product which was to be marketed to the general public through brokers. The product was abandoned due to poor market conditions.

Garden State recently entered into an agreement with National Insurance Services Inc., an independent marketing and administration specialist. Under this agreement Garden State will replace the current underwriter of a growing book of group life and health insurance. This insurance is offered to selected small employers in most states.

SAVINGS AND THRIFT INSTRUMENTS

GEICO Investment Services Company

GEICO Investment Services Company is a registered investment advisor and broker-dealer. It provides investment management and administrative services for Government Securities Cash Fund, a no-load money market mutual fund, and GEICO Adjustable Rate Preferred Fund, a no-load fund, which was introduced in July 1984.

The income generated by GEICO Adjustable Rate Preferred Fund, which was designed for the corporate market, can be up to 93.1% tax free since its dividends qualify for the corporate 85% dividends received deduction under current federal tax law. Initially offered through a securities underwriting that brought \$46.1 million in assets under management, assets grew to \$49.7 million by December 31. This Fund's annualized yield from inception to December 31 was 11.29%, the equivalent of a 19.46% return for corporate taxpayers in the 46% federal income tax bracket. It is offered in 46 states and the District of Columbia and is marketed directly to corporations through media advertising and through distribution arrangements with registered broker-dealers.

Government Securities Cash Fund was the Company's first product. This Fund's investment objectives are safety of principal and high current income consistent with maximum liquidity. Its emphasis is on high quality, short-term money market securities and its portfolio is limited to obligations issued or guaranteed by the U.S. Treasury or U.S. Government Agencies and to repurchase agreements collateralized by such obligations.

This Fund's portfolio is managed by GTC Management Inc., a wholly owned subsidiary of the Mellon Bank, N.A. of Pittsburgh. GEICO Investment Services Company provides overall investment guidance and is the administrator of the Fund. It is marketed in 17 states and the District of Columbia to customers of GEICO and Mellon Bank. At November 30, 1984, the end of its fiscal year, the Fund's net assets totaled \$83.2 million, up 13.3% from \$73.4 million on November 30, 1983. The growth in 1984 paralleled a nationwide trend of increasing money market fund assets.

In 1984, GEICO Investment Services Company test marketed the GEICO Insured Plus Account. Insured Plus is a savings product which directs client savings to money market deposit accounts of selected federally insured banks and savings and loan associations to obtain higher yields than they may individually be able to obtain. Although test results were favorable, marketing was suspended at mid-year when it became uncertain if this product could continue to be offered through non-bank brokers. It now appears that the product will be viable and test marketing will be resumed in 1985 assuming the regulatory climate remains favorable.

Government Employees Financial Corporation

Government Employees Financial Corporation (GEFCO), wholly owned since mid-1983 and headquartered in Denver, Colorado, provides consumer finance, industrial banking and timeshare marketing services, as well as being engaged in the development of two timeshare projects in California.

For 1984, GEFCO had a profitable year with net income increasing to \$4.9 million from \$3.5 million in 1983 and \$1.7 million in 1982. Results were favorably affected by improved credit experience, higher yields realized on its loan portfolio, sales of timeshare receivables and a significant increase in investment income. Earnings derived from timeshare marketing activities lagged, primarily the result of unexpected delays in expanding sales efforts to additional projects.

GEFCO is continuing to focus on establishing a niche within the changing financial services industry by providing innovative credit packages, using a profitable pricing structure, to selected consumer and business groups. Additionally, inroads are being made in expanding related business segments which are not capital intensive.

During 1984, a limited partnership composed of subsidiaries of the Corporation and GEFCO acquired an additional timeshare development, Lagonita Lodge on Big Bear Lake in California. Together with the San Clemente Inn, also in California, they are expected to provide favorable earnings opportunities as well as additional sources for timeshare lending and marketing revenues.

In 1985, GEFCO will continue to concentrate on the acquisition of secured real estate loans, increasing loan servicing fees and obtaining revenue from sales of timeshare secured loans in the secondary market.

SELECTED FINANCIAL DATA

GEICO CORPORATION

(In thousands, except per share data)

OPERATING RESULTS

	1984	1983	1982
Premiums	\$ 874,896	\$ 768,316	\$ 731,719
Net investment income	108,186	96,478	82,743
Equity in earnings of unconsolidated affiliates	6,785	4,147	2,008
Other revenue	5,104	3,762	935
Total revenue	994,971	872,703	817,405
Total benefits and expenses	894,562	777,879	739,922
Operating earnings	100,409	94,824	77,483
Realized investment gain (loss) net of tax effect	30,904	18,929	(28,635)
Utilization of operating loss carryforward	—	—	—
Net income	<u>\$ 131,313</u>	<u>\$ 113,753</u>	<u>\$ 48,848</u>

WEIGHTED AVERAGE SHARES OUTSTANDING

Fully diluted	19,660	21,172	21,092
Primary	19,643	21,144	20,364

PER SHARE RESULTS

Fully Diluted:

Operating earnings	\$ 5.11	\$ 4.48	\$ 3.67
Net income	\$ 6.68	\$ 5.37	\$ 2.32
Primary:			
Operating earnings	\$ 5.11	\$ 4.48	\$ 3.80
Net income	\$ 6.68	\$ 5.38	\$ 2.39
Common Stock dividends	\$.88	\$.72	\$.56

FINANCIAL CONDITION

Assets	\$ 1,907,342	\$ 1,775,790	\$ 1,563,799
Long-term debt	187,115	153,890	144,472
Redeemable Preferred Stock	—	—	—
Common Shareholders' Equity	420,401	405,439	344,797
Book value per share (fully converted)	\$ 22.40	\$ 19.88	\$ 16.85
Common shares outstanding (fully converted)	18,766	20,393	20,459

SIGNIFICANT STATUTORY INDICATORS

(In thousands, except ratios)

PROPERTY AND CASUALTY OPERATIONS*

Surplus for protection of policyholders	\$ 521,804	\$ 480,028	\$ 414,837
Ratio of twelve months written premiums to surplus	1.8:1	1.6:1	1.8:1
Loss ratio	82.1%	76.9%	80.0%
Expense ratio	15.6%	16.7%	15.6%
Underwriting ratio	97.7%	93.6%	95.6%
Underwriting ratio after policyholder dividends	97.7%	95.7%	95.6%

GEICO

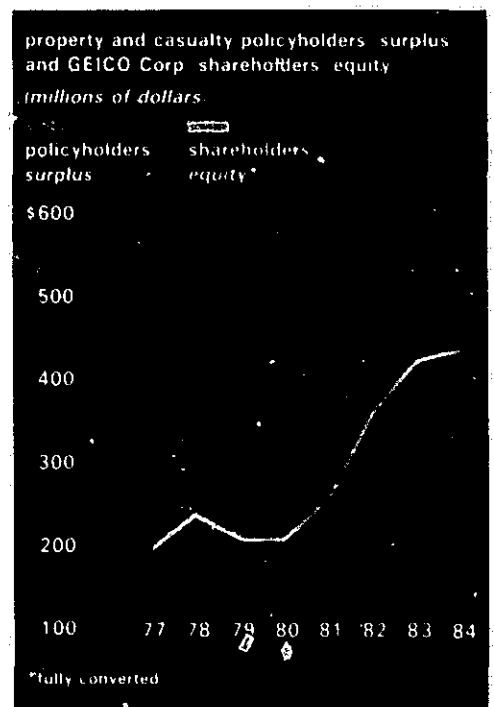
Surplus for protection of policyholders	\$ 500,496	\$ 459,806	\$ 399,483
Ratio of twelve months written premiums to surplus	1.6:1	1.5:1	1.6:1

*Property and Casualty includes GEICO, Criterion, GEICO General, Criterion Casualty and Resolute.

Property and Casualty ratios are natural statutory results excluding the effects of certain GEICO reinsurance transactions unrelated to its operations beginning in 1984.

Expense ratios are calculated using underwriting expenses less net service charges, as related to premiums written.

1981	1980	1979	1978	1977
\$ 656,669	\$ 620,120	\$ 601,553	\$ 577,252	\$ 463,600
66,401	60,492	58,349	52,777	40,870
4,383	3,796	5,659	4,878	696
<u>727,453</u>	<u>684,408</u>	<u>665,561</u>	<u>634,907</u>	<u>505,166</u>
663,021	624,764	606,012	572,498	467,402
64,432	59,644	59,549	62,409	37,764
18,854	1,119	(723)	(6,958)	120
<u>\$ 83,286</u>	<u>\$ 60,763</u>	<u>\$ 74,282</u>	<u>\$ 88,198</u>	<u>\$ 58,581</u>
21,644	23,003	27,753	34,343	34,345
20,623	20,522	17,336	18,040	17,744
\$ 2.98	\$ 2.59	\$ 2.14	\$ 1.74	\$ 1.10
\$ 3.85	\$ 2.64	\$ 2.67	\$ 2.49	\$ 1.70
\$ 3.11	\$ 2.87	\$ 3.24	\$ 2.99	\$ 1.78
\$ 4.02	\$ 2.92	\$ 4.09	\$ 4.42	\$ 2.96
\$.48	\$.43	\$.36	\$.20	\$.03
\$ 1,362,009	\$ 1,274,796	\$ 1,235,949	\$ 1,187,585	\$ 991,914
137,495	137,920	120,037	47,154	47,524
2,086	6,227	17,443	72,078	100,864
236,818	185,951	173,631	148,729	77,575
\$ 11.60	\$ 8.89	\$ 7.60	\$ 6.45	\$ 4.48
20,597	21,617	25,158	34,237	34,236
\$ 332,285	\$ 283,321	\$ 261,036	\$ 230,469	\$ 198,717
2.0:1	2.2:1	2.3:1	2.5:1	3.0:1
81.1%	80.5%	79.8%	80.8%	84.1%
15.7%	15.9%	16.2%	15.1%	15.0%
96.8%	96.4%	96.0%	95.9%	99.1%
96.8%	96.4%	96.3%	95.9%	99.1%
\$ 317,062	\$ 283,321	\$ 251,078	\$ 220,473	\$ 178,630
1.9:1	1.9:1	2.1:1	2.4:1	2.5:1



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

REVENUE

Other Revenue — For 1984, other revenue of \$5.1 million reflected primarily expanded timeshare sales and commission income from subsidiaries acquired in 1982.

BENEFITS AND EXPENSES

Losses, life benefits and loss adjustment expenses rose 21.6% to \$697.4 million in 1984 compared to \$573.6 million in 1983. This increase reflects, in part, significant weather related losses and increased automobile collision losses. In addition, substantial growth in new business, which carries a higher initial loss and loss adjustment expense, contributed to the sharp rise. Premium rate increases in 1984 for voluntary automobile business did not offset increasing losses in the second half of the year, and a program of filing for rate increases has been implemented. Losses, life benefits and loss adjustment expenses in 1983 increased only .7% over 1982.

Policy acquisition and other operating expenses increased 6.9% to \$171.7 million in 1984 following an increase of 13.9% in 1983. As shown by the Significant Statutory Indicators (page 12), the ratio of general expenses to written premiums was 15.6% in 1984, 16.7% in 1983 and 15.6% in 1982. The improved general expense ratio reflected in part, increased productivity and improved marketing results.

In 1983, dividends to policyholders of \$16.1 million were accrued to be paid in certain states with underwriting experience more favorable than anticipated. During 1984, \$13.9 million was paid and the remainder will be paid in 1985. Our objective continues to be an underwriting profit of 5% on seasoned business.

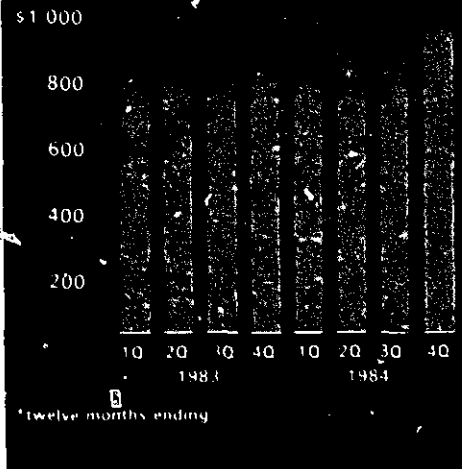
Interest expense increased 13.4% in 1984 due primarily to the issuance of \$25 million of long-term debt by the Corporation on July 24, 1984. In 1983, interest expense increased 4.8% reflecting a full year's interest on the \$7.5 million of 15% Debentures issued on June 30, 1982 in conjunction with the purchase of Garden State Life Insurance Company.

Premiums — Consolidated earned premiums of \$874.9 million in 1984 were up \$106.6 million or 13.9% from \$768.3 million recorded in 1983. Premiums in 1984 reflect increases of 37.8% and 35.1% in new premiums for voluntary auto and homeowners business, respectively. Premium growth was also aided by improvement in automobile policy persistency and a higher average premium per automobile policy, reflecting the higher value of new cars and increased coverage purchased. For the second consecutive year, voluntary automobile rates in 1984 increased less than 2% versus 8.8% in 1982. In comparison, total premiums were \$731.7 million in 1982.

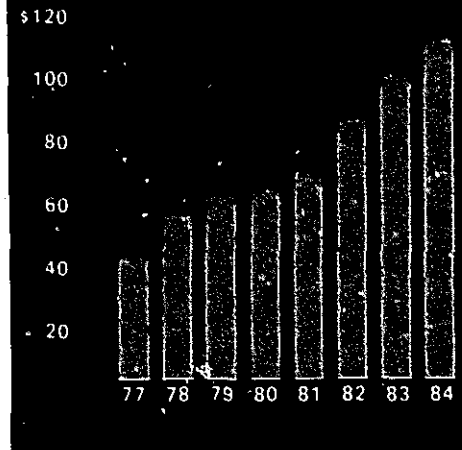
Net Investment Income — Consolidated pretax net investment income rose to \$108.2 million, up 12.1% from \$96.5 million in 1983. Dividends from high yielding utility stocks purchased in 1983 and 1984 and interest from increased short-term investments contributed to the year's results. Aftertax net investment income increased 10.4% in 1984. The percent increase in aftertax net investment income was less than that of pretax net investment income due to the increase in taxable interest income. In 1983, pretax and aftertax net investment income increased 16.6% and 22.2%, respectively, over 1982 due mainly to a significant increase in dividend income.

Equity in Earnings of Affiliates — Earnings of affiliates, which are reflected in the consolidated financial statements using the equity method of accounting, totaled \$6.8 million for the year compared to \$4.1 million in 1983 and \$2.0 million in 1982. The significantly improved results from the previous two years reflect an increase in ownership to 100% of GEFCO's stock in July 1983, an increase in ownership of AVEMCO stock from 22.5% to 33.3% in September 1983 and increased earnings by both of these affiliates.

consolidated property and casualty written premiums* (including service charges) (millions of dollars)



consolidated net investment income-pretax (millions of dollars)



INCOME TAXES

While operating earnings before taxes rose slightly to \$107.4 million, federal income taxes decreased to \$6.9 million, down 38.7% from \$11.3 million in 1983, primarily reflecting a lower underwriting gain. In 1983, federal income taxes decreased 16.4% due primarily to increased dividend income, 85% of which is excludable from taxable income.

In December 1982, the Corporation invested \$16.3 million in "safe harbor" tax benefit transfer leases, resulting in current taxes payable reductions of \$5.2 million in 1984, \$5.6 million in 1983 and \$10.2 million in 1982. The reduction in current tax expense was offset for financial reporting purposes by an increase in the deferred tax provision, with no effect on total income tax expense.

OPERATING EARNINGS

Consolidated operating earnings rose 5.9% in 1984 to \$100.4 million following a 22.4% gain in 1983. Operating earnings per share increased 14.1% in 1984 to \$5.11, following a 22.1% increase to \$4.48 per share in 1983. The number of shares of Common Stock outstanding during 1984 was reduced substantially through the purchase of shares for cash, as explained in the Capital Structure section of this report. The weighted average shares outstanding were 19,660,199 in 1984, 21,171,702 in 1983 and 21,091,983 in 1982.

NET INCOME

Net income totaled \$131.3 million (\$6.68 per share) in 1984 compared to \$113.8 million (\$5.37 per share) in 1983 and \$48.8 million (\$2.32 per share) in 1982.

Net income in 1984 reflected net realized gains of \$30.9 million (\$1.57 per share) compared to a gain of \$18.9 million (\$.89 per share) in 1983. In contrast, a 1982 realized loss of \$28.6 million (\$1.35 per share) was incurred mainly to offset the gain from the sale of Government Employees Life Insurance Company in 1981 (reportable for tax purposes in 1982).

This report focuses (as above) on the fully diluted per share results as constituting the most representative measure of the Corporation's performance.

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 with respect to the Corporation's operations are included in those disclosures.

LIQUIDITY

CASH FLOW

The Corporation and its subsidiaries generated a positive cash flow of \$457.6 million from operations in the three years 1982 through 1984. In addition, during 1982 and 1983 the Corporation received \$31.6 million for 1,316,782 shares of Common Stock issued on the exercise of 633,197 Common Stock Purchase Warrants. On January 4, 1982, GEICO received \$90 million from the sale of its GELICO shares and on July 24, 1984, the Corporation received \$25 million from the issuance of long-term debt.

During the three-year period the Corporation and its subsidiaries spent \$185.1 million in cash to repurchase its Common Stock (held in Treasury) and \$43.3 million to bring ownership in subsidiaries and affiliates to present levels. In addition, during these three years the Corporation paid \$43.5 million in dividends to its shareholders and added a net \$330.9 million in new investments.

The Corporation receives dividends from GEICO, its principal subsidiary, which provide cash for parent company operations. The regulatory restrictions on such dividends are described in Note "C" to the financial statements.

INVESTMENTS

Pretax net investment income increased 12.1% to \$108.2 million from \$96.5 million in 1983. Such income totaled \$82.7 million in 1982. The use of \$185.1 million to repurchase the Corporation's Common Stock over the past three years reduced the rate of growth in investment income as these funds would otherwise have been available for investments.

In 1984, operations and new debt financing generated \$204.5 million of investable cash flow. In addition to the \$103.0 million used to repurchase shares in 1984, \$53.8 million was spent in 1984 to pay for equity securities purchased in late 1983. During the year \$64.9 million was committed to new portfolio investments. Purchases were concentrated in preferred stocks (\$89.3 million), primarily sinking fund issues, and in U.S. Government and Agency securities (\$36.3 million). Funds were raised from net sales of tax-exempt bonds (\$99.7 million). At year-end the market value of fixed maturity investments was \$775.5 million or 2.9% below amortized cost, whereas the \$1,355.8 million market value of the total portfolio exceeded amortized cost by 5.9%. During the year the Corporation realized gains of \$30.9 million on investments, net of taxes.

The common stock portfolio, adjusted for purchases and sales, earned an after-tax total rate of return (which includes realized and unrealized market appreciation) of 17.3% in 1984. The comparable return for the S&P 500 was 5.7%. The largest industry positions in the common stock portfolio at year-end were in electric utilities (23.1%), food and other consumer nondurables (20.3%), telephone utilities (18.6%) and office equipment (10.3%).

The GEICO Corporation Investment Summary shows the year-end investment portfolios for 1984, 1983 and 1982. The carrying value of bonds and redeemable preferred stocks is amortized cost while equity securities are carried at year-end market value. At December 31, 1984 the Corporation and its subsidiaries held

\$48.5 million in cash and cash equivalents. Additionally, approximately \$86.7 million of the bond portfolio will mature in 1985.

The Corporation has a continuing outlook for a positive cash flow from operations and ample liquidity.

GEICO Corporation Investment Summary

(In millions)

	1984		1983	1982
	Carrying Value	%Portfolio	Carrying Value	Carrying Value
Short-term investments	\$ 37.3	2.7%	\$ 24.6	\$ 55.4
Fixed maturities				
U.S. Government bonds	92.5	6.7	56.2	78.6
Corporate bonds	13.2	.9	10.3	10.7
Tax-exempt bonds	435.6	31.6	532.6	538.6
Bonds	541.3	39.2	599.1	627.9
Redeemable preferred stocks	257.7	18.7	183.4	111.3
	<u>799.0</u>	<u>57.9</u>	<u>782.5</u>	<u>739.2</u>
Equity securities				
Preferred stocks	85.7	6.2	75.6	94.1
Common stocks	457.2	33.2	422.9	239.2
	<u>542.9</u>	<u>39.4</u>	<u>498.5</u>	<u>333.3</u>
Totals	<u>\$1,379.2</u>	<u>100.0%</u>	<u>\$1,305.6</u>	<u>\$1,127.9</u>

GEICO Corporation Bond Maturity Table

(In millions)

Maturity	1984			1983		
	Amortized Value	%Portfolio	Market Value	Amortized Value	%Portfolio	Market Value
Less than one year ..	\$ 86.7	16.0%	\$ 89.6	\$ 114.6	19.1%	\$ 114.4
1-5 years	101.6	18.8	100.5	104.7	17.5	102.5
6-10 years	212.6	39.3	205.6	180.5	30.1	167.5
11-15 years	81.4	15.0	71.5	126.3	21.1	110.8
16-20 years	26.4	4.9	21.9	35.4	5.9	27.3
Greater than 20 years	32.6	6.0	26.6	37.6	6.3	28.2
	<u>\$541.3</u>	<u>100.0%</u>	<u>\$515.7</u>	<u>\$599.1</u>	<u>100.0%</u>	<u>\$550.7</u>

PROPERTY AND CASUALTY LOSS RESERVES

LOSS RESERVING METHODOLOGY

Reserves for loss and loss adjustment expenses at any report date reflect the estimate of the liability for the ultimate net cost of reported claims and estimated incurred but not reported (IBNR) claims arising from accidents which had occurred by that date. Property and casualty loss reserves are based on averages for all automobile physical damage claims and for liability claims reported within the most recent three months, case basis estimates for other reported claims and calculated estimates of IBNR losses. The reserve for losses further includes additional amounts to reflect anticipated future economic and social conditions. The determination of these amounts includes consideration of studies of reserve levels performed by independent consulting actuaries. The methods used to develop these reserves are subject to continuing review and refinement.

Property and casualty reserves include a provision for inflation in the expected cost of settling claims. Reserves for claims on average and IBNR claims are based on selected average claim costs which reflect the costs and inflation trends observed in claims closed in recent quarters. Case basis reserves are estab-

lished by claims personnel based upon the projected cost of settling each claim in today's dollars plus an explicit provision for inflation through the anticipated claim settlement date.

Reserves are tested for adequacy based upon many analyses and actuarial projections. Some projections, using claim closure models, use an assumed rate of inflation by which the historical cost of settling claims is expected to increase in the future. Other tests, such as incurred loss and payment projections, reflect the inflation which is implicit in the historical data. Assumed inflation rates are selected after giving consideration to the particular company's experience, industry data and economic indicators. The strengths and weaknesses of each projection and reserve test are reviewed, using actuarial judgment and knowledge of a company's operations, when selecting the reserve for loss and loss adjustment expenses.

Since reserves are necessarily based on estimates, the ultimate net cost may vary from the original estimates. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

Property and casualty loss reserves for GAAP financial reporting differ from statutory reserves because GAAP reserves are reduced for anticipated salvage and subrogation recoveries. Reductions of \$26.7 million, \$21.0 million and \$19.2 million for anticipated recoveries at December 31, 1984, 1983, and 1982 respectively, are reflected below. GAAP reserves at December 31, 1984 also exclude \$2.9 million of reserves assumed under a statutory reinsurance contract.

RECONCILIATION OF CLAIM RESERVES

An analysis of the changes in aggregate reserves for property and casualty losses and loss adjustment expenses (LAE) reported under generally accepted accounting principles (GAAP) for each of the last three years is presented below.

Reconciliation of Claim Reserves

(In millions)

	1984	1983	1982
Reserves for loss and LAE at January 1	\$526.3	\$518.1	\$477.8
Incurring loss and LAE			
Provision for current accident year claims	733.4	619.2	599.4
Decrease in provision for prior accident years claims	(44.7)	(47.5)	(30.4)
Total loss and LAE incurred	688.7	571.7	569.0
Payments for loss and LAE			
Payments on current accident year claims	398.1	334.3	321.1
Payments on prior accident years claims	236.7	229.2	207.6
Total payments for loss and LAE	634.8	563.5	528.7
Reserves for loss and LAE at December 31	\$580.2	\$526.3	\$518.1

LOSS RESERVE DEVELOPMENT

Loss and loss adjustment expense reserves are established at the end of each year for reported and IBNR claims, using management's judgment based on the information known as of the valuation date. As time passes, more information with respect to the claims becomes known and the estimate of the loss incurred and related reserves is adjusted upward or downward based on that more current data. Given the estimation required in the reserving process and the length of time it takes to settle many substantial claims, several years are necessary to develop a meaningful measurement of losses incurred.

The development of reserves refers to the difference between estimates of reserves as of the original year end compared with the reestimated liability based on subsequent payments plus current estimates of the reserves for claims still open or unreported. Downward development means that the original reserve estimates were higher than subsequently indicated.

Upward development means that the original reserve estimates were lower than subsequently indicated.

The table below presents the GAAP claim reserve liability for loss and LAE as originally estimated for the years 1976 through 1984, the cumulative amounts paid with respect to the reserves for each subsequent year, the reestimated liability at the end of the year, and the resulting development of the original reserve estimates for 1976 through 1983, as evaluated through December 31, 1984.

GEICO strives to maintain adequate loss reserves. The discipline built into GEICO's reserving methodology is reflected by the downward development of GEICO's loss reserves each year since 1977. Management believes that its aggregate provision for loss and loss adjustment expenses at December 31, 1984 is reasonable and adequate but, given the inherent variability of conditions which affect future claim settlements, the subsequent development of such reserves could be substantial.

Consolidated Property and Casualty Reserve Development (In millions)

Year Ended	1976	1977	1978	1979	1980	1981	1982	1983	1984
Reserves for Loss and LAE	\$424.6	\$426.0	\$482.2	\$468.9	\$470.7	\$477.8	\$518.1	\$526.3	\$580.2
Cumulative Payments as of:									
One year later	226.2	170.3	216.1	211.0	214.2	207.6	229.2	236.7	
Two years later	328.0	281.5	319.0	306.5	301.1	295.8	320.9		
Three years later	398.2	349.0	378.0	355.5	347.0	343.8			
Four years later	439.8	383.8	405.3	380.6	372.4				
Five years later	458.7	399.2	418.7	394.6					
Six years later	467.1	406.4	426.3						
Seven years later	470.8	410.8							
Eight years later	473.2								
Reserves Reestimated as of:									
End of year	424.6	426.0	482.2	468.9	470.7	477.8	518.1	526.3	580.2
One year later	462.7	431.6	470.2	455.1	453.5	447.4	470.6	481.6	
Two years later	486.2	434.1	464.8	444.6	430.4	422.8	451.1		
Three years later	487.7	435.8	458.2	430.7	414.9	413.9			
Four years later	488.6	430.1	450.8	419.4	412.1				
Five years later	485.1	428.5	441.7	419.0					
Six years later	486.1	421.1	442.5						
Seven years later	479.9	422.1							
Eight years later	480.4								
Upward (Downward) Development	\$ 55.8	\$ (3.9)	\$ (39.7)	\$ (49.9)	\$ (58.6)	\$ (63.9)	\$ (67.0)	\$ (44.7)	—

CAPITAL STRUCTURE

On December 31, 1981, the Corporation's outstanding capital structure consisted of Common Stock (20,143,681 shares) and Cumulative Convertible Preferred Stock (226,776 shares) or 20,597,233 common share equivalents. At December 31, 1984, this total had been reduced to 18,765,641 common shares.

Of the 226,776 shares of convertible preferred outstanding on December 31, 1981, 220,502 shares were converted into 441,004 shares of common and the remaining 6,274 shares were redeemed in 1982.

On December 31, 1981, the Corporation had 648,542 Warrants outstanding to purchase 1,348,979 shares of Common Stock at any time through August 1, 1983, at \$24 a share. In 1982, 141,755 Warrants were exercised for 294,834 common shares and during 1983 a total of 491,442 Warrants were exercised for 1,021,948 common shares. The remaining 15,345 Warrants expired August 1, 1983.

In a tender offer and other transactions the Corporation purchased 1,763,600 common shares for \$103.0 million in 1984, 1,197,100 shares for \$70.6 million in 1983 and 460,100 shares for \$11.4 million in 1982. The purchase of these 3,420,800 treasury shares for \$185.1 million in cash caused a reduction in both shareholders' equity and book value per share. Under the most recent repurchase authorization 2,408,300 shares remained unpurchased at December 31, 1984.

In 1984 and 1983, the GEICO Companies Employee Stock Ownership Plan and Trust (the Trust) borrowed \$5.7 million and \$10.0 million, respectively, and used the proceeds to purchase shares of the Corporation's Common Stock. The Corporation guaranteed the loans and will make annual contributions sufficient to enable the Trust to repay the loans including interest. As the loans are repaid a pro-rated number of shares are released to

employees' accounts. During 1984 and 1983, respectively, the Corporation charged \$2,503,000 and \$5,757,000 to expense for amounts contributed to the Trust, to make interest payments and to repay \$2.0 million and \$5.0 million of the loan principal.

COMMON STOCK MARKET PRICES AND DIVIDENDS

The Corporation's Common Stock is listed on the New York Stock Exchange, ticker symbol GEC. Under Securities and Exchange Commission rules, certain securities dealers are permitted 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, 1985 was 5,368.

The following table shows the quarterly high and low prices for the Common Stock on the list of the New York Stock Exchange Composite Transactions. The table also shows dividends paid to shareholders of record in each quarter of 1984 and 1983.

	High	Low	Dividends Paid
1984			
Fourth Quarter	\$64 1/2	\$54	\$.22
Third Quarter	64 5/8	48 7/8	.22
Second Quarter	58 1/2	53 3/8	.22
First Quarter	65 5/8	53	.22
1983			
Fourth Quarter	\$61 3/4	\$56	\$.18
Third Quarter	61	53	.18
Second Quarter	64	46 3/8	.18
First Quarter	47 1/2	41	.18

**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, 1984 and 1983, and the related consolidated statements of income, shareholders' equity, and changes in financial position for each of the three years in the period ended December 31, 1984. 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, 1984 and 1983, 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, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Whinney

Washington, D.C.
February 20, 1985

GEICO CORPORATION CONSOLIDATED BALANCE SHEET

December 31, in thousands of dollars

ASSETS

	1984	1983
Investments — Note E:		
Fixed maturities, at amortized cost (market \$775,514 and \$736,818)	\$ 798,979	\$ 782,495
Equity securities, at market (cost \$443,328 and \$403,890)	542,891	498,540
Short-term investments	37,373	24,582
Total Investments	1,379,243	1,305,617
Cash	11,163	15,074
Investment in affiliates — Note A	56,024	50,842
Accrued investment income	22,314	18,639
Premiums receivable	280,970	250,925
Deferred policy acquisition costs — Note D	49,624	41,788
Property and equipment, at cost less accumulated depreciation of \$53,816 and \$27,970 — Note H	52,075	46,013
Other assets	55,929	46,892
Total Assets	\$1,907,342	\$1,775,790

See Notes to Consolidated Financial Statements

LIABILITIES AND SHAREHOLDERS' EQUITY

1984 **1983**

Liabilities

Policy liabilities:

Property and casualty loss reserves	\$ 504,015	\$ 454,697
Life benefit reserves	18,359	14,216
Loss adjustment expense reserves	76,139	71,645
Unearned premiums	509,510	451,936
Dividends to policyholders	<u>2,168</u>	<u>16,070</u>
	1,116,191	1,008,564
Amounts payable on purchase of securities	20,587	53,773
Other liabilities	96,097	89,174
Income taxes — Note F	72,951	61,650
Debt — Note H	<u>187,115</u>	<u>157,190</u>
Total Liabilities	<u>1,486,941</u>	<u>1,370,351</u>

Shareholders' Equity — Note I

Common Stock — \$1 par value, 60,000,000 shares authorized, 32,036,048 and 31,932,931 shares issued and 18,765,641 and 20,392,819 shares outstanding	32,036	31,933
Paid-in surplus	182,752	177,600
Unrealized appreciation of equity securities	70,341	69,009
Retained earnings — Note F	456,931	342,744
Treasury Stock, at cost (13,270,407 and 11,540,112 shares)	(311,970)	(210,858)
Guaranteed bank loans of Employee Stock Ownership Trust — Notes G and H	<u>(9,689)</u>	<u>(4,989)</u>
Total Shareholders' Equity	<u>420,401</u>	<u>405,439</u>
Total Liabilities and Shareholders' Equity	<u>\$1,907,342</u>	<u>\$1,775,790</u>

GEICO CORPORATION
CONSOLIDATED STATEMENT OF INCOME

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

	<u>1984</u>	<u>1983</u>	<u>1982</u>
Revenue			
Premiums	\$ 874,896	\$ 768,316	\$ 731,719
Net investment income	108,186	96,478	82,743
Equity in earnings of unconsolidated affiliates	6,785	4,147	2,008
Other revenue	<u>5,104</u>	<u>3,762</u>	<u>935</u>
Total Revenue	<u>994,971</u>	<u>872,703</u>	<u>817,405</u>
Benefits and Expenses			
Losses, life benefits, and loss adjustment expenses	697,436	573,587	569,797
Policy acquisition expenses — Note D	75,046	62,525	63,639
Other operating expenses	96,605	98,033	77,358
Provision for dividends to policyholders	—	16,070	—
Interest expense — Note H	<u>18,533</u>	<u>16,337</u>	<u>15,587</u>
Total Benefits and Expenses	<u>887,620</u>	<u>766,552</u>	<u>726,381</u>
Operating Earnings Before Income Taxes	107,351	106,151	91,024
Income taxes — Note F	<u>6,942</u>	<u>11,327</u>	<u>13,541</u>
Operating Earnings	100,409	94,824	77,483
Realized gains (losses) on investments, net of tax — Note E	<u>30,904</u>	<u>18,929</u>	<u>(28,635)</u>
Net Income	<u>\$ 131,313</u>	<u>\$ 113,753</u>	<u>\$ 48,848</u>
Per Share Results — Note J:			
Fully Diluted:			
Operating Earnings	\$5.11	\$4.48	\$3.67
Net Income	\$6.68	\$5.37	\$2.32
Primary:			
Operating Earnings	\$5.11	\$4.48	\$3.80
Net Income	\$6.68	\$5.38	\$2.39

See Notes to Consolidated Financial Statements

For the year ended December 31, in thousands of dollars

	1984	1983	1982
Common Stock:			
Balance, beginning of year	\$ 31,933	\$ 30,888	\$ 30,113
Conversion of Preferred Stock into Common Stock	—	—	441
Exercise of warrants, stock options and other	22	1,043	224
Payment of performance shares	81	2	—
Balance, end of year	<u>32,036</u>	<u>31,933</u>	<u>30,888</u>
Paid-in surplus:			
Balance, beginning of year	177,600	153,085	144,316
Proceeds over par value of stock issued upon:			
Conversion of Preferred Stock into Common Stock	—	—	1,588
Exercise of warrants, stock options and other	536	24,031	7,181
Payment of performance shares	4,616	93	—
Proceeds over cost of reissued Treasury Stock	—	391	—
Balance, end of year	<u>182,752</u>	<u>177,600</u>	<u>153,085</u>
Unrealized appreciation (depreciation) of equity securities:			
Balance, beginning of year	69,009	60,806	(11,483)
Net change in unrealized appreciation (depreciation) net of deferred taxes — Note E	1,332	8,203	72,289
Balance, end of year	<u>70,341</u>	<u>69,009</u>	<u>60,806</u>
Retained earnings:			
Balance, beginning of year	342,744	244,184	206,641
Net income	131,313	113,753	48,848
Dividends declared on:			
Convertible Preferred Stock	—	—	(95)
Common Stock (\$.88, \$.72 and \$.56 per share)	(17,126)	(15,017)	(11,207)
Other	—	(176)	(3)
Balance, end of year	<u>456,931</u>	<u>342,744</u>	<u>244,184</u>
Treasury Stock, at cost:			
Balance, beginning of year	(210,858)	(144,166)	(132,769)
Purchase of 1,763,600; 1,197,100 and 460,100 shares of Common Stock	(103,027)	(70,627)	(11,397)
Reissuance of 33,305 and 86,000 shares of Common Stock	1,915	3,935	—
Balance, end of year	<u>(311,970)</u>	<u>(210,858)</u>	<u>(144,166)</u>
Guaranteed bank loans of Employee Stock Ownership Trust:			
Balance, beginning of year	(4,989)	—	—
Borrowings	(5,700)	(9,989)	—
Repayments	1,000	5,000	—
Balance, end of year	<u>(9,689)</u>	<u>(4,989)</u>	<u>—</u>
Total Shareholders' Equity	<u>\$ 420,401</u>	<u>\$ 405,439</u>	<u>\$ 344,797</u>

See Notes to Consolidated Financial Statements

**GEICO CORPORATION
CONSOLIDATED STATEMENT OF
CHANGES IN FINANCIAL POSITION**

For the year ended December 31, in thousands of dollars

	1984	1983	1982
Operating Activities:			
Operating earnings	\$ 100,409	\$ 94,824	\$ 77,483
Charges (credits) to earnings not involving funds:			
Net premiums receivable	(30,045)	(12,985)	(14,349)
Deferred policy acquisition costs	(7,836)	(4,343)	1,836
Loss, life benefit and loss adjustment expense reserves	57,955	4,958	37,674
Unearned premiums	57,574	33,749	12,849
Dividends to policyholders	(13,902)	16,070	—
Income taxes	9,121	15,372	(5,072)
Equity in undistributed earnings of affiliates	(5,570)	(3,318)	(1,618)
Provision for depreciation	5,926	4,260	4,481
Accrual of discount and amortization of premiums on investments	(3,859)	(4,229)	(4,958)
Reinsurance balances and other	8,828	29,849	(3,526)
Cash provided from operating activities	<u>178,602</u>	<u>174,207</u>	<u>104,800</u>
Dividends Paid to Shareholders	<u>(17,127)</u>	<u>(15,017)</u>	<u>(11,346)</u>
Financing Activities:			
Issuance of long-term debt	25,900	5,000	7,500
Increase (decrease) in short-term debt, net	—	1,200	(3,900)
Proceeds from exercise of warrants and stock options	559	25,169	7,515
Purchase of Common Stock (Treasury)	(103,027)	(70,627)	(11,397)
Reissuance of Common Stock (Treasury)	1,915	4,327	—
Other	3,344	(388)	(592)
Net cash flow from financing activities	<u>(71,309)</u>	<u>(35,319)</u>	<u>(874)</u>
Decrease (increase) in cash	3,911	(6,257)	(287)
Net cash flow available for investment	<u>\$ 94,077</u>	<u>\$ 117,614</u>	<u>\$ 92,293</u>
Investment of Cash Flow:			
Purchase of investments	\$ 520,167	\$ 522,864	\$ 478,092
Change in payable on security purchases	33,186	(47,905)	(2,799)
Sale of investments, net of related taxes	(486,302)	(387,096)	(338,227)
Change in receivable from security sales	3,761	(1,388)	(413)
Investment in affiliates and subsidiaries	—	23,217	20,068
Investment in tax benefit transfer leases	—	—	16,346
Collection of note receivable	—	—	(89,968)
Purchase of property and equipment, net	11,788	2,673	5,386
Other	11,477	5,249	3,808
Net investment of cash flow	<u>\$ 94,077</u>	<u>\$ 117,614</u>	<u>\$ 92,293</u>

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A: CONSOLIDATION

The consolidated financial statements include the accounts of GEICO Corporation (the Corporation) and its subsidiaries except Government Employees Financial Corporation (GEFCO). Investments in GEFCO, a 100% owned consumer finance company, AVEMCO Corporation, a 33% owned general aviation insurance and finance company, and other non-majority owned affiliates are accounted for using the equity method.

Significant intercompany accounts and transactions have been eliminated.

Property and Casualty Insurance

Summary consolidated financial data for GEICO and its consolidated property and casualty subsidiaries are presented below. The property and casualty insurance companies included are Government Employees Insurance Company (GEICO), Criterion Insurance Company (CRICO), Criterion Casualty Company, and GEICO General Insurance Company.

Condensed Balance Sheets

(In thousands)	December 31,	
	1984	1983
Assets		
Investments		
Short-term investments	\$ 24,561	\$ 19,822
Fixed maturities	724,733	709,337
Equity securities	521,694	417,601
Affiliates	84,167	77,855
Cash	9,155	12,923
Property and equipment, net	48,934	43,546
Premiums receivable, net	273,803	243,843
Deferred policy acquisition costs	43,716	38,548
Other assets	36,014	32,662
	<u>\$ 1,766,777</u>	<u>\$ 1,596,137</u>
Liabilities and Shareholder's Equity		
Reserves for losses and loss adjustment expenses		
adjustment expenses	\$ 569,181	\$ 521,447
Unearned premiums	503,675	448,003
Other liabilities	200,939	184,525
Shareholder's equity	492,982	442,162
	<u>\$ 1,766,777</u>	<u>\$ 1,596,137</u>

Condensed Income Statements

(In thousands)	Year Ended December 31,		
	1984	1983	1982
Premiums	\$ 850,781	\$ 760,219	\$ 727,570
Net investment income	90,877	81,868	76,998
Equity in earnings of:			
GEFCO	5,127	3,173	1,098
AVEMCO	1,928	1,002	900
Other affiliates	839	(869)	(468)
Total Revenue	<u>949,552</u>	<u>845,393</u>	<u>806,098</u>
Losses and loss adjustment expenses ..	677,211	567,228	566,752
Other expenses	148,869	154,374	124,871
Interest expense	3,963	4,005	4,052
Income taxes	15,518	20,660	23,291
Total Benefits and Expenses	<u>845,551</u>	<u>746,267</u>	<u>718,966</u>
Operating Earnings	104,001	99,126	87,132
Realized gains (losses)	29,835	17,837	(28,715)
Net Income	<u>\$ 133,836</u>	<u>\$ 116,963</u>	<u>\$ 58,417</u>

Parent Company Operations

A reconciliation of GEICO's consolidated net income to the Corporation's consolidated net income is as follows:

(In thousands)	1984	1983	1982
Net Income -- GEICO	\$ 133,836	\$ 116,963	\$ 58,417
Parent company operations:			
Investment income	7,402	6,911	3,226
Operating expenses	(4,283)	(6,460)	(9,348)
Interest expense	(13,503)	(12,073)	(11,491)
Tax benefit	6,913	7,614	8,847
Realized gains	1,055	750	80
Equity in income of affiliates	(107)	48	117
Total parent company operations	(2,523)	(3,210)	(9,569)
Net Income -- GEICO Corporation	\$ 131,313	\$ 113,753	\$ 48,848

Resolute Group, Inc.

Summary financial data for Resolute Group, Inc., a consolidated reinsurance subsidiary which writes property and casualty reinsurance, are as follows:

(In millions)	1984	1983	1982
Investments	\$ 30.3	\$ 28.7	\$ 17.4
Total assets	45.4	40.3	24.9
Shareholder's equity	12.4	12.5	13.4
Premiums earned	15.5	6.2	3.1
Underwriting loss	(1.6)	(1.4)	(1.8)
Net investment income	3.2	2.0	2.0
Net income	1.1	.6	.1

Life Insurance

Summary financial data for the two life insurance subsidiaries, Garden State Life Insurance Company and GEICO Annuity and Insurance Company, are as follows:

(In millions)	1984	1983	1982
Investments	\$ 36.4	\$ 28.4	\$ 22.3
Total assets	50.0	42.8	41.1
Shareholder's equity	27.8	26.8	21.7
Premiums	8.7	1.9	1.0
Net investment income	4.0	2.8	1.7
Net income (loss)	1.1	(.1)	.7

Plaza Resources Company

Plaza Resources Company (Plaza), a wholly owned subsidiary, has invested in a computer software limited partnership, two real estate development partnerships, and oil and gas exploration joint ventures. The computer software costs have been expensed as incurred. The real estate development partnerships are developing and selling timeshare vacation units jointly with GEFCO. As of December 31, 1984, Plaza has an operating interest in five commercially producing oil and gas fields. Plaza's share of the estimated remaining oil and gas reserves is approximately 130,000 barrels of oil and 2 billion cubic feet of natural gas. All oil and gas ventures are being accounted for by the successful efforts method. Summary financial data for Plaza are as follows:

(In millions)	December 31,	
	1984	1983
Condensed Balance Sheets		
Investments in:		
Computer software limited partnership	\$ —	\$.2
Producing oil and gas fields	6.4	.4
Other oil and gas fields	1.6	3.1
Real estate development partnerships	6.3	3.1
Other assets and liabilities, net	(1.6)	.1
Shareholder's equity	\$ 12.7	\$ 6.9

	Year Ended December 31,		
	1984	1983	1982
Condensed Income Statements			
Real estate development income	\$ 1.6	\$ 1.0	\$ —
Oil and gas revenue3	—	—
Computer software costs expensed	(1.3)	(2.8)	(2.0)
Oil and gas costs expensed	(1.4)	(1.1)	(.5)
Income tax benefit6	1.4	1.3
Net loss	\$ (.2)	\$ (1.5)	\$ (1.2)

GEFCO

At December 31, 1982 GEICO owned 67% of the common stock and 55% of the voting shares of GEFCO. During 1983 GEICO purchased the remaining outstanding common and preferred stock of GEFCO for \$14.2 million. GEFCO's earnings are included in the Corporation's financial statements based on the extent of ownership from the dates of additional acquisition. Consolidated results of operations would not have been significantly different had these additional acquisitions been made on January 1, 1982. GEICO received dividends of \$620,000 in 1984, \$370,000 in 1983 and \$81,000 in 1982 from GEFCO. Summary financial data for GEFCO are as follows:

(In millions)

	December 31,	
	1984	1983
Condensed Balance Sheets		
Cash and investments	\$ 59.2	\$ 60.0
Net finance receivables	128.3	115.1
Other assets	6.4	6.5
Total assets	\$ 193.9	\$ 181.6
Notes and debentures payable	\$ 63.0	\$ 63.9
Liability for savings deposits	78.5	73.4
Other liabilities	9.1	5.0
Total liabilities	150.6	142.3
Redeemable preferred stock	1.0	1.0
Nonredeemable preferred stock and common shareholder's equity	42.3	38.3
Total liabilities and equity	\$ 193.9	\$ 181.6

	Year Ended December 31,		
	1984	1983	1982
Condensed Income Statements			
Interest on finance receivables	\$ 23.2	\$ 22.2	\$ 25.9
Investment and other income	18.1	13.6	6.4
Total revenue	41.3	35.8	32.3
Interest and capital financing expenses	15.7	15.2	16.1
Other operating expenses	19.5	16.6	13.5
Income taxes	1.2	.5	1.0
Income from continuing operations	4.9	3.5	1.7
Discontinued operations	—	.2	.8
Net income	\$ 4.9	\$ 3.7	\$ 2.5

GEICO Corporation's consolidated balance sheet includes investments in GEFCO's bonds of \$4,604,145 and \$5,571,145 at December 31, 1984 and 1983, respectively.

AVEMCO

In 1983 CRICO increased its ownership of AVEMCO Corporation from 22% to 33% by purchasing 422,631 additional shares of common stock from AVEMCO for \$8.5 million. Summary financial data for AVEMCO are as follows:

(In millions)

	1984	1983	1982
Total assets	\$ 94.7	\$ 83.8	\$ 72.1
Shareholders' equity	42.5	38.2	25.2
Revenue	48.0	37.5	36.3
Net income	6.0	4.1	4.4

CRICO received dividends of \$594,000 in 1984, \$458,000 in 1983 and \$309,000 in 1982 from AVEMCO.

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 regulatory authorities for the insurance subsidiaries. See Note C for statutory amounts of net income or loss, shareholder's equity and limitations on dividends.

Investments

Investments in fixed maturities (bonds, notes and redeemable preferred stocks) are reported at amortized cost and investments in equity securities (common and nonredeemable preferred 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 equity securities, after deferred income tax effects, is reported directly in shareholders' equity. The consolidated unrealized investment appreciation at December 31, 1984 before deferred tax effects consisted of gross gains of \$111.2 million and gross losses of \$11.7 million.

Deferred Policy Acquisition Costs

Costs that vary with and are directly related to the production of business and are recoverable have been deferred. Such costs include commissions, premium taxes, advertising and certain underwriting and policy issuance costs. The costs of acquiring property and casualty insurance are being amortized to income as the related written premiums are earned. The costs of acquiring life insurance, including the present value of insurance inforce purchased with Garden State Life Insurance Company, are being amortized to income as revenues are earned.

Loss, Life Benefit and Loss Adjustment Expense Reserves

Property and casualty loss 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 \$26.7 million and \$21.0 million at December 31, 1984 and 1983, 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. Reserves are recorded net of estimated reinsurance recoverable on unpaid losses and loss adjustment expenses.

Management believes that its aggregate provision for loss and loss adjustment expense at December 31, 1984 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.

Liabilities for future life policy benefits have been computed principally by the net level premium method with anticipated rates of mortality, withdrawals and investment yield based upon company experience.

Premium Revenue and Dividends to Policyholders

Property and casualty premiums are earned prorata over the terms of the policies and life and annuity premiums are recognized as revenue over the premium paying period. Premium revenues are reported net of reinsurance. Dividends to policyholders of \$16.1 million were charged to operations in 1983 for amounts to be paid in certain states with underwriting experience more favorable than anticipated.

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.

Goodwill

The excess of the purchase price over the fair value of the net assets acquired on purchased subsidiaries and affiliates has been recorded as goodwill and is being amortized on a straight-line basis over forty years or less. At December 31, 1984 goodwill on consolidated subsidiaries of \$5.3 million is included in other assets and negative goodwill on unconsolidated affiliates of \$1.4 million is included with investment in affiliates.

NOTE C: STATUTORY RESULTS

Consolidated net income for all property and casualty insurance subsidiaries as determined under statutory practices was \$134.1 million in 1984, \$110.1 million in 1983 and \$51.7 million in 1982. Consolidated shareholder's equity under statutory practices for these subsidiaries was \$521.8 million and \$480.0 million at December 31, 1984 and 1983, respectively.

Consolidated life insurance subsidiaries reported net losses of \$2.5 million in 1984 and \$1.4 million in 1983 and net income of \$.7 million in 1982 as determined under statutory practices. Consolidated shareholder's equity under statutory practices for these subsidiaries was \$18.5 million and \$20.7 million at December 31, 1984 and 1983, respectively.

Statutory requirements place limitations on the maximum amount of annual dividends and other distributions which can be remitted to the Corporation by its consolidated insurance subsidiaries without prior approval of the appropriate state insurance commissioners. The consolidated insurance companies had total net assets of \$493.0 million at December 31, 1984, of which approximately \$91.6 million is available for payment of dividends in 1985 and other amounts may be available in the form of loans or cash advances. During 1984 the Corporation received \$106.6 million in dividends from these subsidiaries.

NOTE D: POLICY ACQUISITION COSTS

Policy acquisition costs information is summarized as follows:

(In thousands)	1984	1983	1982
Policy acquisition costs incurred:			
Commission and brokerage	\$ 14,084	\$ 9,713	\$ 11,551
Premium taxes	19,226	14,685	13,559
Salaries, direct mail selling and other	49,572	42,470	36,620
Present value of insurance inforce purchased with Garden State Life Insurance Company	—	—	2,171
	<u>\$ 82,882</u>	<u>\$ 66,868</u>	<u>\$ 63,901</u>
Policy acquisition costs expensed	<u>\$ 75,046</u>	<u>\$ 62,525</u>	<u>\$ 63,639</u>

NOTE E: INVESTMENT OPERATIONS

Investment Income

The sources of investment income are summarized as follows:

(In thousands)	1984	1983	1982
Fixed maturities	\$ 63,696	\$ 68,583	\$ 51,890
Equity securities	34,885	25,572	19,757
Short-term investments	12,968	5,366	13,474
Other	841	626	450
Total investment income	<u>112,410</u>	<u>100,147</u>	<u>85,571</u>
Investment expenses	<u>4,224</u>	<u>3,669</u>	<u>2,828</u>
Net investment income	<u>\$ 108,186</u>	<u>\$ 96,478</u>	<u>\$ 82,743</u>

There were no investments in fixed maturities which were non-income producing for the twelve month period ended December 31, 1984.

Realized Gains (Losses)

Realized gains (losses) on investments are summarized as follows:

(In thousands)	1984	1983	1982
Fixed maturities	\$ (5,916)	\$ (19,292)	\$ (24,736)
Equity securities	50,283	40,271	(15,105)
Other	6	120	46
Equity in affiliates' realized losses	(90)	(65)	—
	<u>44,283</u>	<u>21,034</u>	<u>(39,797)</u>
Income taxes	<u>(13,379)</u>	<u>(2,105)</u>	<u>11,162</u>
Realized gains (losses)	<u>\$ 30,904</u>	<u>\$ 18,929</u>	<u>\$ (28,635)</u>

Unrealized Appreciation (Depreciation)

A summary of the net change in unrealized appreciation (depreciation) on investments in equity securities during each year reflected directly in shareholders' equity is as follows:

(In thousands)	1984	1983	1982
Net change in unrealized appreciation (depreciation)	\$ 4,913	\$ 18,637	\$ 92,492
Equity in affiliates' unrealized appreciation (depreciation)	(299)	192	358
Deferred income taxes	<u>(3,282)</u>	<u>(10,626)</u>	<u>(20,561)</u>
Net change in unrealized appreciation (depreciation) net of deferred taxes ..	<u>\$ 1,332</u>	<u>\$ 8,203</u>	<u>\$ 72,289</u>

Investments in fixed maturities are carried at amortized cost since such securities are generally held to maturity. A summary of unrealized appreciation (depreciation) on investments in fixed maturities is as follows:

(In thousands)	1984	1983	1982
Amortized cost	\$ 798,979	\$ 782,495	\$ 739,242
Market value	<u>775,514</u>	<u>736,818</u>	<u>677,700</u>
Excess of amortized cost over market value at December 31	<u>\$ 23,465</u>	<u>\$ 45,677</u>	<u>\$ 61,542</u>
Unrealized appreciation during the year	<u>\$ 22,212</u>	<u>\$ 15,865</u>	<u>\$ 134,524</u>

NOTE F: INCOME TAXES

Tax Expense

Tax expense has been computed upon pretax financial reporting income as follows:

(In thousands)	1984	1983	1982
Tax on:			
Tax basis income (loss) before loss carryforward	\$ (3,496)	\$ 4,179	\$ 7,105
Timing differences	10,437	7,148	6,436
Income tax provision	<u>\$ 6,942</u>	<u>\$ 11,327</u>	<u>\$ 13,541</u>

Effective Tax Rate Reconciliation

A reconciliation of the effective tax rates in the consolidated statement of income to the prevailing federal income tax rate (46%) is as follows:

(In thousands)	1984	1983	1982
Income tax provision at 46% of pre-tax income	\$ 49,381	\$ 48,829	\$ 41,871
Effect of:			
Tax-exempt interest income	(15,225)	(17,210)	(15,486)
Dividends received deduction	(22,564)	(17,736)	(10,531)
Investment tax credit	(1,472)	(979)	(1,422)
Affiliates' undistributed earnings	(2,267)	(1,017)	(127)
Capital gains rate differential	(754)	(872)	(928)
Other items	(157)	312	164
Income tax provision	<u>\$ 6,942</u>	<u>\$ 11,327</u>	<u>\$ 13,541</u>

Investment tax credits are accounted for by the flow-through method.

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)	1984	1983	1982
Deferral of policy acquisition costs	\$ 3,653	\$ 2,160	\$ (844)
Deferred compensation	851	(2,242)	(2,324)
Investment tax credit	216	248	928
GELICO's undistributed earnings	—	—	(3,570)
Tax benefit transfer leases	5,210	5,622	10,232
Other	507	1,360	2,014
Deferred tax provision	<u>\$ 10,437</u>	<u>\$ 7,148</u>	<u>\$ 6,436</u>

During 1982 the Corporation invested \$16.3 million in "safe harbor" tax benefit transfer leases resulting in \$5.2 million, \$5.6 million and \$10.2 million reductions in current income taxes payable for 1984, 1983 and 1982, respectively. The net cost of the leases, which is classified with other assets, is amortized over the lease term. The reduction in current tax expense is offset by an increase in the deferred tax provision for financial reporting purposes with no effect on net income.

Tax Liability

The components of the federal income tax liability included in the financial statements are as follows:

(In thousands)	December 31,	
	1984	1983
Current tax recoverable	\$ (1,515)	\$ (1,448)
Deferred tax payable	44,611	36,525
Deferred tax related to unrealized appreciation on equity securities	29,855	26,573
Income tax liability	<u>\$ 72,951</u>	<u>\$ 61,650</u>

GEFCO is an unconsolidated affiliate for financial reporting but was included in the Corporation's consolidated U.S. federal income tax return beginning July, 1983. Because GEFCO is accounted for on the equity method, taxes payable shown in the preceding table excludes the effect of GEFCO's earnings and deductions.

CRICO has a \$3.2 million net operating loss carryforward for tax purposes, of which \$2.4 million expires in 1991 and \$.8 million in 1994. Other purchased subsidiaries have separate loss carryforwards totalling \$3 million.

Taxation of Life Insurance Subsidiaries

A portion of the life insurance subsidiaries' statutory income is not subject to current income taxation, but is accumulated in an account designated "Policyholders' Surplus Account." The aggregate balance in this account, \$3.7 million at December 31, 1984, would be taxed at applicable current rates only if distributed to stockholders or if the account exceeded a prescribed maximum. No federal income taxes have been provided on this amount since, in management's opinion, the conditions under which such taxes would be incurred are not probable.

NOTE G: EMPLOYEE BENEFITS

The Corporation and its subsidiaries have a defined benefit noncontributory pension plan covering most full-time employees, the cost of which was \$4,005,000 in 1984, \$4,203,000 in 1983, and \$4,478,000 in 1982. The plan provides for payment based on salary and years of service. 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, 1983 (latest valuation date) and 1982 were as follows:

(In thousands)	December 31,	
	1983	1982
Actuarial present value of accumulated plan benefits:		
Vested	\$ 38,810	\$ 33,245
Nonvested	7,882	7,513
	<u>\$ 46,692</u>	<u>\$ 40,758</u>
Net assets available for plan benefits	<u>\$ 66,262</u>	<u>\$ 55,536</u>

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, 1983 and 1982 valuations.

Substantially all employees of the Corporation and its subsidiaries are covered under the GEICO Companies Employee Stock Ownership Plan and Trust established effective June 10, 1983. During 1984 and 1983 the Trust borrowed \$5.7 million and \$10.0 million, respectively, from a bank and used the proceeds to purchase shares of the Corporation's Common Stock. The Corporation guaranteed the loans and will make annual contributions sufficient to enable the Trust to repay the loans including interest. During 1984 and 1983 respectively, the Corporation charged \$2,503,000 and \$5,757,000 to expense for amounts contributed to the Trust, to make interest payments and to repay \$2.0 million and \$5.0 million of the loan principal. The obligations of the Trust, guaranteed by the Corporation, are included in the Corporation's long-term debt and a like amount deducted from shareholders' equity.

The Corporation also has a Profit Sharing Plan for eligible employees. Contributions for 1983 and prior were based on percentages of employee contributions. The plan was revised in 1983 so that employer contributions will be a discretionary amount to be declared by the Board of Directors based on profits. Employer contributions of \$3,350,000, \$3,235,000 and \$876,000 were charged to expense in 1984, 1983 and 1982, respectively.

NOTE H: DEBT

Debt consists of the following:

(In thousands)	December 31,	
	1984	1983
Short-term debt of consolidated subsidiary	\$ —	\$ 3,300
Unsecured note at prime due March 31, 1991	9,200	5,000
Unsecured 13-1/2% Debentures, \$4,165,000 due annually beginning in 1989 with remainder due in 1994	25,000	—
Unsecured 15% Debenture due 1997	7,500	7,500
Unsecured 13-3/4% Debentures due 1999, annual sinking fund requirement 1990-1999 of 10% of principal amount outstanding January 1990	18,323	18,323
Unsecured 11% Debentures due 1999, annual sinking fund requirement 1990-1999 of 10% of principal amount outstanding January 1990	73,287	73,287
Wholly-owned real estate and property subsidiaries —		
GEICO Properties, Inc.:		
8-1/4% notes, due in equal quarterly installments of \$339 including interest, until June 2004	13,077	13,339
8-1/2% note, due in equal quarterly installments of \$196 including interest, until May 2004	7,449	7,593
GEICO Washington Properties, Inc.:		
9-3/8% note due in equal monthly installments of \$203 including interest, until June 2010	23,590	23,805
GEICO Facilities Corporation:		
Other	—	54
Guaranteed bank loans of Employee Stock Ownership Trust	9,680	4,989
	<u>\$ 187,115</u>	<u>\$ 157,190</u>

On July 24, 1984, the Corporation borrowed \$25 million at 13 1/2% with principal payments of \$4,165,000 due annually from 1989 to 1993 and \$4,175,000 due in 1994.

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 in the event of default the entire unpaid principal and interest become due and payable.

The aggregate maturities of long-term debt for the years 1985 through 1989 are: \$2,676,172; \$1,737,239; \$1,795,931; \$877,588; and \$5,121,792, respectively.

The Corporation has \$3.5 million of unsecured lines of credit with commercial banks at the prime interest rate.

NOTE I: SHAREHOLDERS' EQUITY

Redeemable Preferred Stock

GEICO Corporation has authorized 15 million shares of Cumulative Junior Preferred Stock, par value \$1 per share. The only authorized series is the \$.736 Convertible Series (the Convertible Preferred Stock). At December 31, 1981, 226,776 shares of Convertible Preferred Stock were issued and outstanding. During 1982, 220,502 shares of the Convertible Preferred Stock were converted to Common Stock and on November 1, 1982, the remaining 6,274 shares were called and redeemed at \$9.66 per share plus accrued dividends.

Share Acquisitions and Conversions

The Corporation purchased 1,763,600, 1,197,100 and 460,100 shares of Common Stock in 1984, 1983 and 1982, respectively, for an aggregate cost of \$103,026,875, \$70,627,440, and \$11,397,061 in 1984, 1983 and 1982, respectively. During 1982, 441,004 shares of Common Stock were issued upon conversion of the Convertible Preferred Stock.

On August 15, 1984 the Board of Directors authorized the purchase of up to 3,000,000 shares of GEICO Corporation Common Stock from time to time depending on market conditions. As of December 31, 1984 and February 20, 1985, respectively, 591,700 and 872,800 shares had been purchased under that authorization.

Stock Options, Performance Shares and Stock Appreciation Rights

Under the Corporation's 1973 Stock Option Plan, options were granted to officers and key employees for the purchase of Common 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. No more options may be granted under this plan.

	Options Available For Grant	Price Per Share On Date of Grant	Options Outstanding
Balance at December 31, 1981 .	1,036	\$2.68 to \$36.06	143,222
Exercised	—	2.68 to 23.50	(39,519)
Terminated	1,983	6.56 to 36.06	(1,983)
Balance at December 31, 1982 .	3,019	6.04 to 36.06	101,720
Exercised	—	6.04 to 36.06	(20,865)
Terminated	(3,019)	16.90 to 36.06	(240)
Balance at December 31, 1983 .	—	6.04 to 23.50	80,615
Exercised	—	6.04 to 23.50	(22,351)
Balance at December 31, 1984 .	—	\$ 6.56 to \$23.50	58,264

Under the Corporation's performance share plan, as approved by shareholders, awards of performance shares may be made to key executives to be paid in shares of the Corporation's Common Stock or cash based on the attainment of certain goals. As of December 31, 1984, 161,129 performance share awards were outstanding and 261,997 shares remained available for future awards. Payment for 139,943 performance shares, consisting of 80,766 shares of Common Stock, 54,064 deferred shares and \$296,583 in cash was made in 1984. Payment for 2,168 performance shares was made in shares of Common Stock in 1983. Charges of \$2,389,178, \$4,595,242 and \$4,725,263 were made against 1984, 1983 and 1982 earnings, respectively, under the plan.

During 1984 the Board of Directors approved a stock option plan whereby options to purchase 150,000 shares of Common Stock at \$59.375 per share, and general stock appreciation rights (SARs) with respect to these shares, were granted. The options are exercisable in installments beginning one year from the date of grant and expire not more than 10 years thereafter. Under the plan, an individual may exercise any combination of stock options and SARs as long as the aggregate number does not exceed the number of stock options granted to that individual. A total of 631,390 authorized shares have been reserved for stock options, performance share awards, and stock appreciation rights.

Warrants

At December 31, 1981 GEICO Corporation had outstanding warrants, exercisable at anytime to August 1, 1983, to purchase 1,348,979 shares of its Common Stock at \$24 per share. During 1983 and 1982, 1,021,948 and 294,834 shares, respectively, of Common Stock were issued upon the exercise of warrants. On August 1, 1983 the remaining unexercised warrants expired.

NOTE J: EARNINGS PER SHARE

Fully diluted earnings per share were determined using 19,660,199 shares in 1984, 21,171,702 in 1983, and 21,091,983 in 1982 assuming conversion of the Convertible Preferred Stock and exercise of dilutive warrants, stock options and performance share awards.

Primary earnings per share have been computed by dividing the weighted average number of common shares outstanding plus shares assumed to be outstanding for the effect of dilutive options, warrants and performance shares, into earnings after deduction for the preferred stock dividend requirements in 1982. The assumed average outstanding shares were 19,642,555 in 1984, 21,143,675 in 1983, and 20,364,428 in 1982.

NOTE K: REINSURANCE

The Corporation's insurance subsidiaries are involved in both the cession and assumption of reinsurance with other companies. Reinsurance treaties are maintained for the purpose of insuring excess risks of the subsidiaries and a portion of all risks for Resolute Reinsurance Company. The Corporation and its insurance subsidiaries remain liable to the extent the reinsuring companies are unable to meet their treaty obligations. Amounts deducted from policy liabilities and premium and loss accounts for reinsurance cessions of the property and casualty insurance subsidiaries, excluding the effect of reinsurance facilities, are as follows:

(In thousands)	December 31,	
	1984	1983
Policy liabilities		
Loss and loss adjustment expense reserves	\$ 33,941	\$ 26,225
Unearned premium reserve	\$ 9,986	\$ 6,415

(In thousands)	December 31,		
	1984	1983	1982
Premiums written	\$ 30,694	\$ 20,446	\$ 16,565
Premiums earned	\$ 27,143	\$ 19,908	\$ 14,331
Loss and loss adjustment expense incurred	\$ 22,457	\$ 16,822	\$ 7,945

NOTE L: COMMITMENTS AND CONTINGENCIES

Rental expense for all leases was \$11,234,000 in 1984, \$10,305,000 in 1983, and \$7,898,000 in 1982.

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, 1984 for noncancellable leases with a remaining term of at least one year are as follows:

(In thousands)	Total	Building Space	Equipment
1985	\$ 5,734	\$ 2,326	\$ 3,408
1986	5,276	2,073	3,203
1987	3,422	1,498	1,924
1988	1,589	1,253	336
1989	355	355	-
1990-1992	94	94	-
	<u>\$ 16,470</u>	<u>\$ 7,599</u>	<u>\$ 8,871</u>

The Corporation is committed to guarantee up to \$25.0 million of GEFCO commercial paper for which the Corporation receives a fee at an annual rate of \$62,500 plus 1/4% of the average daily amount of commercial paper outstanding. At December 31, 1984 there was \$19.0 million of GEFCO commercial paper outstanding.

The Corporation has a one-third interest in a limited partnership to develop a retirement community. In return for its interest the Corporation has guaranteed \$2 million of the partnership debt.

In the ordinary course of its insurance operations, the Corporation is affected by various regulatory, legislative and judicial actions. In the opinion of management, loss to the Corporation materially in excess of amounts provided for in its loss reserves is not probable.

NOTE M: BUSINESS SEGMENTS

GEICO Corporation, through its subsidiaries, is engaged in various lines of property and casualty insurance, life insurance, and financial services. However, until other lines of business expand to a significant level, private passenger automobile insurance is GEICO Corporation's dominant business segment, pursuant to Financial Accounting Standards Board Statement No. 14.

SUPPLEMENTAL FINANCIAL INFORMATION

SUPPLEMENTAL INFORMATION ON THE EFFECT OF CHANGING PRICES (UNAUDITED)

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 the effect of general inflation on 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 and holding net monetary liabilities results in a gain. 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 the FASB, the Corporation incurred a purchasing power gain of \$1.1 million in 1984, compared to a gain of \$7.7 million if unearned premiums and deferred policy acquisition costs were classified as monetary.

FIVE-YEAR COMPARISON OF SUPPLEMENTAL FINANCIAL DATA ADJUSTED FOR EFFECTS OF CHANGING PRICES
(In thousands, except per share data)

	Year Ended December 31,				
	1984	1983	1982	1981	1980
Total revenue:					
As reported	\$ 994,971	\$ 872,703	\$ 817,405	\$ 727,453	\$ 684,408
Adjusted for general inflation	\$ 994,971	\$ 909,845	\$ 879,608	\$ 830,803	\$ 862,721
Purchasing power gain (loss) during the year:					
As required	\$ 1,087	\$ (2,490)	\$ (4,983)	\$ (8,467)	\$ (16,705)
Alternative computation	\$ 7,700	\$ 3,460	\$ 1,180	\$ 5,464	\$ 3,047
Net assets at year end:					
As reported	\$ 420,401	\$ 405,439	\$ 344,797	\$ 238,904	\$ 192,178
Adjusted for general inflation	\$ 420,401	\$ 422,694	\$ 371,035	\$ 272,845	\$ 242,247
Operating earnings per share (fully diluted):					
As reported	\$ 5.11	\$ 4.48	\$ 3.67	\$ 2.98	\$ 2.59
Adjusted for general inflation	\$ 5.11	\$ 4.67	\$ 3.95	\$ 3.40	\$ 3.26
Net income per share (fully diluted):					
As reported	\$ 6.68	\$ 5.37	\$ 2.32	\$ 3.85	\$ 2.64
Adjusted for general inflation	\$ 6.68	\$ 5.60	\$ 2.50	\$ 4.40	\$ 3.33
Cash dividends declared per common share:					
As reported	\$.88	\$.72	\$.56	\$.48	\$.43
Adjusted for general inflation	\$.88	\$.75	\$.60	\$.55	\$.54
Market price per common share at year end:					
Historical amount	\$ 58.00	\$ 58.13	\$ 43.00	\$ 27.75	\$ 14.63
Adjusted for general inflation	\$ 58.00	\$ 60.60	\$ 46.27	\$ 31.69	\$ 18.44
Average consumer price index	311.1	298.4	289.1	272.4	246.8

QUARTERLY HIGHLIGHTS OF OPERATING RESULTS (UNAUDITED)

(in millions, except per share results)

	1984				1983			
	Three Months Ended				Three Months Ended			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Premiums	\$ 233.3	\$ 221.3	\$ 217.3	\$ 203.0	\$ 201.1	\$ 196.9	\$ 187.8	\$ 182.5
Investment income	28.6	27.5	25.6	26.4	24.8	25.4	23.6	22.5
Commissions and other	3.5	3.0	3.1	2.3	2.3	2.5	1.6	1.5
Total Revenue	265.4	251.8	246.0	231.7	228.2	224.8	213.0	206.7
Benefits and Expenses								
Salaries, life benefits, and loss adjustment expenses	190.6	175.5	171.8	159.5	145.1	145.6	142.2	140.6
Operating expenses	43.8	42.5	42.9	42.5	44.1	40.0	37.8	38.7
Provision for dividends to policyholders	—	—	—	—	8.6	7.5	—	—
Investment expense	4.7	5.5	4.2	4.1	4.0	4.1	4.1	4.1
Income taxes	.9	3.1	1.9	1.1	2.1	2.5	4.3	2.4
Total Benefits and Expenses	240.0	226.6	220.8	207.2	203.9	199.7	188.4	185.8
Operating Earnings	25.4	25.2	25.2	24.5	24.3	25.1	24.6	20.9
Unrealized gains (losses) on investments	7.8	6.0	9.2	8.0	(8.1)	(1.5)	(.4)	28.9
Income	\$ 33.2	\$ 31.2	\$ 34.4	\$ 32.5	\$ 16.2	\$ 23.6	\$ 24.2	\$ 49.8
Per Share Results								
Diluted:								
Operating earnings	\$ 1.34	\$ 1.30	\$ 1.28	\$ 1.20	\$ 1.18	\$ 1.16	\$ 1.15	\$.98
Income	\$ 1.75	\$ 1.61	\$ 1.75	\$ 1.59	\$.79	\$ 1.09	\$ 1.13	\$ 2.35
Primary:								
Operating earnings	\$ 1.34	\$ 1.30	\$ 1.28	\$ 1.20	\$ 1.18	\$ 1.16	\$ 1.15	\$.99
Income	\$ 1.75	\$ 1.61	\$ 1.75	\$ 1.59	\$.79	\$ 1.09	\$ 1.13	\$ 2.36

GEICO CORPORATION BOARD OF DIRECTORS

Thomas E. Bolger
Chairman of the Board and Chief Executive Officer,
Bell Atlantic Corporation

Samuel C. Butler
Partner, Cravath, Swaine & Moore

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

Paul J. Hanna
Former Vice Chairman of the Board,
Vice Chairman of the Finance Committee,
GEICO Corporation

Richard G. Rosenthal
Private Attorney

Louis A. Simpson
Senior Vice President and Chief Investment Officer,
GEICO Corporation

Joseph J. Sisco
Partner, Sisco Associates

William B. Snyder
President, GEICO Corporation

John C. Staggles
Retired Senior Vice President,
General Reinsurance Corporation

Walter E. Washington
Counsel, Burns Summit Rovins & Feldesman

Frank A. Weil
Partner, Wald, Harkrader & Ross

H. Edward Wrapp
Retired 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 Corporation

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

William K. Jacobs, Jr.
Private financial consultant

Alvin E. Kraus
Retired Chairman of the Board,
Criterion Insurance Company

David Lloyd Kreeger
Honorary Chairman of the Board,
GEICO Corporation

COMMITTEES OF THE BOARD

GEICO Corporation's Board of Directors consists of 12 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

Paul J. Hanna, *Chairman*

Thomas E. Bolger Joseph J. Sisco John C. Steggles Walter E. Washington

In addition to recommending the appointment of the Corporation's Independent Accountants, the Audit Committee, which is composed of non-management Directors, monitors the Accountants' audits, reviews the audit results with management and the Accountants, reviews the Annual Report on Form 10-K, reviews the Corporation's internal con-

trols and accounting procedures with the Accountants and the Internal Auditor and carries out actions required under the Foreign Corrupt Practices Act. The Internal Auditor reports directly to the Audit Committee and functions as staff thereto.

EXECUTIVE COMMITTEE

Samuel C. Butler, *Chairman*

John J. Byrne Paul J. Hanna Richard G. Rosenthal William B. Snyder 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, reviews proposals to enter new or expanded lines of business and analyzes corporate practices involving disclosure.

FINANCE COMMITTEE

Louis A. Simpson, *Chairman*

Paul J. Hanna, *Vice Chairman* John J. Byrne Richard G. Rosenthal William B. Snyder Frank A. Weil

The Finance Committee approves broad investment policies and guidelines and assists the Investment Department in their development; approves and monitors eligible securities; approves all marketable investments and non-marketable investments in excess of \$5 million; monitors the portfolio to perform the fiduciary responsibilities of the Board

keeping in mind the makeup of the Corporation's liabilities; monitors the investment portfolio and its performance relative to comparative standards; authorizes the purchase, conversion, transfer and sale of stocks, bonds and of other securities within prescribed guidelines; and approves borrowings by the Corporation of up to \$50 million.

HUMAN RESOURCES COMMITTEE

Thomas E. Bolger, *Chairman*

Samuel C. Butler Richard G. Rosenthal John C. Steggles H. Edward Wrapp

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 President and Senior Vice Presidents; fixes the compensation of other officers; approves and administers compensation programs; maintains responsibility for

administration of employee benefit plans; elects all officers except the Chairman of the Board, Chief Executive Officer, President, Executive Vice President and Senior Vice Presidents; reviews Management's organizational plans; and approves Directors' compensation. The Committee also recommends proposed nominees for election to the Board by the Shareholders at the Annual Meetings or by the Board to fill an existing vacancy.

SOCIAL RESPONSIBILITY COMMITTEE

Joseph J. Sisco, *Chairman*

Paul J. Hanna Louis A. Simpson William B. Snyder John C. Steggles Walter E. Washington Frank A. Weil

This committee oversees the fulfillment of social responsibilities to shareholders, policyholders, employees and the general public; reviews the Affirmative Action Program with respect to employment and upward mobility of females, minorities and disadvantaged segments of

society; monitors involvement in political action, particularly with respect to state legislative affairs; and reviews responsibilities to society in the providing of insurance services and allocating charitable contributions.

SENIOR OFFICERS OF GEICO CORPORATION
AND ITS AFFILIATES

**GOVERNMENT
EMPLOYEES
INSURANCE
COMPANY**

John J. Byrne
Chairman

William B. Snyder
*President and
Chief Executive Officer*

Eugene J. Meyung
Executive Vice President

Senior Vice Presidents

Richard C. Lucas
James E. Reagan
Louis A. Simpson*
Donald K. Smith*
General Counsel
W. Alvon Sparks, Jr.*
Edward H. Utley

Vice Presidents

Martin Adler
Actuary
August P. Alegi*
Terry L. Baxter
Ralph L. Belford, III
Marion E. Byrd
Noel A. Chandonnet
Edward J. Clark
Theodore F. Culp
Charles R. Davies
Herbert L. De Prenger
Alvin Kaltman
Merrill D. Knight, III
Alan R. Ledbetter
Ernest M. Lucas
Donald D. Messmer
Olza M. Nicely
Richard A. Ollen
Ross D. Pierce
William H. Sprunk*
Controller
Patrick E. Wilson

Treasurer
Albert M. McKenney*

Secretary
John M. O'Connor*

John J. Byrne
*Chairman and Chief
Executive Officer*

William B. Snyder
President

*Officers of GEICO
Corporation with title shown.

**CRITERION
INSURANCE
COMPANY
AND
CRITERION
CASUALTY
COMPANY**

William B. Snyder
Chairman

Harry I. Bond
President

Charles T. Connolly
Senior Vice President

William B. Snyder
Chairman

James E. Reagan
President

**GEICO
GENERAL
INSURANCE
COMPANY**

**GOVERNMENT
EMPLOYEES
FINANCIAL
CORPORATION**

Paul J. Hanna
Chairman

John J. Krieger
*President and Chief
Executive Officer*

**RESOLUTE
COMPANIES**

Robert B. Goode, Jr.
Chairman

David M. Evans
President

Michael L. Horigan
Executive Vice President

**GARDEN STATE
LIFE INSURANCE
COMPANY
AND
GEICO ANNUITY
AND INSURANCE
COMPANY**

William B. Snyder
Chairman

Herbert L. De Prenger
President

**GEICO
INVESTMENT
SERVICES
COMPANY**

William B. Snyder
Chairman

Richard A. Ollen
President

**GEICO
CORPORATION**

**INTERNATIONAL
INSURANCE
UNDERWRITERS, INC.**

William B. Snyder
Chairman

Juergen S. Rinnert
President

ANNUAL MEETING

The Annual Meeting of Shareholders of GEICO Corporation will be held on April 10, 1985 at 10:00 a.m. at the Corporation's home office in Chevy Chase, Maryland.

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
P. O. Box 24935
Church Street Station
New York, New York 10249

SHAREHOLDER INQUIRIES

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

STOCK EXCHANGE LISTING

The Corporation's Common Stock is listed on the New York Stock Exchange. The symbol is GEC.

STATISTICAL SUPPLEMENT

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

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 any purchase or sale of securities.

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 1985 financial statements. A representative of Ernst & Whinney will be present at the Annual Meeting.

FORM 10-K

The Corporation's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, will be available after March 31, 1985, without charge to shareholders, upon written request directed to:

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

GEICO
CORPORATION

Washington, D.C.

ADDITIONAL EARNINGS PER SHARE INFORMATION
GEICO CORPORATION

	In Thousands		
	Except Per Share Results		
	Year Ended December 31,		
	1984	1983	1982
Fully Diluted:			
Earnings:			
Operating earnings	\$100,409	\$ 94,824	\$77,483
Realized gains (losses)	30,904	18,929	(28,635)
Net income	<u>\$131,313</u>	<u>\$113,753</u>	<u>\$48,848</u>
Shares:			
Weighted-average number of common shares outstanding	19,539	20,722	20,043
Conversion of convertible preferred stock	-	-	280
Net effect of dilutive stock options	34	48	61
Net effect of dilutive warrants	-	260	571
Net effect of performance share awards	87	142	137
Total	<u>19,660</u>	<u>21,172</u>	<u>21,092</u>
Earnings per share:			
Operating earnings	\$5.11	\$4.48	\$3.67
Net income	\$6.68	\$5.37	\$2.32
Primary:			
Earnings:			
Operating earnings	\$100,409	\$ 94,824	\$77,483
Less: Dividends on preferred stock	-	-	(95)
Operating earnings applicable to common shares	100,409	94,824	77,388
Realized gains (losses)	30,904	18,929	(28,635)
Net income applicable to common shares	<u>\$131,313</u>	<u>\$113,753</u>	<u>\$48,753</u>
Shares:			
Weighted-average number of common shares outstanding	19,539	20,722	20,043
Net effect of dilutive stock options	34	46	45
Net effect of dilutive warrants	-	239	167
Net effect of performance share awards	70	137	109
Total	<u>19,643</u>	<u>21,144</u>	<u>20,364</u>
Earnings per share:			
Operating earnings	\$5.11	\$4.48	\$3.80
Net income	\$6.68	\$5.38	\$2.39

ORGANIZATION

Exhibit 22

	<u>RELATIONSHIP</u>	<u>INCORPORATED</u>
<u>GEICO CORPORATION</u>	Parent Corporation	Del.
Government Employees Ins. Co.	Wholly owned	D.C.
GEICO Facilities Corporation	Wholly owned	Del.
Resolute Group, Inc.	Wholly owned	Del.
GEICO Investment Services Co.**	Wholly owned	Del.
Intl Ins. Underwriters, Inc.	Wholly owned	Del.
GEICO Financial Services, GmbH	Wholly owned	Federal Republic of Germany
Plaza Financial Services Co.	Wholly owned	Del.
Maryland Ventures, Inc.	Wholly owned	Del.
Plaza Resources Company	Wholly owned	Del.
GEICO Financial N.V.	Wholly owned	Netherlands Antilles
The Top Five Club, Inc.	Wholly owned	Del.
<u>GOVERNMENT EMPLOYEES INS. CO. (GEICO)*</u>		
GEICO Properties, Inc.	Wholly owned	Del.
GEICO Wash. Properties, Inc.	Wholly owned	Del.
Criterion Insurance Company	Wholly owned	D.C.
Govt. Employees Financial Corp.	Wholly owned	CO.
GEICO General Ins. Company	Wholly owned	Iowa
Garden State Life Ins. Company	Wholly owned	N.J.
<u>RESOLUTE GROUP, INC.</u>		
Resolute Reinsurance Company	Wholly owned	N.Y.
Resolute Management Corporation	Wholly owned	N.Y.
<u>CRITERION INSURANCE COMPANY (CRICO)</u>		
Criterion Associates, Inc.	Wholly owned	MD.
Criterion Casualty Company	Wholly owned	MD.
Criterion Insurance Agency, Inc.	Wholly owned	Texas
<u>GARDEN STATE LIFE INSURANCE COMPANY</u>		
GEICO Annuity and Ins. Co.	Wholly owned	Del.
<u>GOVERNMENT EMPLOYEES FINANCIAL CORPORATION (GEFCO)</u>		
Government Employees Corporation	Wholly owned	Del.
<u>GOVERNMENT EMPLOYEES CORPORATION</u>		
GEICO Financial Services Company	Wholly owned	MD.
GEICO Finance Company	Wholly owned	N.C.
GEIBank Industrial Bank	Wholly owned	CO.
Travel Resorts International	Wholly owned	Calif.
TRI Properties, Inc.	Wholly owned	Calif.
<u>GEICO PHILANTHROPIC FOUNDATION***</u>	Non-Profit	Del.

*Principal subsidiary

**Government Securities Cash Fund is a separate series of GEICO Investment Series Trust which is an unincorporated business trust organized under Massachusetts law. GEICO Adjustable Rate Preferred Fund is a separate series of GEICO Tax Advantaged Series Trust which is an unincorporated business trust organized under Massachusetts law. GEICO Investment Services Company is the Investment Manager and Administrator for the Funds.

***Non-profit corporation organized for eleemosynary purposes.