12 –09

SIC 633

G 11 02 88 000

GEICO CORP

10-K

NYS

CARD 1

DISCLOSURE INFORMATION GROUP BETHESDA MD 20816

FOR 12/31/85

Quick Reference Chart to Contents of SEC Filings

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

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

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

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

G110288 90491

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C.

20549 FORM 10-K

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

For the Fiscal Year Ended December 31, 1985

Commission File No. 1-8012

26 EX
132

GEICO CORPORATION

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

GEICO Plaza, Washington, D. C. 20076

Registrant's telephone number (301) 986-3000

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

Title of each class	Name of each exchange on which registered
Common Stock	New York Stock Exchange

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 26, 1986..............$1,521,087,732 (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 26, 1986
Common Stock, $1.00 par value	17,412,382 shares

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the GEICO Corporation Annual Report to Shareholders for the fiscal year ended December 31, 1985 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 16, 1986 are incorporated by reference into Part III of this Form 10-K Report.

(1) Execpt 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 $88.50 per share of Common Stock on the Composite Tape for New York Stock Exchange listed stocks for March 26, 1986. The amount excludes the market value of 224,950 shares of Common Stock beneficially owned by the Registrant's directors and executive officers (including 15,425 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. In 1979 it became the parent of Government Employees Insurance Company ("GEICO" or the "Company"), its principal subsidiary. Various subsidiaries of the Corporation are in the business of providing insurance and financial services.

GEICO, which has been engaged in the insurance business since 1936, is a multiple line property and casualty insurer primarily engaged in writing preferred risk private passenger automobile and homeowners insurance. To a lesser extent, GEICO also writes fire and extended coverage, professional and comprehensive personal liability, excess business liability, boat and yacht insurance. Criterion Insurance Company ("Criterion") and GEICO General Insurance Company ("GGIC"), subsidiaries of GEICO, both write standard risk private passenger automobile insurance. Criterion, with emphasis on marketing to military personnel, also writes motorcycle insurance and its subsidiary, Criterion Casualty Company, writes nonstandard risk private passenger automobile insurance.

Through wholly-owned Garden State Life Insurance Company ("Garden State") and its subsidiary, GEICO Annuity and Insurance Company ("GEICO Annuity"), GEICO writes consumer-oriented life insurance, structured settlement annuity policies and group life and health insurance marketed and administered by an unaffiliated independent specialty insurance company. 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 enlisted pay grades; International Insurance Underwriters, Inc. ("IIU"), which provides services, including an auto club, 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 insurance products; and Resolute Group, Inc. which, through its wholly-owned subsidiaries, Resolute Reinsurance Company and Resolute Management Corporation, writes both domestic and foreign 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 Advantaged Trust") and is investment adviser to The Growth Fund of Washington, Inc., an equity fund. GEIVEST is the distributor of shares of Government Securities Cash Fund, a no-load money market mutual fund which is a series of the Investment Trust and of shares of GEICO Adjustable Rate Preferred Fund, a no-load mutual fund which is a series of the Tax Advantaged Trust designed specifically for corporate investors. 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 including underwriting financial guaranty insurance through its wholly-owned subsidiary, Financial Insurance Risk Management, Inc., and several real estate/ property companies: Maryland Ventures, Inc., GEICO Facilities Corporation, GEICO Properties, Inc. ("GPI") and GEICO Washington Properties, Inc. ("GWPI").

Personal lines property and casualty insurance is the Corporation's dominant business segment, although other insurance and financial service products are 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 homeowners claims, such impact has not traditionally been material. However, in 1985 record-breaking weather related catastrophe losses were incurred, including over $7 million of catastrophe losses for GEICO's homeowners business.

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 and revocation of licenses, 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 the 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 private passenger automobile 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 1984 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. In 1983 GEICO accrued $16.1 million for policyholder dividends of which $13.9 million was paid in 1984 and the remaining $2.2 million was paid in 1985.

The latest available statistics as published in the National Underwriter reveal that, based upon 1984 earned premiums, the GEICO Companies was the tenth largest automobile insurer group and GEICO was the fifth largest stock automobile insurer in the United States.

As of December 31, 1985 the Corporation and its subsidiaries had 4,482 full-time employees and 1,010 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 SEGMENTS

The information concerning GEICO Corporation's personal lines property and casualty insurance business required by the remainder of this Item 1 is contained in its 1985 Annual Report to Shareholders under the caption "Business Segments" on pages 12 through 15 and Note N of the "Notes to Consolidated Financial Statements" contained on page 39 and is incorporated herein by reference.

Item 2. Properties.

Through several of its real estate/property subsidiaries, the Corporation owns its headquarters building (the 428,400 square foot GEICO Plaza in Chevy Chase, Maryland), its 250,000 square foot Regional Office Buildings in Woodbury, New York and Macon, Georgia, certain of its claims drive-in facilities and certain additional properties.

GEICO also leases office space and drive-in claims facilities in various cities in the United States. There is sufficient capacity at these facilities to accommodate the Corporation's foreseeable requirements. In addition, GEICO maintains and continually upgrades sophisticated electronic data processing equipment and telecommunications facilities to enable it to process applications and claims efficiently.

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.

Information regarding executive officers of GEICO Corporation is set forth below. Each officer holds such office until the next annual election of officers, which is held at the first meeting of the Board of Directors after the annual meeting of shareholders, called to be held on April 16, 1986, and until his/her successor is elected. To the best knowledge of the Corporation, there are no family relationships among any of such officers or among any of such officers and any directors nor any arrangement or understanding between any such officer and any other person pursuant to which any such officer was elected.

Richard C. Lucas, 59, has been a director of GEICO since October 1979 and Senior Vice President since July 1978, having been an officer since May 1977. 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 since September 1981 has been a director of AVEMCO, a holding company engaged, through subsidiaries, in the general aviation insurance and related businesses and in which the Corporation (through Criterion) owns a 33.3% equity investment.

Eugene J. Meyung, 60, was elected President of GEICO in February 1986, a director in May 1981 and Executive Vice President in September 1981. From September 1980 to September 1981 he was a Senior Vice President of GEICO; he has been an officer since July 1978. Mr. Meyung also serves or has served as a director and/or an officer of several subsidiaries of the Corporation and GEICO.

Olza M. Nicely, 42, was elected a director and Senior Vice President of GEICO in September 1985, having served as Vice President since September 1980 and an officer since March 1973. Mr. Nicely also serves as a director and/or an officer of several subsidiaries of the Corporation and GEICO.

James E. Reagan, 61, was elected a director of GEICO in May 1981; he has served as Senior Vice President since August 1979 and has been an officer since March 1964. 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, 49, was elected Vice Chairman of the Board of Directors of the Corporation in July 1985, a director of the Corporation in May 1983, Senior Vice President of GEICO in August 1979, a director of GEICO in October 1979 and served as Senior Vice President of the Corporation from August 1979 to July 1985. Mr. Simpson 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 from September 1981 to January 1986 and of GEICO Tax Advantaged Series Trust from May 1984 to November 1985.

Donald K. Smith, 53, 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, an officer since January 1969 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, 56, was elected Chairman of the Board and Chief Executive Officer of the Corporation in July 1985, President in September 1981 and a director in May 1980; Mr. Snyder was elected Chairman of the Board of GEICO in September 1985, Chief Executive Officer in August 1983, a director in May 1979 and was President from February 1980 to February 1986, having served GEICO as an officer since March 1977. 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., 50, 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 GEFCO 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, 56, was elected a director of GEICO in May 1984; he has served as an officer since July 1973 and as Senior Vice President from July 1984 to January 1986, when he was elected President of Criterion.

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 24) and the final paragraph of Note C (page 34) of the Notes to Consolidated Financial Statements in the Corporation's 1985 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 16 and 17) in the Corporation's 1985 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 18 through 24) in the Corporation's 1985 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 1985 Annual Report to Shareholders (pages 25 through 39), Supplemental Financial Information on the Effects of Changing Prices (page 40) and the Quarterly Highlights of Operating Results (page 41) 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 with respect to directors of the Corporation 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 with respect to executive officers of the Corporation is included in Part I.

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 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 Corporation's Annual Report to Shareholders for the year ended December 31, 1985, are incorporated by reference in Item 8:

Consolidated Balance Sheet - December 31, 1985 and 1984

Consolidated Statement of Income - Years Ended December 31, 1985, 1984 and 1983

Consolidated Statement of Shareholders' Equity - Years Ended December 31, 1985, 1984 and 1983

Consolidated Statement of Changes in Financial Position - Years Ended December 31, 1985, 1984 and 1983

Notes to Consolidated Financial Statements The following financial information is included in response to Item 14(d):

	Reference
Report of Independent Accountants	Page No. 17.
Schedule I - Summary of Investments Other Than Investments in Related Parties	Page No. 18.
Schedule III - Condensed Financial Information of Registrant	Page Nos. 19-22.
Schedule VI - Reinsurance	Page No. 23.
Schedule X - Supplemental Information Concerning Property/Casualty Insurance Operations	Page No. 24.

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):

Exhibit No.	Description	Reference
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. 26.
4-a	Specimen certificate representing the common stock, $1.00 par value.	Exhibit 6(c) to File No. 2-63138 on Form S-14.
	(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.)	
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 John J. Byrne and GEICO Corporation dated August 23, 1985.	Exhibit 10-a of Form SE filed in connection with GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1985.

10-b	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-c	Amendment dated August 26, 1985 to Paul J. Hanna Employment Agreement.	Page No. 40
10-d	Consulting Agreement between Richard G. Rosenthal and GEICO Corporation dated January 1, 1985.	Exhibit 10-d of Form SE filed in connection with GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1985.
10-e	Consulting Agreement between John C. Steggles and GEICO Corporation dated June 1, 1985.	Exhibit 10-e of Form SE filed in connection with GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1985.
10-f	Consulting Agreement between H. Edward Wrapp and GEICO Corporation dated June 1, 1985.	Exhibit 10-f of Form SE filed in connection with GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1985.
10-g	Government Employees Insurance Company's 1973 Stock Option Plan as amended.	Exhibit 10-c to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1984.
10-h	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-i	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 Corporations's Annual Report on Form 10-K for the fiscal year ended December 31, 1981.

10-j	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-k	Stock Option Plan For Key Employees of GEICO Corporation and its Subsidiaries ("1985 Plan").	Exhibit 10-g to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1984.
10-1	Form of Incentive Stock Option Agreement Under 1985 Plan.	Exhibit 10-h to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 1984.
10-m	Form of Incentive Stock Option Agreement With Stock Appreciation Rights Under 1985 Plan.	Exhibit 10-i to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 1984.
10-n	Notice of election to exercise stock options and/or stock appreciation rights under the 1985 Plan.	Exhibit 10-n of Form SE filed in connection with GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1985.
10-o	Statement of 1986 Incentive Bonus Program.	Page No. 41.
10-p	Statement of 1985 Incentive Bonus Program.	Exhibit 10-j to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1984.
10-q	Deferred Compensation Plan.	Exhibit 10 to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1978.
10-r	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.

13	Annual Report to Shareholders for the year ended December 31, 1985.	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, 1985.
22	Subsidiaries of GEICO Corporation.	Page No. 42.
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, 1985.
29	Information from reports furnished to state insurance regulatory authorities.	Exhibit 29 of Form SE Filed in Connection with GEICO Corporation's Annual Report on form 10-K for the fiscal year ended December 31, 1985.

(b) Reports on Form 8-K

GEICO Corporation did not file any report on Form 8-K during the three months ended December 31, 1985.

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 31, 1986

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

March 31, 1986

By: Thomas M Wells
T. M. Wells
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.

Wiliam B. Snyder Chairman of the Board, President, Principal Executive Officer and Director	March 31, 1986 Date
Louis A. Simpson Vice Chairman of the Board and Director	March 31, 1986 Date
Thomas E. Bolger Director	March 31, 1986 Date
Samuel C. Butler Director	March 31, 1986 Date
Paul J. Hanna Director	March 31, 1986 Date
Richard G. Rosenthal Director	March 31, 1986 Date
Joseph J. Sisco Director	March 31, 1986 Date
John C. Steggles Director	March 31, 1986 Date
Walter E. Washington Director	March 31, 1986 Date
H. Edward Wrapp Director	March 31, 1986 Date

ANNUAL REPORT ON FORM 10-K

ITEM 14(d)

FINANCIAL STATEMENT SCHEDULES

YEAR ENDED DECEMBER 31, 1985

GEICO CORPORATION

WASHINGTON, D. C.

Ernst & Whinney

1225 Connecticut Avenue, N.W.
Washington, D.C. 20036

202/862-6000

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, 1985. 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, 1985 and 1984, 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, 1985, 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

ERNST & WHINNEY

Washington, D.C.
February 19, 1986

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, 1985. 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, 1985 and 1984, 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, 1985, 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 19, 1986

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

GEICO CORPORATION
DECEMBER 31, 1985
In Thousands

Type of investment	Cost (1)	Market value	Amount at which shown in the Balance Sheet
Fixed maturities:			
Bonds:			
United States Government and government agencies and authorities	$ 206,029	$ 209,898	$ 206,029
States, municipalities and political subdivisions	664,229	657,222	664,229
Public utilities	12,710	14,596	12,710
All other corporate bonds	17,461	17,662	17,461
Redeemable preferred stocks	237,798	258,972	237,798
Other fixed maturities	6,000	6,000	6,000
Total fixed maturities	1,144,227	$1,164,350	1,144,227
Equity securities:			
Common stocks:			
Public utilities	92,476	$ 137,166	137,166
Banks, trusts and insurance companies	16,684	19,017	19,017
Industrial, miscellaneous and all other	150,749	228,515	228,515
Nonredeemable preferred stocks	81,765	93,269	93,269
Total equity securities	341,674	$ 477,967	477,967
Short-term investments	61,309		61,309
Total investments	$1,547,210		$1,683,503

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

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

	December 31, 1985	December 31, 1984
ASSETS		
Short-term investments	$ 20,207	$ 6,751
Fixed maturities, at amortized cost (market $51,245 and $14,552)	50,494	15,287
Equity securities, at market (cost $7,364 and $15,196)	8,236	18,249
Investment in subsidiaries (1)	579,421	524,579
Cash	1,332	474
Notes receivable from subsidiaries (1)	2,325	1,775
Income tax benefit receivable	837	1,522
Accrued investment income	530	718
Dividends receivable from subsidiary (1)	-	700
Amounts due from subsidiaries (1)	369	452
Amounts receivable from sales of securities	246	-
Property and equipment, at cost less accumulated depreciation of $401 and $127	3,389	323
Other assets	5,525	5,768
Total Assets	$672,911	$576,598
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Accrued expenses and other liabilities	$ 27,149	$ 22,324
Amounts payable on purchase of securities	60	74
Debt	130,066	133,799
Total Liabilities	157,275	156,197
Shareholders' Equity:		
Common Stock	32,056	32,036
Paid-in surplus	183,425	182,752
Unrealized appreciation of equity securities:		
Parent only	1,656	4,731
Subsidiaries	95,952	65,610
Retained earnings:		
Parent only	373,523	246,649
Subsidiaries	235,750	210,282
Treasury Stock, at cost	(386,737)	(311,970)
Guaranteed bank loans of Employee Stock Ownership Trust	(19,989)	(9,689)
Total Shareholders' Equity	515,636	420,401
Total Liabilities and Shareholders' Equity	$672,911	$576,598

(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,		
	1985	1984	1983
Revenue:			
Dividends and distributions from subsidiaries (1)	$150,500	$108,750	$ 73,000
Interest from subsidiaries (1)	317	428	157
Management fees from subsidiaries (1)	7,221	6,470	6,073
Other investment income	6,876	6,973	6,754
Other revenue	1,463	241	175
Total Revenue	166,377	122,862	86,159
Expenses:			
General and administrative	15,294	10,994	12,708
Interest paid to GEICO (1)	163	-	21
Other interest	16,104	13,503	12,052
Total Expenses	31,561	24,497	24,781
Income before income tax benefit, equity in undistributed income and realized gains	134,816	98,365	61,378
Income tax benefit from operations	6,273	6,913	7,614
Income before equity in undistributed income and realized gains	141,089	105,278	68,992
Equity in undistributed operating income (losses) of subsidiaries (1)	(63,450)	(4,869)	25,832
Operating Earnings	77,639	100,409	94,824
Realized gains on sale of investments	4,385	1,055	750
Equity in realized gains on sale of investments by subsidiaries (1)	88,555	29,849	18,179
Net Income	$170,579	$131,313	$113,753

(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, 1985	1984	1983
OPERATING ACTIVITIES			
Operating earnings	$ 77,639	$100,409	$ 94,824
Charges (credits) to earnings not involving funds:			
Equity in undistributed operating (income) losses of subsidiaries (1)	63,450	4,869	(25,832)
Income taxes	2,721	(1,105)	12,102
Increase (decrease) in amounts due subsidiaries (1)	83	(863)	352
Other	8,459	4,200	4,270
Cash provided from operating activities	152,352	107,510	85,716
DIVIDENDS PAID TO SHAREHOLDERS	(18,237)	(17,126)	(15,017)
FINANCING ACTIVITIES			
Issuance of long-term debt	-	25,000	-
Repurchase of debentures	(12,878)	-	-
Proceeds from exercise of warrants and stock options	693	559	25,169
Purchase of Common Stock (Treasury)	(86,244)	(103,027)	(70,627)
Reissuance of Common Stock (Treasury)	11,477	1,915	4,327
Decrease in note receivable from related party	-	500	463
Other	(4,032)	3,519	(272)
Net cash flow from financing activities	(90,984)	(71,534)	(40,940)
Decrease (increase) in cash	(858)	586	(273)
Net cash flow available for investment	$ 42,273	$ 19,436	$ 29,486
INVESTMENT OF CASH FLOW			
Purchase of investments	$103,323	$ 17,272	$146,919
Decrease (increase) in payable on security purchases	14	50,329	(49,740)
Sale of investments, net of related taxes	(64,414)	(84,105)	(77,412)
Net investment in (sale of) subsidiaries (1)	(787)	33,784	9,361
Increase (decrease) in notes receivable from subsidiaries (1)	550	(250)	250
Purchase of property and equipment, net	3,342	177	108
Other	245	2,229	-
Net investment of cash flow	$ 42,273	$ 19,436	$ 29,486

(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, 1985

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, 1985
In Thousands

	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percentage of amount assumed to net
Year ended December 31, 1985:					
Life insurance in force	$1,579,644	$321,948	$ -	$1,257,696	-
Premiums earned:					
*Accident and health insurance	$ 35,042	$ 3,579	$ 9,358	$ 40,821	23%
Property and liability insurance	994,957	39,209	68,934	1,024,682	7%
Life insurance	13,250	711	-	12,539	-
Total premiums earned	$1,043,249	$ 43,499	$ 78,292	$1,078,042	
Year ended December 31, 1984:					
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	
Year ended December 31, 1983:					
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	

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

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	
							Loss and Loss Adjustment Expenses Incurred Related to	
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	(1) Current Year	(2) Prior Years
Consolidated property and casualty subsidiaries								
Year ended December 31, 1985	$55,980	$698,623	-	$640,424	$1,028,234	$102,682	$893,199	$(16,602)
Year ended December 31, 1984	$44,941	$580,154	-	$509,510	$ 866,241	$ 94,057	$733,418	$(44,670)
Year ended December 31, 1983					$ 766,436	$ 83,864	$619,154	$(47,483)

Column I	Column J	Column K
Amortization of Deferred Policy Acquisition Costs	Paid Losses and Loss Adjustment Expenses	Premiums Written
$ 91,614	$758,128	$1,159,148
$ 74,013	$634,936	$ 923,814
$ 61,810	$563,398	$ 800,186

BYLAWS

of

GEICO CORPORATION

ARTICLE I
Offices

SECTION 1. Registered Office. The registered office of the Corporation in the State of Delaware shall be at Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle. The name of the registered agent in charge thereof is The Corporation Trust Company.

SECTION 2. Other Offices. The Corporation may also have offices at other places either within or without the State of Delaware.

ARTICLE II
Meetings of Stockholders

SECTION 1. Annual Meetings; Purposes. At each annual meeting, the stockholders shall elect the members of the Board of Directors for the succeeding year. Annual meetings shall be held at such place (within or without the State of Delaware), date and hour as shall be designated in the notice thereof. At any such annual meeting any proper business properly brought before the meeting may be transacted.

To be properly brought before an annual meeting, business (i) must be specified in the notice of the meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the meeting by or at the direction of the Board of Directors or (iii) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given written notice thereof, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation, not later than 90 days in advance of such meeting (provided that if the annual meeting of stockholders is held earlier than the third Wednesday in April, such notice must be given within 10 days after the first public disclosure, which may include any public filing with the Securities and Exchange Commission, of the date of the annual meeting). Any such notice shall set forth as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting and in the event that such business includes a proposal to amend either the Certificate of Incorporation or Bylaws of the Corporation, the language of the proposed amendment, (ii) the name and address of the stockholder proposing such business, (iii) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business, and (iv) any material interest of the stockholder in such business. No business shall be conducted at an annual meeting of stockholders except in accordance with this paragraph, and the chairman of any annual meeting of stockholders may refuse to permit any business to be brought before an annual meeting without compliance with the foregoing procedures.

SECTION 2. Special Meetings. A special meeting of the stockholders for any purpose or purposes may be called by the Board, the Chairman of the Board, or the President to to be held at such place (within or without the State of Delaware), date and hour as shall be designated in the notice thereof.

SECTION 3. Notice of Meetings. Except as otherwise expressly required by law, notice of each meeting of the stockholders shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting by mailing such notice, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation. Every such notice shall state the place, date and hour of the meeting and the purpose or purposes for which the meeting is called. Except as otherwise expressly required by law, notice of any adjourned meeting of the stockholders need not be given. Notice of any meeting of stockholders shall not be required to be given to any stockholder who shall attend such meeting in person or by proxy, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. A written waiver of notice, signed by the person entitled thereto, whether before or after the time stated therein, shall be deemed equivalent to notice.

SECTION 4. List of Stockholders. It shall be the duty of the Secretary or other officer of the Corporation who shall have charge of its stock ledger to prepare and make, at least 10 days before every meeting of the stockholders, a complete list of the stockholders entitled to vote thereat, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting either at a place specified in the notice of the meeting within the city where the meeting is to be held, or, if not so specified, at the place where the meeting is to be held. Such list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

SECTION 5. Quorum. At each meeting of the stockholders, except as otherwise expressly required by law or by the Certificate of Incorporation, stockholders holding a majority of the shares of stock of the Corporation issued and outstanding, and entitled to be voted thereat, shall be present in person or by proxy to constitute a quorum for the transaction of business. In the absence of a quorum at any such meeting or any adjournment or adjournments thereof, a majority in voting interest of those present in person or by proxy and entitled to vote thereat, or in the absence therefrom of all the stockholders, any officer entitled to preside at, or to act as secretary of, such meeting may adjourn such meeting from time to time until stockholders holding the amount of stock requisite for a quorum shall be present in person or by proxy. At any such adjourned meeting at which a quorum may be present any business may be transacted which might have been transacted at the meeting as originally called.

SECTION 6. Organization. At each meeting of the stockholders, one of the following shall act as chairman of the meeting and preside thereat, in the following order of precedence:

(a) the Chairman of the Board; (b) the President;

(c) any other officer of the Corporation designated by the Board or the Executive Committee to act as chairman of such meeting and to preside thereat if the Chairman of the Board and the President shall be absent from such meeting; or

(d) a stockholder of record of the Corporation who shall be chosen chairman of such meeting by a majority in voting interest of the stockholders present in person or by proxy and entitled to vote thereat.

The Secretary, or, if he shall be presiding over the meeting in accordance with the provisions of this Section, or, if he shall be absent from such meeting, the person (who shall be an Assistant Secretary, if an Assistant Secretary shall be present thereat) whom the chairman of such meeting shall appoint, shall act as secretary of such meeting and keep the minutes thereof.

SECTION 7. Order of Business. The order of business at each meeting of the stockholders shall be determined by the chairman of such meeting, but such order of business may be changed by a majority in voting interest of those present in person or by proxy at such meeting and entitled to vote thereat.

SECTION 8. Voting. Except as otherwise provided in the Certificate of Incorporation, each stockholder shall, at each meeting of the stockholders, be entitled to one vote in person or by proxy for each share of stock of the Corporation held by him and registered in his name on the books of the Corporation:

(a) on the date fixed pursuant to the provisions of Section 5 of Article VIII of these Bylaws as the record date for the determination of stockholders who shall be entitled to receive notice of and to vote at such meeting, or

(b) if no record date shall have been so fixed, then at the close of business on the day next preceding the day on which notice of the meeting shall be given.

Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held by the Corporation, shall neither be entitled to vote nor counted for quorum purposes. Any vote of stock of the Corporation may be given at any meeting of the stockholders by the stockholders entitled thereto in person or by proxy appointed by an instrument in writing delivered to the Secretary or an Assistant Secretary of the Corporation or the secretary of the meeting. The attendance at any meeting of a stockholder who may theretofore have given a proxy shall not have the effect of revoking the same unless he shall in writing so notify the Secretary of the meeting prior to the voting of the proxy. At all meetings of the stockholders all matters, except as otherwise provided by law or in these Bylaws, shall be decided by the vote of a majority of the votes cast by stockholders present in person or by proxy and entitled to vote thereat, a quorum being present. Except as otherwise expressly required by law, the vote at any meeting of the stockholders on any question need not be by ballot, unless so directed by the chairman of the meeting. On a vote by ballot each ballot shall be signed by the stockholder voting, or by his proxy, if there be such proxy.

ARTICLE III
Board of Directors

SECTION 1. General Powers. The business and affairs of the Corporation shall be managed by the Board of Directors.

SECTION 2. Number and Term of Office. Except as otherwise expressly provided in the Certificate of Incorporation, the number of directors which shall constitute the whole Board shall be fixed from time to time by a resolution adopted by a majority of the whole Board. Except as otherwise expressly provided in the Certificate of Incorporation, each of the directors of the Corporation shall hold office until the annual meeting next after his election and until his successor is elected and qualified or until his earlier death or resignation or removal in the manner hereinafter provided.

Nominations for the election of directors may be made by the Board of Directors or by any stockholder entitled to vote for the election of directors. Any stockholder entitled to vote for the election of directors at a meeting or to execute a consent in writing in lieu of a meeting may nominate a person or persons for election as directors only if written notice of such stockholder's intent to make such nomination is given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation not later than (i) with respect to an election to be held at an annual meeting of stockholders, 90 days in advance of such meeting (provided that if the annual meeting of stockholders is held earlier than the third Wednesday in April, such notice must be given within 10 days after the first public disclosure, which may include any public filing with the Securities and Exchange Commission, of the date of the annual meeting), (ii) with respect to an election to be held at a special meeting of stockholders for the election of directors, the close of business on the seventh day following the date on which notice of such meeting is first given to stockholders, and (iii) in the case of any stockholder who wishes to nominate any person or persons for election as diretors pursuant to consents in writing by stockholders in lieu of a meeting, 60 days in advance of the date on which materials soliciting such consents are first mailed to stockholders or, if no such materials are required to be mailed under applicable law, the date on which the first such consent is executed. Each such notice shall set forth: (a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting or to execute such a consent and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice or to execute such a consent to elect such person or persons as directors; (c) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (d) such other information regarding each nominee proposed by such stockholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated, or intended to be nominated, by the Board of Directors; and (e) the consent of each nominee to serve as a director of the Corporation if so elected. The chairman of any meeting of stockholders to elect directors and the Board of Directors may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

SECTION 3. Election. Except as otherwise expressly provided in the Certificate of Incorporation, at each meeting of the stockholders for the election of directors at which a quorum is present, the persons receiving the greatest number of votes, up to the number of directors to be elected, shall be the directors.

SECTION 4. Resignation, Removal and Vacancies. Any director may resign at any time by giving written notice of his resignation to the Chairman of the Board, the President, or the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein, or, if the time when it shall become effective shall not be specified therein, then it shall take effect when accepted by action of the Board. Except as aforesaid, the acceptance of such resignation shall not be necessary to make it effective.

Except as otherwise expressly provided in the Certificate of Incorporation, a director may be removed, either with or without cause, at any time by the holders of a majority of the shares entitled to vote in the election of directors.

Any vacancy occurring on the Board may, except as otherwise expressly provided in the Certificate of Incorporation, be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the director elected to fill such vacancy shall hold office for the unexpired term in respect of which such vacancy occurred.

SECTION 5. Meetings.

(A) Annual Meetings. As soon as practicable after each annual election of directors, the Board shall meet for the purpose of organization and the transaction of other business.

(B) Regular Meetings. Regular meetings of the Board shall be held at such times and places as the Board shall from time to time determine.

(C) Special Meetings. Special meetings of the Board shall be held whenever called by the Chairman of the Board, the President or two directors. Any and all business may be transacted at a special meeting which may be transacted at a regular meeting of the Board.

(D) Place of Meeting. The Board may hold its meetings at such place or places within or without the State of Delaware as the Board may from time to time by resolution determine or as shall be designated in the respective notices or waiver of notices thereof.

(E) Notice of Meetings. Notices of regular meetings of the Board or of any adjourned meeting need not be given.

Notices of special meetings of the Board, or of any meeting of any committee of the Board which has not been fixed in advance as to time and place by such committee, shall be mailed by the Secretary to each director, or member of such committee, addressed to him at his residence or usual place of business, at least two days before the day on which such meeting is to be held, or shall be sent to him by telegraph, cable or other form of recorded communication or be delivered personally or by telephone not later than the day before the day on which such meeting is to be held. Such notice shall include the time and place of such meeting. Notice of any such meeting need not be given to any director or member of any committee, however, if waived by him in writing or by telegraph, cable or other form of recorded communication, whether before or after such meeting shall be held, or if he shall be present at such meeting.

(F) Quorum and Manner of Acting. A majority of the total number of directors shall be present in person at any meeting of the Board in order to constitute a quorum for the transaction of business at such meeting, and the vote of a majority of those directors present at any such meeting at which a quorum is present shall be necessary for the passage of any resolution or act of the Board, except as otherwise expressly required by law or these Bylaws. In the absence of a quorum for any such meeting, a majority of the directors present thereat may adjourn such meeting from time to time until a quorum shall be present thereat.

(G) Action by Communications Equipment. The directors, or the members of any committee of the Board, may participate in a meeting of the Board, or of such committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting.

(H) Action by Consent. Any action required or permitted to be taken at any meeting of the Board, or of any committee therof, may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and such writing is filed with the minutes of the proceedings of the Board or committee.

(I) Organization. At each meeting of the Board, one of the following shall act as chairman of the meeting and preside thereat, in the following order of precedence: (a) the Chairman of the Board; (b) the President; (c) any director chosen by a majority of the directors present thereat. The Secretary or, in the case of his absence, any person (who shall be an Assistant Secretary, if an Assistant Secretary shall be present thereat) whom the chairman shall appoint, shall act as secretary of such meeting and keep the minutes thereof.

SECTION 6. Compensation. The Board of Directors may fix an amount per annum or fees to be paid by the Corporation to directors for attendance at meetings of the Board or of any committee, or both, as the Board shall from time to time determine. The Board may likewise provide that the Corporation shall reimburse each director or member of a committee for any expenses incurred by him on account of his attendance at any such meeting. Nothing contained in this Section shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE IV
Committees

SECTION 1. Executive Committee.

(A) Designation and Membership. The Board shall, by resolution passed by a majority of the whole Board, designate an Executive Committee consisting of such number of directors as the Board shall appoint. Vacancies may be filled by the Board at any time and any appointed member of the Executive Committee shall be subject to removal, with or without cause, at any time by the Board.

(B) Functions and Powers. The Executive Committee, subject to any limitations prescribed by the Board, shall possess and may exercise, during the intervals between meetings of the Board, all the powers and authority of the Board in the management of the business and affairs of the Corporation, including the declaration of dividends when specifically authorized by the Board to do so for a particular quarter; provided, however, that the Executive Committee shall not have the power or authority to approve amendments to the

Certificate of Incorporation of the Corporation, adopt agreements of merger or consolidation, recommend to the stockholders the sale, lease or exchange of all or substantially all the property and assets of the Corporation, recommend to the stockholders the dissolution of the Corporation or the revocation of a dissolution, amend these By-laws or authorize the issuance of stock of the Corporation. At each meeting of the Board the Executive Committee shall make a report of all action taken by it since its last report to the Board.

SECTION 2. Audit Committee.

(A) Designation and Membership. The Board shall, by resolution passed by a majority of the whole Board, designate an Audit Committee consisting of such number of Directors as the Board shall appoint. Vacancies may be filled by the Board at any time and any appointed member of the Audit Committee shall be subject to removal, with or without cause, at any time by the Board. No salaried officer or employee of the Corporation may serve as a member of the Audit Committee.

(B) Functions and Powers. The Audit Committee shall recommend to the Board each year the firm of independent certified public accountants (the Accountants) for appointment or reappointment as Accountants for the Corporation. The Audit Committee shall have such other duties and functions as shall be delegated to it in a resolution passed by a majority of the whole Board.

SECTION 3. Other Committees. The Board may, by resolution passed by a majority of the whole Board, designate other committees (including, but not limited to, a Human Resources Committee, Finance Committee and Social Reponsibility Committee), each committee to consist of three or more directors and to have such duties and functions as shall be provided in such resolution. The Board shall have the power to change the members of any such committee at any time, to fill vacancies, and to discharge any such committee, either with or without cause, at any time.

ARTICLE V
Officers

SECTION 1. Election and Appointment and Term of Office. The officers of the Corporation shall be a Chairman of the Board, a President, such number of Vice Presidents (including any Executive and/or Senior Vice Presidents) as the Board may determine from time to time, a Controller and a Secretary. Each such officer shall be elected by the Board at its annual meeting or by a committee of the Board and hold office until the next annual meeting of the Board and until his successor is elected or until his earlier death, resignation or removal in the manner hereinafter provided.

The Board or a Committee of the Board may elect or appoint such other officers (including one or more Assistant Secretaries) as it deems necessary who shall have such authority and shall perform such duties as the Board or committee may prescribe.

If additional officers are elected or appointed during the year, each of them shall hold office until the next annual meeting of the Board at which officers are regularly elected or appointed and until his successor is elected or appointed or until his earlier death, resignation or removal in the manner hereinafter provided.

SECTION 2. Resignation, Removal and Vacancies. Any officer may resign at any time by giving written notice to the Chairman of the Board, the President or the Secretary of the Corporation, and such resignation shall take effect at the time specified therein or, if the time when it shall become effective shall not be specified therein, then it shall take effect when accepted by action of the Board. Except as aforesaid, the acceptance of such resignation shall not be necessary to make it effective.

All officers elected or appointed by the Board shall be subject to removal at any time by the Board with or without cause.

A vacancy in any office may be filled for the unexpired portion of the term in the same manner as provided for election or appointment to such office.

SECTION 3. Duties and Functions.

(A) Chairman of the Board. The Chairman of the Board, who shall be a member thereof, shall preside at all meetings of the Board and of the stockholders at which he shall be present.

The Chairman of the Board shall be the Chief Executive Officer of the Corporation and shall have the following powers, functions and duties:

(i) under the direction of the Board, he shall have general supervision and management of the property, affairs and business of the Corporation;

(ii) he shall see that all orders and resolutions of the Board and the committees of the Board are carried into effect;

(iii) he shall have the general supervision and direction of the staff officers of the Corporation and shall see that their duties are properly performed;

(iv) with the President, he shall submit an annual report of the operations of the Corporation for the year to the stockholders at their annual meeting and also to the Board;

(v) he shall be vested with such other powers of supervision and management and he shall perform such other duties as may be delegated to him by the Board, or as devolve upon the Chief Executive Officer of like companies.

(B) President. The President shall be the Chief Operating Officer of the Corporation, except that when the offices of Chairman of the Board and President are held by the same person or when the office of the President is vacant, the Chief Operating Officer shall be such other officer as may be designated by the Board, a Committee of the Board or the Chief Executive Officer, and shall have the following powers, functions and duties:

(i) under the direction of the Board and the Chief Executive Officer, he shall have general supervision and active management of the property, affairs and business of the Corporation;

(ii) he shall have the general supervision and direction of the operating officers of the Corporation and shall see that their duties are properly performed;

(iii) he shall execute and acknowledge all contracts, agreements, deeds, bonds, mortgages and other obligations and instruments in the name of the Corporation when so authorized by the Board or a committee of the Board and all other papers and documents necessary and proper to be executed in the performance of his duties;

(iv) with the Chairman of the Board, he shall submit an annual report of the operations of the Corporation for the year to the stockholders at their an nual meeting and also to the Board;

(v) he shall be vested with such other powers of supervision and management and he shall perform such other duties as may be delegated to him by the Chief Executive Officer, the Board, a committee of the Board or as devolve upon the Chief Operating Officer of like companies.

In the absence or disability of the President, his authority and duties shall be vested in such officer as may be designated by the Board, a committee of the Board or the Chief Executive Officer, before or after the event.

(C) Vice Presidents. Each Vice President shall have such powers and duties as shall be prescribed by the Board, a committee of the Board or the Chairman of the Board.

(D) Controller. The Controller shall be the chief ac counting officer of the Corporation. He shall keep full and accurate accounts of all assets, liabilities, receipts and disbursements and other transactions of the Corporation and shall cause regular audits of the books and records of the Corporation to be made and shall have such powers and duties as shall be prescribed by the Board, a committee of the Board or the Chairman of the Board.

(E) Secretary. The Secretary shall keep the records of all meetings of the stockholders and of the Board and committees of the Board.

He shall affix the seal of the Corporation to all instruments requiring the corporate seal when the same shall have been signed on behalf of the Corporation by a duly authorized officer. The Secretary shall be the custodian of all contracts, deeds, documents and all other indicia of title to properties owned by the Corporation and of its other corporate records (except accounting records) and in general shall perform all duties and have all powers incident to the office of Secretary and shall have such powers and duties as shall be prescribed by the Board, a committee of the Board or the Chairman of the Board. To such extent as the Board shall deem proper, the duties of Secretary may be performed by one or more assistants, to be appointed by the Board or a committee of the Board.

ARTICLE VI
Contracts, Checks, Drafts, Bank Accounts, Etc.

SECTION 1. Execution of Documents. The Board or a committee of the Board shall designate the officers, employees and agents of the Corporation who shall have power to execute and deliver deeds, leases, contracts, mortgages, bonds, debentures, checks, drafts and other orders for the payment of money and other documents for and in the name of the Corporation and may authorize such officers, employees and agents to delegate such power (including authority to redelegate) by written instrument to other officers, employees or agents of the Corporation. In the absence of such designation or delegation, such documents shall be executed by the Chairman of the Board, President, Vice President (including any Executive or Senior Vice President), Controller or Secretary.

SECTION 2. Deposits. All funds of the Corporation not otherwise employed shall be deposited to the credit of the Corporation in such depositaries as may be designated from time to time by the Board or a committee of the Board.

SECTION 3. Proxies in Respect of Stock or Other Securities of Other Corporations. The Chairman of the Board, the President or any other officer of the Corporation designated by the Board or a committee of the Board shall have the authority (a) to appoint from time to time an agent or agents of the Corporation to exercise in the name and on behalf of the Corporation the powers and rights which the Corporation may have as the holder of stock or other securities in any other corporation; (b) to vote or consent in respect of such stock or securities; and (c) to execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal, or otherwise, such written proxies, powers of attorney or other instruments as he may deem necessary or proper in order that the Corporation may exercise such powers and rights. The Chairman of the Board, the President or any such designated officer may instruct any person or persons appointed as aforesaid as to the manner of exercising such powers and rights.

ARTICLE VII
Books and Records

The books and records of the Corporation may be kept at such places within or without the State of Delaware as the Board or a committee of the Board may from time to time determine.

ARTICLE VIII
Shares and Their Transfer; Fixing Record Date

SECTION 1. Certificate for Stock. Every owner of stock of the Corporation shall be entitled to have a certificate certifying the number of shares owned by him in the Corporation and designating the class of stock to which such shares belong, which shall otherwise be in such form as the Board or a committee of the Board shall prescribe. Each such certificate shall be signed by, or in the name of the Corporation by, the Chairman of the Board, the President or a Vice President (including any Executive or Senior Vice President) and by the Secretary or an Assistant Secretary of the Corporation. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer before such certificate is issued, it may nevertheless be issued by the Corporation with the same effect as if he were such officer at the date of issue. Where any such certificate is manually countersigned by a transfer agent or registrar, any of the other signatures on the certificate may be a facsimile.

SECTION 2. Record. A record shall be kept of the name of the person, firm or corporation owning the stock represented by each certificate for stock of the Corporation issued, the number of shares represented by each such certificate, and the date thereof, and, in the case of cancellation, the date of cancellation. Except as otherwise expressly required by law, the person in whose name shares of stock stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation.

SECTION 3. Transfer of Stock. Transfers of shares of the stock of the Corporation shall be made only on the books of the Corporation by the registered holder thereof, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the Corporation, and on the surrender of the certificate or certificates for such shares properly endorsed.

SECTION 4. Lost, Stolen, Destroyed or Mutilated Certificates. The holder of any stock of the Corporation shall immediately notify the Corporation of any loss, theft or mutilation of the certificate therefor. The Corporation may issue a new certificate for stock in the place of any certificate theretofore issued by it and alleged to have been lost, stolen, destroyed or mutilated, and the Board or the President or the Secretary may, in its or his discretion, require the owner of the lost, stolen, muti lated or destroyed certificate or his legal reprsentatives to give the Corporation a bond in such sum, limited or unlimited, in such form and with such surety or sureties as the Board shall in its discretion determine, to indemnify the Corporation against any claim that may be made against it on account of the alleged loss, theft, mutilation or destruction of any such certificate or the issuance of any such new certificate.

SECTION 5. Fixing Date for Determination of Stockholders of Record. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action.

ARTICLE IX
Seal

The Board shall provide a corporate seal, which shall be in the form of a circle and shall bear the full name of the Corporation and the words and figures "Corporate Seal 1978 Delaware."

ARTICLE X
Fiscal Year

The fiscal year of the Corporation shall end on the 31st day of December, in each year.

ARTICLE XI
Indemnification

Every person who is or was a director, officer or employee of the Corporation, or of any other corporation in which he served as such at the request of the Corporation, may in accordance with the second paragraph of this Article XI be indemnified by the Corporation against any and all liability and reasonable expense that may be incurred by him in connection with or resulting from any claim, action, suit or proceeding (whether brought by or in the right of the Corporation or such other corporation or otherwise), civil or criminal, or in connection with an appeal relating thereto, in which he may be involved, as a party or otherwise, by reason of his being or having been a director, officer or employee of the Corporation or such other corporation, or by reason of any action taken or not taken in his capacity as such director, officer or employee, whether or not he continues to be such at the time such liability or expense shall have been incurred, provided such person acted, in good faith, in a manner he reasonably believed to be in or not opposed to the best intersts of the Corporation or such other corporation, as the case may be, and, in addition in any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful. As used in this Article XI, the terms "liability" and "expense" shall include, but shall not be limited to, court costs, counsel fees and disbursements and amounts of judgments, fines, or penalties against, and amounts paid in settlement by, a director, officer or employee. The termination of any claim, action, suit or proceeding, civil or criminal, by judgment, order, settlement (whether with or without court approval), conviction or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that a director, officer or employee did not meet the standards of conduct set forth in this paragraph.

Every person referred to in the first paragraph of this Article XI who has been successful, on the merits or otherwise, with respect to any claim, action, suit or proceeding of the character described in such first paragraph shall be entitled to indemnification as of right. Except as provided in the preceding sentence, any indemnification under such first paragraph may be made by the Board of Directors, in its discretion, but only if either (i) the Board of Directors, acting by a quorum consisting of directors who were not parties to (or who have been successful with respect to) such claim, action, suit or proceeding, shall have found that the director, officer or employee has met the applicable standard of conduct set forth in such first paragraph or (ii) if there be no such disinterested quorum, independent legal counsel (who may be the regular counsel of the Corporation) shall have delivered to the Corporation written advice to the effect that in their judgment such applicable standard has been met.

Expenses incurred with respect to any claim, action, suit or proceeding of the character described in the first paragraph of this Article XI may be advanced by the Corporation prior to the final disposition thereof upon receipt of an undertaking by or on behalf of the recipient to repay such amount unless it shall ultimately be determined that he is entitled to indemnification under this Article XI.

The rights of indemnification provided in this Article XI shall be in addition to any other rights to which any such director, officer or employee may otherwise be entitled by contract or as a matter of law; and in the event of any such person's death, such rights shall extend to his heirs and legal representatives.

ARTICLE XII
Amendments

These Bylaws may be altered, amended or repealed by the Board at any regular or special meeting thereof, subject to the power of the holders of a majority of the outstanding stock of the Corporation entitled to vote in respect thereof, by their vote given at an annual meeting or at any special meeting, to alter or repeal any Bylaw made by the Board, except as otherwise expressly provided in the Certificate of Incorporation.

August 26, 1985

Mr. Paul J. Hanna
219 Oak Ridge Avenue
Summit, New Jersey 07901

Re: Agreement Dated May 15, 1978 between Government Employees Insurance Company (the "Company") and Paul J. Hanna (the "Agreement")

Dear Paul:

Pursuant to the Agreement, among other provisions, the Company agreed to recommend to the Board of Directors that you be elected an Honorary Director on and after July 1, 1986. However, on August 21, 1985, the Board of Directors of GEICO Corporation approved a retirement benefit for nonemployees directors retiring between ages 65 and 70 with at least 10 years of service of an annual fee for life equal to 75% of the annual directors' retainer then in effect. Additionally, the Board approved an annual retainer of $20,000 for directors for the coming year.

As a result, you agreed that there would be no recommendation to the Board of Directors that you be elected an Honorary Director on and after July 1, 1986, and instead agreed to become a Retired Director as of that date and to receive the retirement benefit outlined above in lieu of any fees you may have been entitled to as an Honorary Director.

In light of the foregoing, the Agreement is amended as of the date hereof by deletion of the first sentence of Section C thereof. All other provisions of the Agreement remain in full force and effect.

If the foregoing is in accordance with your understanding, please sign the enclosed copy of this letter in the place indicated and return it to me for our files. Best regards.

Sincerely,

Donald K. Smith
Senior Vice President
and General Counsel

Agreed and Accepted:

____
Paul J. Hanna

cc: Mr. Thomas E. Bolger

GEICO CORPORATION & GEICO

1986 BONUS PLAN FOR OFFICERS

BONUS POOL: Performance of the enterprise will be measured by our Board against the 1986 Business Plan, with focused attention on results compared with the selected key goals of:

(a) An underwriting ratio (natural) for GEICO/GEICO General Auto of 97%.

(b) Expense ratios: Management of productivity and of our expense ratios continue to be a core strategy, to return GEICO to its preeminence as the low cost operator. An improvement of one point for the general expense and loss adjustment expense ratios combined would be good progress.

(c) Controlled growth: Will be judged against the several goals in the Business Plan relating to new sales and to written premium. We will consider 5% real growth in written premium after making appropriate adjustments for rate inflation and for involuntary business, to be satisfactory controlled growth.

Based on results measured against the key goals outlined above, the bonus pool may range from 0% to 30% of salaries with a target of 20% if all goals were just met. Results against the Company goals listed above will determine approximately two-thirds of the bonus pool, while corporate results will account for the remainder.

DISTRIBUTION OF BONUS POOL: The Board will distribute the bonuses to participants after considering the recommendations of Management. Individual bonuses will differ widely by performance (from 0% to 50% of salary) with performance measured and ranked by the general manager, with heavy emphasis on individual and departmental accomplishments of the objectives in the 1986 Business Plan and the general contribution to 1986 financial results. Payment will be in a single lump sum cash payment distributed with the release of the 1986 report to shareholders.

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

Corporate Goal

A return on equity which places us in the top quartile of American business, and a 15% growth in the earnings power of the enterprise as reflected in net income and/or operating earnings per share.

ORGANIZATION

EXHIBIT I
(Rev. 3/86)

	RELATIONSHIP	INCORPORATED
GEICO CORPORATION	Parent Corporation	Del.
Government Employees Insurance Company*	Wholly owned	Md.
GEICO Facilities Corporation	Wholly owned	Del.
Resolute Group, Inc.	Wholly owned	Del.
GEICO Investment Services Company**	Wholly owned	Del.
International Insurance Underwriters, Inc.	Wholly owned	Del.
GEICO Financial Services, GmbH	Wholly owned	Federal Republic of Germany
Maryland Ventures, Inc.	Wholly owned	Del.
Plaza Resources Company	Wholly owned	Del.
GEICO Financial N.V.	Wholly owned	Netherlands Antilles
The Top Five Club, Incorporated	Wholly owned	Del.
GEICO Properties, Inc.	Wholly owned	Del.
GEICO Washington Properties, Inc.	Wholly owned	Del.
GOVERNMENT EMPLOYEES INSURANCE COMPANY (GEICO)*		
Criterion Insurance Company	Wholly owned	Md.
Government Employees Financial Corp.	Wholly owned	CO.
GEICO General Insurance Company	Wholly owned	Iowa
Garden State Life Insurance Company	Wholly owned	N.J.
Insurance Counselors, Inc.	Wholly owned	MD.
Plaza Financial Services Company	Wholly owned	Del.
RESOLUTE GROUP, INC.		
Resolute Reinsurance Company	Wholly owned	N.Y.
Resolute Management Corporation	Wholly owned	N.Y.
CRITERION INSURANCE COMPANY (CRICO)		
Criterion Casualty Company	Wholly owned	MD.
Criterion Insurance Agency, Inc.	Wholly owned	Texas
GARDEN STATE LIFE INSURANCE COMPANY		
GEICO Annuity and Insurance Company	Wholly owned	Del.
GOVERNMENT EMPLOYEES FINANCIAL CORPORATION (GEFCO)		
Government Employees Corporation	Wholly owned	Del.
GEICO FINANCIAL SERVICES, INC.		
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.
Smoketree Associates, Ltd.	Wholly owned	N.C.
Willow Valley Associates, Ltd.	Wholly owned	N.C.
PLAZA RESOURCES COMPANY		
Safe Driver Motor Club, Inc.	Wholly owned	Calif.
Financial Insurance Risk Management, Inc.	Wholly owned	Wisc.
GEICO PHILANTHROPIC FOUNDATION***	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.

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 31, 1986

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

March 31, 1986

By: Thomas M. Wells
T. M. Wells
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.

William B. Snyder
Chairman of the Board, President, Principal Executive Officer and Director

March 31, 1986
Date

Louis A. Simpson
Vice Chairman of the Board and Director

March 31, 1986
Date

Thomas E. Bolger
Director

March 31, 1986
Date

Samuel C. Butler
Director

March 31, 1986
Date

Paul J. Hanna
Director

March 31, 1986
Date

Richard G. Rosenthal
Director

March 31, 1986
Date

Joseph J. Sisco
Director

March 31, 1986
Date

John C. Stegglee
Director

March 31, 1986
Date

Walter E. Washington
Director

March 31, 1986
Date

H. Edward Wrapp
Director

March 31, 1986
Date

Ernst & Whinney

1225 Connecticut Avenue, N.W.
Washington, D.C. 20036

202/862-6000

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, 1985. 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, 1985 and 1984, 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, 1985, 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

ERNST & WHINNEY

Washington, D.C.
February 19, 1986

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL
OMB # 3235-0327
Expires Oct. 31, 1986

FORM SE

FORM FOR EXHIBITS UNDER THE EDGAR PILOT

GEICO Corporation
(Exact name of registrant as specified in charter)

277795
(CIK Number)

The undersigned registrant hereby files the following exhibits to be incorporated by reference into its electronic format filings with the Commission (Attach an exhibit index and the exhibits as required by Item 601 of Regulation S-K):

Exhibits (to Form 10-K for fiscal year ended December 31, 1985):

Exhibit Number	
10-a	10-n
10-d	13
10-e	24
10-f	29

(See attached Exhibit Index for description of Exhibits.)

The registrant has duly caused this form to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Chevy Chase State of Maryland, on the 31st day of March, 1986.

GEICO Corporation
(Name of Registrant)

(Signature)

Donald K. Smith
(Print Name)

Senior Vice President
and General Counsel
(Title)

GEICO Corporation
File No. 1-8012
Annual Report on Form 10-K for the
Fiscal Year Ended December 31, 1985

Exhibit Index to Form SE

The following exhibits listed in the captioned Form 10-K Report by the indicated Exhibit number are filed herewith on Form SE and are incorporated by reference into the captioned Form 10-K Report:

Exhibit No.	Description
10-a	Employment Agreement between John J. Byrne and GEICO Corporation dated August 23, 1985
10-d	Consulting Agreement between Richard G. Rosenthal and GEICO Corporation dated January 1, 1985
10-e	Consulting Agreement between John C. Steggles and GEICO Corporation dated June 1, 1985
10-f	Consulting Agreement between H. Edward Wrapp and GEICO Corporation dated June 1, 1985
10-n	Notice of election to exercise stock options and/or stock appreciation rights under the 1985 Plan
13	Annual Report to Shareholders for the year ended December 31, 1985
24	Consent of accountants
29	Information from reports furnished to state insurance regulatory authorities

Exhibit 10-a

AGREEMENT dated August 23, 1985 between GEICO Corporation (the "Corporation"), a Delaware corporation, and John J. Byrne ("Byrne").

WHEREAS, Byrne has been Chairman and Chief Executive Officer of the Corporation and/or its wholly owned subsidiary Government Employees Insurance Company ("GEICO"), a District of Columbia corporation, since May 1976; and

WHEREAS, Byrne has determined to accept the position of Chairman and Chief Executive Officer of another insurance holding company but wishes to retain certain of the employee benefits of the Corporation and GEICO pending his election to such position and thereafter until January 2, 1986; and

WHEREAS, the Corporation desires to have Byrne's services available to it as reasonably needed during the transition period when its new Chairman and Chief Executive Officer of the Corporation is settling into that position and the Corporation is willing to make available certain employee benefits to Byrne during such period.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the Corporation and Byrne hereby agree as follows:

1. Byrne will continue as the Chairman of the Board of GEICO and/or as an employee of GEICO until January 2, 1986 or such earlier date as Byrne and the

Corporation may mutually select; provided, however, that upon his election as Chairman and Chief Executive Officer of Fireman's Fund Corporation ("FFC"), Byrne will thereupon resign as the Chairman and a director of GEICO. On the date of this Agreement, Byrne has resigned as the Chairman and Chief Executive Officer and a director of the Corporation, and the Corporation has, with regret, accepted such resignation.

2. During the period of Byrne's continued employment pursuant to paragraph 1, Byrne shall perform such consulting and advisory services for the Corporation and GEICO as the then Chairman and Chief Executive Officer of the Corporation may from time to time reasonably request; provided, however, that Byrne shall not be obligated to work on a full time basis or to provide services which would interfere with his other activities during such period.

3. Between the date hereof and January 2, 1986, Byrne shall be entitled to receive from the Corporation a salary at his present annual rate and to participate in all life, health, medical and similar insurance benefits and plans as he is now. After January 2, 1986, Byrne shall be entitled to receive payments of all amounts to which he is entitled on that date under the Corporation's Performance Share Plan, Deferred Compensation Plan, Profit Sharing Plan, Employee Stock Ownership Plan and Employee Stock Bonus Plan

and to exercise the stock option dated August 17, 1984 granted to him under the Corporation's Stock Option Plan for Key Employees of the Corporation, all to the extent vested in him as of January 2, 1986 and pursuant to the provisions of each such Plan. Byrne will not receive a bonus under the GEICO Incentive Bonus Plan with respect to the year ending December 31, 1985.

4. Prior to December 31, 1990, neither Byrne, FFC nor any subsidiary of FFC will, without the prior written consent of the Corporation, solicit for employment or employ in any capacity any person who is on the date hereof or who hereafter becomes, prior to December 31, 1990, an officer or executive employee of the Corporation, GEICO or any of their subsidiaries or affiliates other than any officer or executive employee who has resigned more than 12 months before such time or whom the Corporation, GEICO or one of such subsidiaries or affiliates has theretofore discharged.

5. The Corporation and Byrne agree that the provisions of paragraph 4 of this Agreement may not be adequately enforceable by an action for damages and that, in the event of a breach thereof by Byrne, FFC or any of its subsidiaries or affiliates, the Corporation shall be entitled to apply for and obtain injunctive relief in any court of competent jurisdiction to restrain the breach or

threatened breach of such violation or otherwise to enforce specifically such provisions against such violation.

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto as of the date first above written.

GEICO CORPORATION,

By ______________________

____
John J. Byrne

Agreed as of the date set forth above:

FIREMAN'S FUND CORPORATION

By ______________________

Exhibit 10-d

CONSULTANT AGREEMENT

THIS AGREEMENT, entered into as of January 1, 1985, by and between GEICO CORPORATION, a corporation duly organized and existing under the laws of the State of Delaware (hereinafter called the "COMPANY"), and RICHARD G. ROSENTHAL, residing at Todd Lane, Briarcliff Manor, New York 10510 (hereinafter called "ROSENTHAL"),

WITNESSETH THAT:

WHEREAS, as a former partner of Salomon Brothers, ROSENTHAL has had extensive experience in the field of bond and securities analysis, and

WHEREAS, the COMPANY has made a substantial investment in Bond Investors Group, Inc. ("BIG"), a firm which provides, through its subsidiary, Bond Investors Guaranty Insurance Company, financial guaranty insurance coverage on various issues of municipal bonds, and

WHEREAS, the COMPANY has requested ROSENTHAL to serve as a Director of BIG and to render advice concerning its investment in this enterprise, and

WHEREAS, ROSENTHAL is willing to serve in this capacity if so elected;

NOW, THEREFORE,

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

1. Commencing January 1, 1985, ROSENTHAL agrees to make his services available to the COMPANY as a Consultant as to all matters relating to municipal bond guaranty insurance, for a period of one (1) year, subject to the terms and conditions hereinafter set forth.

2. ROSENTHAL agrees, if so elected, to serve as a member of the Boards of Directors of the COMPANY and of BIG, and as a member or chairman of a committee or committees of the aforesaid Boards.

3. ROSENTHAL shall render the services described in Paragraphs 1 and 2 above to the COMPANY during a period of up to twenty (20) full working days or their equivalent per year, at GEICO Plaza or at other mutually agreeable locations.

4. For the period of ROSENTHAL's services as a Consultant, the COMPANY shall pay ROSENTHAL a Consulting Fee of $10,000 per annum. However, since ROSENTHAL has previously elected to defer his compensation under the GEICO Corporation Deferred Compensation Plan, ROSENTHAL's fee shall be paid into his Deferred Compensation Account in monthly installments of $833.34 on the first day of each month commencing January 1, 1985.

5. If ROSENTHAL shall be unable (because of death or disability), or unwilling to complete the services contemplated under this Agreement, the COMPANY's obligation to make any subsequent monthly payments shall be terminated.

6. If ROSENTHAL is serving as a member of the Board of Directors of the COMPANY or BIG, or as a member or chairman of a committee(s) of the Board, ROSENTHAL will receive the customary attendance fees for meetings of the Board or of committees thereof, together with the normal retainers paid to Directors of the Company.

7. ROSENTHAL will be reimbursed for all reasonable expenses incurred in connection with services rendered by him to the COMPANY either as a consultant or as a director, committee member or chairman.

8. ROSENTHAL shall not be eligible to participate in any benefit plan or program for employees of the COMPANY, including (but without being limited to) a plan or program for life, accident, health, medical or travel insurance, executive incentive bonus, stock options, performance shares or vacation or health leave, except where such plans or programs expressly provide benefits, or eligibility for benefits, to directors of the COMPANY.

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

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

11. Within the limitations set forth in Article XI (Indemnification) of the Bylaws of GEICO Corporation (copy attached), ROSENTHAL shall be indemnified and held harmless by the COMPANY for any and all liability and expense, whether civil or criminal, resulting from any claim, action, suit or proceeding arising out of his activities as a director of and/or consultant to the COMPANY and/or BIG, provided he acted, in good faith, in a manner he reasonably believed to be in or not opposed to the best interests of the COMPANY and/or BIG, as the case may be, and with respect to any criminal proceeding in a manner he reasonably believed not to be unlawful.

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

IN WITNESS WHEREOF, RICHARD G. ROSENTHAL has hereunto affixed his hand, and GEICO CORPORATION has caused this AGREEMENT to be signed and its corporate seal to be affixed hereto by its officers thereunto duly authorized.

Richard G Rosenthal

RICHARD G. ROSENTHAL

GEICO CORPORATION

By: Donald K. Smith

Donald K. Smith
Senior Vice President
& General Counsel

(SEAL)

Attest:

J. M. O'Connor, Secretary

6

CONSULTANT AGREEMENT

THIS AGREEMENT, entered into as of June 1, 1985, by and between GEICO CORPORATION, a corporation duly organized and existing under the laws of the State of Delaware (hereinafter called the "COMPANY"), and JOHN C. STEGGLES, residing at 111 Stoner Drive, West Hartford, Connecticut (hereinafter called "STEGGLES"),

WITNESSETH THAT:

WHEREAS, STEGGLES has had extensive experience as a senior executive in the field of reinsurance, having served General Reinsurance Company as a Senior Vice President until his retirement in 1983, and

WHEREAS, the Company is desirous of obtaining STEGGLES' services as a Consultant (1) in the field of insurance, (2) as to the evaluation of various insurance company acquisition possibilities, and (3) as to the management of Resolute Reinsurance Company, and

WHEREAS, STEGGLES is willing to serve in these capacities,

NOW, THEREFORE,

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

1. Commencing June 1, 1985, STEGGLES agrees to make his services available to the COMPANY as a Consultant on all

matters relating to reinsurance, the management of Resolute Reinsurance Company, and the evaluation of various insurance company acquisition possibilities, for a period of one (1) year, subject to the terms and conditions hereinafter set forth.

2. STEGGLES agrees, if so elected, to serve as a member of the Board of Directors of the COMPANY, and as a member or chairman of a committee or committees of the Board of the COMPANY.

3. STEGGLES shall render the services described in Paragraph 1 above, to the COMPANY during a period of up to fifteen (15) full working days or their equivalent per year, at GEICO Plaza or at other mutually agreeable locations.

4. For the period of STEGGLES' services as a Consultant, the COMPANY shall pay STEGGLES a Consulting Fee of $15,000, which shall be paid in monthly installments of $1,250 on the first day of each month commencing June 1, 1985.

5. It is understood that the Consultant Fee provided for in Paragraph 4 is in lieu of, and not in addition to, any finders' fees, commissions, or other payments that might otherwise be due his consulting firm, John C. Steggles and Associates.

6. If STEGGLES shall be unable (because of death or disability), or unwilling to complete the services contemplated under this Agreement, the COMPANY's

obligation to make any subsequent monthly payments shall be terminated.

7. If STEGGLES is serving as a member of the Board of Directors of the COMPANY or as a member or chairman of a committee(s) of the Board, STEGGLES will receive the customary attendance fee for meetings of the Board or of committees thereof, together with the normal retainers paid to Directors of the Company.

8. STEGGLES will be reimbursed for all reasonable expenses incurred in connection with services rendered by him to the COMPANY either as a consultant or as a director, committee member or chairman.

9. STEGGLES shall not be eligible to participate in any benefit plan or program for employees of the COMPANY, including (but without being limited to) a plan or program for life, accident, health, medical or travel insurance, executive incentive bonus, stock options, performance shares or vacation or health leave, except where such plans or programs expressly provide benefits, or eligibility for benefits to directors of the COMPANY.

10. The validity, construction, interpretation and enforcement of this Agreement and the capacity of the parties shall be determined and governed by the laws of the State of Maryland.

11. This Agreement is personal to each of the parties

hereto, and neither party may assign or delegate any of the rights or obligations hereunder without first obtaining the written consent of the other party.

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

IN WITNESS WHEREOF, JOHN C. STEGGLES has hereunto affixed his hand, and GEICO CORPORATION has caused this AGREEMENT to be signed and its corporate seal to be affixed hereto by its officers thereunto duly authorized.

John C. Steggles

GEICO CORPORATION

By: Louis A. Simpson
Louis A. Simpson
Senior Vice President

(SEAL)

Attest:

J. M. O'Connor, Secretary

CONSULTANT AGREEMENT

THIS AGREEMENT, entered into as of June 1, 1985, by and between GEICO CORPORATION, a corporation duly organized and existing under the laws of the State of Delaware (hereinafter called the "COMPANY"), and DR. H. EDWARD WRAPP, residing at 4738 South Lake Drive, Delray Dunes, Boynton Beach, Florida (hereinafter called "WRAPP"),

WITNESSETH THAT:

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

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

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

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

1. Commencing June 1, 1985, WRAPP agrees to make his services available to the COMPANY as a Consultant on all matters relating to strategic planning, management development and human resources planning, for a period of one

(1) year, subject to the terms and conditions hereinafter set forth.

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

3. WRAPP shall render the services described in Paragraphs 1 and 2 above, to the COMPANY during a period of up to ten (10) full working days or their equivalent per year, at GEICO Plaza or at other mutually agreeable locations.

4. For the period of WRAPP's services as a Consultant, the COMPANY shall pay WRAPP a Consulting Fee of $20,000, which shall be paid in monthly installments of $1,666.67 on the first day of each month commencing June 1, 1985.

5. If WRAPP shall be unable (because of death or disability), or unwilling to complete the services contemplated under this Agreement, the COMPANY's obligation to make any subsequent monthly payments shall be terminated.

6. If WRAPP is serving as a member of the Board of Directors of the COMPANY or as a member or chairman of a committee(s) of the Board, WRAPP will receive the customary attendance fee for the meetings of the Board or of committees thereof, together with the normal retainers paid to Directors of the Company.

7. WRAPP will be reimbursed for all reasonable expenses incurred in connection with services rendered by him to the COMPANY either as a consultant or as a director, committee member or chairman.

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

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

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

11. This Agreement constitutes the entire agreement between the parties respecting the consulting services of WRAPP, and there are no representations, warranties or commitments, except as set forth herein. This Agreement

may be amended only by an instrument in writing executed by the parties hereto.

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

H. EDWARD WRAPP

GEICO CORPORATION

By: Louis A. Simpson
Senior Vice President

(SEAL)

Attest:

J. M. O'Connor, Secretary

NOTICE OF ELECTION TO EXERCISE STOCK OPTIONS AND/OR STOCK APPRECIATION RIGHTS PURSUANT TO THE 1985 STOCK OPTION PLAN FOR KEY EMPLOYEES OF GEICO CORPORATION AND ITS SUBSIDIARIES (THE "PLAN").

TO: Secretary of GEICO Corporation

FROM: ______________________

A. I hereby elect to exercise the /___/ Incentive Stock Option

/___/ Non-Qualified Stock Option

granted pursuant to the Plan as follows:

(1) Date of Grant	(2) Option Price	(3) Number of Shares to be Exercised	(4) Amount ((2)x(3))

B. I hereby elect to exercise the /___/ Stock Appreciation Rights ("SARs")

granted pursuant to the Plan as follows:

(1) Date of Grant	(2) Option Price Per Share	(3) Number of Shares in Respect of Which SARs Are to be Excercised	(4) Grant Value ((2)x(3))	(5)* Market Value Per Share on Date of Exercise**	(6)* Aggregate Market Value ((3)x(5))	7** Consideration to be Received ((6)-4)

* To be completed by the Secretary after receipt of this notice.

** The date on which the company receives notice of the exercise.

IF AN OPTION TO BE EXERCISED:

I wish to: /___/ Pay for the shares in cash (enclose check made payable to "GEICO Corporation")

/___/ Pay for the shares in whole shares of GEICO Corporation Common Stock ("Common Stock")***:

/___/ Certificate(s) attached in negotiable form.

/___/ Certificate(s) will be delivered in negotiable form on ______________, 19__ (such delivery date shall be not more than 10 business days from the date of exercise).

(OVER)

/__/ Pay for the shares partly in cash and partly in Common Stock, as follows:

$__________ cash (enclose check made payable to "GEICO Corporation").

__________ shares of Common Stock***:

/__/ Certificate(s) attached in negotiable form.

/__/ Certificate(s) will be delivered in negotiable form on ______________, 19__ (such delivery date shall be not more than 10 business days from the date of exercise).

*** If the option price is paid for in shares of Common Stock, the value of such shares will be the mean between the high and low sales prices of a share on the Composite Tape for New York Stock Exchange Listed Stocks on the date of exercise.

IF SARs TO BE EXERCISED:

Subject to the discretion of the Human Resources Committee of the GEICO Corporation Board of Directors, I wish to receive payment for the SARs as follows:

/__/ All cash

/__/ All shares of Common Stock (valued at fair market value on date of exercise of the SAR).

/__/ Approximately $__________ in cash and the balance in whole shares of Common Stock.

Shares to be registered as follows:

Name ______________________________

Address ______________________________

____

Social Security # ______________________________

NOTE: If certificates representing Common Stock are used to pay all or part of the purchase price of an option, in return separate certificates will be delivered by GEICO Corporation representing the same number of shares as each certificate so used and an additional certificate will be delivered representing the additional shares to which the optionee is entitled as a result of the exercise of the option.

______________________ Date

______________________ Signed

dls/PLANS(NLK-PC)-ELECFRM.TXT

Exhibit 17

GEICO CORPORATION

GOVERNMENT EMPLOYEES COMPANIES

NATION-WIDE SERVICE

ANNUAL REPORT 1985

50
YEARS
OF SERVICE

Contents


GEICO

Corporate Profile And Financial Highlights

Corporate Headquarters:

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

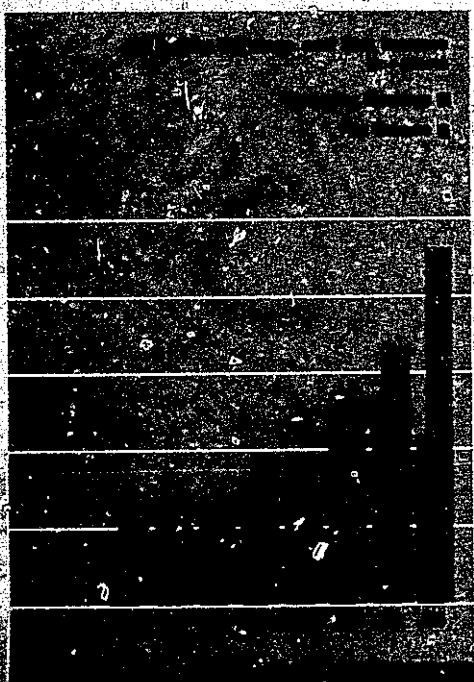
GEICO Corporation (the Corporation) is principally an insurance organization whose largest subsidiary, Government Employees Insurance Company (GEICO), is a multiple-line property and casualty insurer primarily engaged in writing preferred risk private passenger automobile insurance and homeowners insurance. Criterion Insurance Company (Criterion), a subsidiary of GEICO, writes standard risk private passenger automobile and motorcycle insurance with emphasis on marketing to military personnel. Criterion Casualty Company (Criterion Casualty), a subsidiary of Criterion, writes non-standard risk private passenger automobile insurance. GEICO General Insurance Company (GGIC), a subsidiary of GEICO, writes exclusively standard risk private passenger automobile insurance. Garden State Life Insurance Company (Garden State), also a subsidiary of GEICO, and GEICO Annuity and Insurance Company (GEICO Annuity), a subsidiary of Garden State, offer consumer-oriented life insurance products. Government Employees Financial Corporation (GEFCO), a subsidiary of GEICO, engages in consumer and business lending, industrial banking and the marketing of timeshare intervals. Resolute Reinsurance Company, a subsidiary of Resolute Group, Inc., in turn a subsidiary of GEICO Corporation, writes property and casualty reinsurance in the domestic and international markets. GEICO Investment Services Company (GEIVEST), also a subsidiary of GEICO Corporation, is a registered investment adviser and broker-dealer engaged in marketing registered and non-registered investment-oriented products. The Corporation and its subsidiaries are sometimes referred to as "the Companies" in this report.

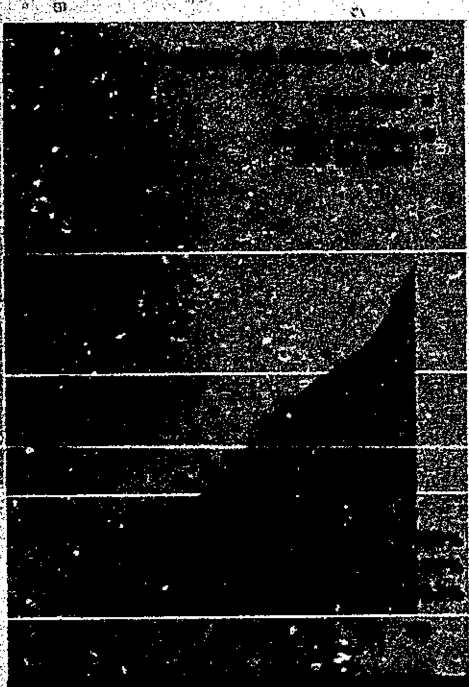
Financial Highlights

(In thousands, except per share data)	1985	1984	1983	1982	1981
Premiums	**$ 1,078,042**	$ 874,896	$ 768,316	$ 731,719	$ 656,669
Net investment income (pretax)	**118,312**	108,186	96,478	82,743	66,401
Net investment income (aftertax)	**101,638**	96,786	87,665	71,758	56,494
Operating earnings	**77,639**	100,409	94,824	77,483	64,432
Net income	**170,579**	131,313	113,753	48,848	83,286
Weighted average shares (1)	**18,430**	19,660	21,172	21,092	21,644
Operating earnings per share (1)	**4.21**	5.11	4.48	3.67	2.98
Net income per share (1)	**9.25**	6.68	5.37	2.32	3.85
Dividends paid per common share	**1.00**	.88	.72	.56	.48
Assets	**2,378,409**	1,907,342	1,775,790	1,563,799	1,362,009
Shareholders' equity (2)	**515,636**	420,401	405,439	344,797	238,904
Common shares outstanding (2)	**17,697**	18,766	20,393	20,459	20,597
Book value per share (2)	**29.14**	22.40	19.88	16.85	11.60
Return on equity (three year rolling)	**35.6%**	28.5%	31.7%	32.7%	39.8%

(1) fully diluted
(2) fully converted

To Our Shareholders





1985 was a most disappointing year for your Company — operating earnings per share were off 17.6% due to underwriting losses in all property-casualty companies. Our consolidated underwriting ratio was 102.9% compared to 97.7% in 1984 — well above our standard.

Net income per share, however, surged up 38.5%, reflecting substantial realized capital gains. And return on equity, which you expect us to manage prudently, was a quite satisfactory 35.6%. Yet, Leo Goodwin would not have been pleased.

We tell you something about our founder, Leo Goodwin, in this report. 1986 is the 50th year of Government Employees Insurance Company which he founded in 1936. He believed that if you properly managed your underwriting results everything else should take care of itself. He was right, of course.

Mr. Goodwin also believed that if you used direct mail and careful underwriting to seek better than average, responsible drivers and at the same time gave them quality service you could attract a lot of profitable business. He did so for many years and from 1946 through 1973 GEICO did not have an underwriting loss.

In 1977 the new Chairman, Jack Byrne, brought GEICO back from impending insolvency and then reaffirmed Leo Goodwin's fundamentals and specified several additional operating principles:

- *Maintain a disciplined balance sheet*
- *Be the low-cost operator*
- *Achieve an underwriting gain*
- *Invest for total return.*

Jack retired in July 1985 — just as we began to fail the underwriting gain principle. As previously reported, we failed to initiate adequate rate increases in early 1984 as frequency and then severity began to trend upward. It takes 23 months to fully earn rate increases on our 12-month policies.

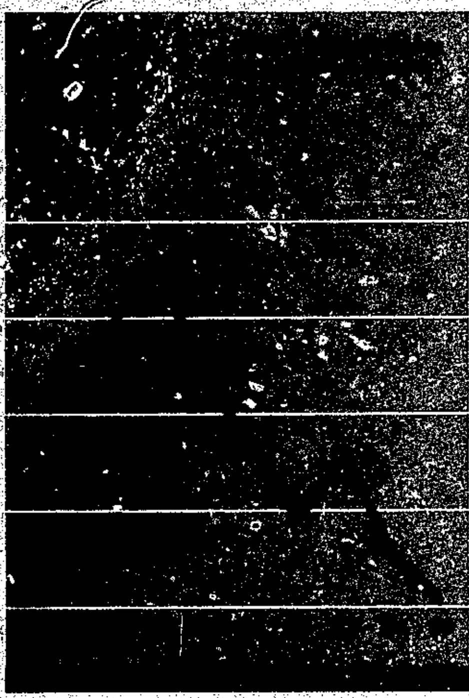
During the nine years Jack served as chief executive officer, the Company made remarkable progress. His leadership produced significant improvement in management skills, financial controls and strategic planning, as well as greatly enhanced shareholders' value. His legacy to the organization is the belief that good managers control their environment and can achieve an underwriting gain by staying with tried and true principles — "the old way is best." He believed no separate growth objective is required for GEICO because new business would steadily increase if we adhered to our operating principles. He has left us — but his principles remain behind. The entire organization 'believes' we will achieve an underwriting gain in 1986.

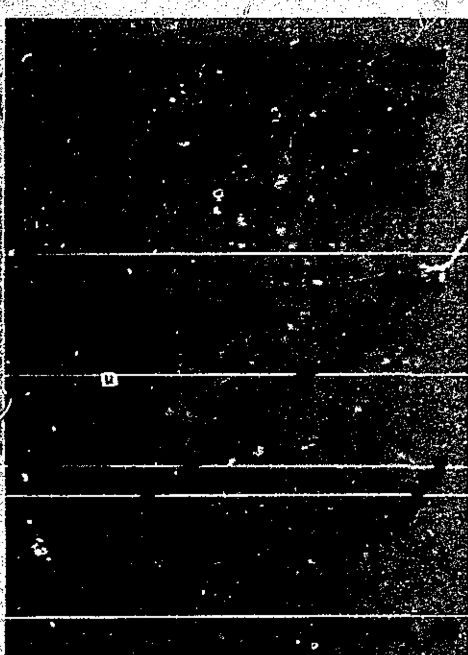
We have added another principle:

- *Be fanatics for good service.*

GEICO has always stressed good service. But we recently concluded something else is needed since we seem to have strayed from Leo Goodwin's single-minded dedication to outstanding service.

Some really great things happened during 1985. Substantial increases in new business and good persistency increased GEICO's voluntary automobile policies in force 6.1% — with written premiums up 22.2%! GEICO actually grew too much early in the year, which exacerbated the underwriting loss because of new business excess losses. We believe that an auto growth rate of 5-6% in policies is about what we can manage. However, this should provide written premium growth of at





least 16-18% for each of the next few years.

Our investment portfolio continued to perform well in 1985. Investing for total return allowed Lou Simpson to support our net income with almost $93 million in capital gains, both long and short-term. We benefited from a terrific bull market and several mergers of companies in which Lou fortuitously had large positions. Lou also managed the purchase of a substantial block of our stock. That has worked out quite well for you.

Criterion, which writes standard auto insurance primarily for military personnel, had a terrible year. GEICO General, which writes standard auto insurance for civilians, had a terrible year. Criterion Casualty, which writes non-standard auto coverage for both military and civilian customers, had a terrible year. You'd think there might be a message there. But, we believe we simply failed as managers and that these businesses can be profitable in 1986.

GEFCO, our finance affiliate, had its second best earnings year of recent times but it was nonetheless disappointing because return on equity was an unsatisfactory 10.6%. GEFCO's sales of vacation timeshare intervals were below plan, even as their basic loan and banking businesses prospered nicely and showed improved results.

Your reinsurance company, Resolute Group Inc., had a horrible year with a 126% underwriting ratio (to go along with the reinsurance industry's poor results) that reflected too many worldwide catastrophes and several other large losses. Still, the industry is getting significant rate increases and it seems reasonable that Resolute should do significantly better in 1986.

Our small life insurance and investment services businesses prospered modestly as they struggled to develop a niche in their respective fields. These businesses are discussed in more detail later in this report.

Government Employees Insurance Company's natural underwriting ratio of 101.2% for the year and 99.9% for the fourth quarter suggests that rate improvement has overtaken losses. We have great faith in newly elected GEICO President Eugene Meyung and the six profit center managers to get adequate premium levels and underwriting results back on track in 1986. They reduced our expense ratios (shown in the top chart) almost one full point in 1985. This plus underwriting controls placed on new business and substantial rate increases should lead us to improved underwriting results in 1986. However, new policy sales are likely to decrease somewhat.

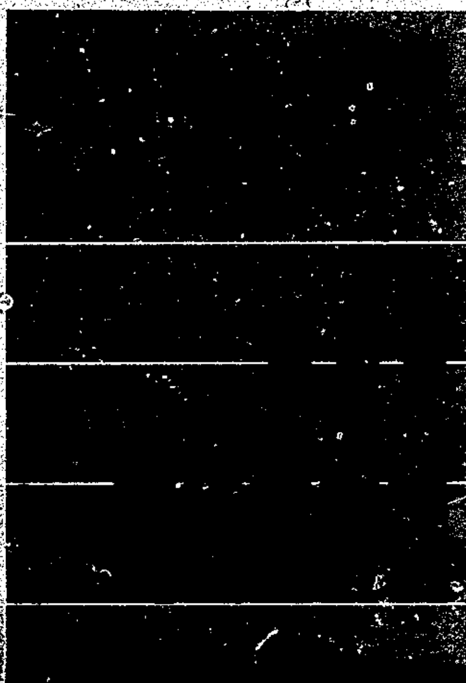
1986? We'll stick with the fundamentals. I see an underwriting gain, reduced new sales levels, but steady growth in policies in force, written premium and total revenue. More expense reductions and productivity improvements should occur. Operating earnings per share should get a nice boost, but because of the realized gains in 1985, net income will be tough to match.

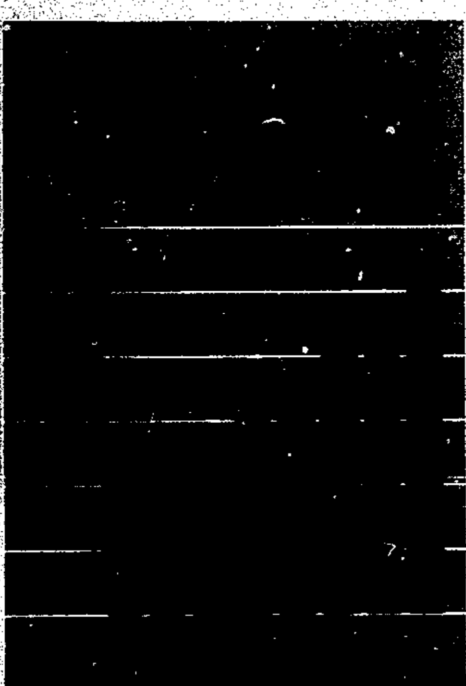
We'll try even harder to Make It Easy To Do Business with GEICO. We urge you to call us or refer a friend to one of our "fanatics for good service."

Will B. Syn

William B. Snyder
Chairman
March 4, 1986

Investments





Your total portfolio had an excellent result for the year, earning an aftertax total return of 20.7%. The major factor which moved stock and bond prices higher was the sharp decline in interest rates, much larger than I anticipated in my 1984 letter. Common stocks were again the best performing sector, with an aftertax increase of 35.5%. The gain on tax-exempts and preferreds was 17.3%, also a gratifying result. There are three factors which comprise aftertax total return: (1) current portfolio *income* from interest and dividends; (2) net *realized capital gain* (or loss); and (3) the net change in *unrealized capital gain* (or loss). For 1985 realized capital gain of $92.9 million was the star component. In addition, the unrealized gain on equity securities, after deferred taxes, increased by $27.3 million.

The top chart illustrates the results of GEICO's focus on total return for one sector of the portfolio, common stocks, for the five rolling three-year periods (12/81 - 12/85). We are very pleased with these results. They will be tough to replicate.

In 1985 pretax investment income increased 9.4%, and aftertax 5.0%. The growth in aftertax investment income was modest due to the use of $74.8 million to repurchase GEICO Corporation shares, the repurchase of $14.0 million of GEICO Corporation debentures, and investments in several large arbitrage positions, which effectively converted current income to capital gains. In addition, we invested a greater percentage of the portfolio in taxable fixed income securities to meet corporate needs.

During 1985 your investment team made several major shifts in the portfolio. We reduced equities as prices on a number of positions reached our target. Also, we tendered two large holdings (Nabisco and General Foods). The proceeds from these sales were used to purchase U.S. Treasury and municipal bonds. In the latter part of the year, intermediate to long-term tax-exempts seemed attractive compared to alternatives. Unfortunately, the market moved up rapidly and GEICO did not accumulate as many bonds as I would have liked.

What do we do for an encore in 1986? Your best bet is for us to pay a lot of attention to downside risk and hope that several major opportunities develop that we are astute enough to recognize in a timely fashion. The economic outlook appears reasonably good with the expectation for better real growth than in 1985. Continued modest inflation will be helped by lower energy prices, but hurt by a weaker dollar. I fear both the budget and trade deficits will become more troublesome as time passes. I am concerned that the easy political solution to these problems will be to have higher inflation. We expect no major moves in interest rates in 1986. Bonds look a little cheaper than stocks statistically, but the outlook for neither group appears compelling enough to make a major strategic commitment. We believe for stocks to continue their 1985 performance, lower interest rates or much better earnings will be necessary.

I have a sense of *deja vu*, as we are in about the same position as last year — no strong convictions. I just hope we can find a few "big money ideas" in 1986.

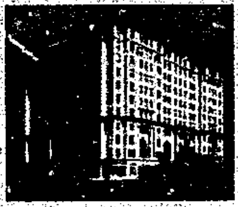
Louis A. Simpson

Louis A. Simpson
Vice Chairman

March 4, 1986

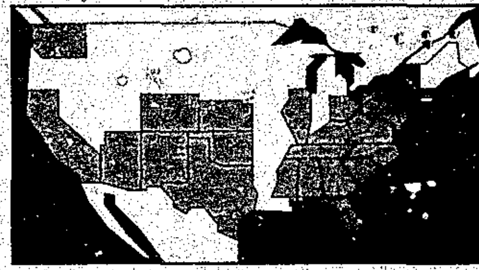
50 1936 1986 YEARS

Leo Goodwin 1886-1971
Lillian Goodwin 1892-1969



Investment Building
15th and K Sts. N.W.

1948 stock certificate.



GEICO licensed in 25 states by 1950.

The Goodwin Years

The 50-year table on pages 10 and 11 displays an interesting pattern of growth for Government Employees Insurance Company. You may wonder how this all began.

1986 marks the 100th anniversary of the birth of Leo Goodwin — a remarkable man. It is also the 50th anniversary of Government Employees Insurance Company, which he founded. Many say it's a remarkable company.

Leo Goodwin was working as an accountant in an insurance company in San Antonio, Texas, and observed that if you could cut out the middle man and insure better-than-average drivers you could sell a $30 automobile insurance policy at a huge savings of $6 or $7. After all, $30 was more than a week's salary for many people.

His circumstances and his idea hardly seemed to be the stuff of which entrepreneurs and great fortunes are made. However, in 1936 at age 50 he chartered Government Employees Insurance Company in Fort Worth, Texas. He had sought out Fort Worth banker Cleaves Rhea, who also believed in his idea. Rhea agreed to invest $75,000 if Goodwin could put up $25,000 to capitalize the fledgling company, which was chartered on September 1, 1936. Goodwin received 25% of the stock and Rhea received 75%. In 1936, capital was a very scarce commodity.

In the difficult early years, Leo Goodwin and his wife, Lillian, worked 12 hours a day, 365 days a year for a combined monthly salary of $250. Leo Goodwin would devote Saturday afternoons and Sundays personally preparing handwritten responses to customers' inquiries or complaints.

They had targeted government employees as prudent drivers and as persons with steady incomes. There were more of them in Washington, D.C., so the company was moved there and rechartered on November 30, 1937.

As Leo Goodwin established his principles of selecting safe drivers from among government employees and military personnel, he utilized direct mail exclusively. However, military personnel on nearby military bases got used to having him personally solicit them on weekends. He was the company's evangelist for low prices and good service for preferred risks.

Goodwin worked tirelessly to establish a reputation for unsurpassed service to policyholders. In the fall of 1941, a severe hailstorm damaged thousands of cars in the Washington, D.C., area. Goodwin arranged with repair shops to work 24 hours a day exclusively for GEICO policyholders. Anticipating glass shortages, Goodwin had glass trucked into Washington. GEICO's policyholders had their cars repaired in days; others waited weeks.

1936 Government Employees Insurance Company, known as GEICO, founded in Texas by Leo Goodwin and Cleaves Rhea.

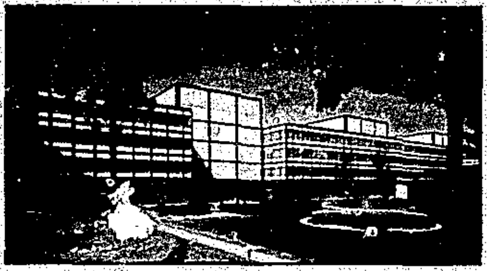
1937 GEICO moves to Washington D.C., and incorporates there. Offices are in the Investment Building, 15th and K Streets, N.W.

1948 Graham-Newman Corp. of New York, David Lloyd Kreeger of Washington, D.C., and E.R. Jones and Co. of Baltimore purchase the Rhea family's GEICO stock.

1936 1941 1946

Since 1950 New York customers grew to 15 percent of all GEICO automobile policyholders.

This IBM Type 500 Magnetic Drum Data Processing Machine, purchased in 1956, was the Company's first major commitment to automation.



In 1959 1,100 employees arrived for the first day of work in the newly constructed Operations Building in Chevy Chase, Md.

In 1960 a new telephone system was installed that could accept 50 incoming calls at once.

Criterion Insurance Company was organized in 1961 to provide automobile insurance for enlisted military personnel.

Satisfied policyholders told their friends about the great service GEICO provided. This kind of word-of-mouth recommendation still accounts for much of GEICO's new business.

The new company's underwriting losses declined each year until a $5,000 underwriting gain was achieved in 1940, with a $15,000 net income. This was the first of 35 consecutive profitable years. But World War II would soon shake the foundations of the young company.

Even though Leo Goodwin was then 55 and too old for military service, his business would be exposed to the rigors of wartime. His military and government employee customers frequently moved about the country; there were rationing, price freezes and the shortages experienced by the civilian economy as the nation geared up and fought World War II. Members of the Goodwin and Rhea families, a young Texas dynamo named Al Kraus who joined the company in 1939, and a group of young female employees kept the company operating.

1946 saw millions of citizen soldiers returning to civilian life and trying to make up for all they had missed out on as quickly as possible. People with new cars and new homes — all with insurance needs — found GEICO perfectly positioned to participate in the rapid growth to follow. A group of young returning veterans was hired after surviving Lillian Goodwin's steely eye as personnel director. They would form the backbone of the company's management team over the next 40 years; many are still active today.

New business soared: 1946 written premiums of $2.5 million were 50% over 1945 and statutory net income was up over 400% reaching a total of $117,000. Success was apparent and somewhat breathtaking. In 1948 the Rhea family sold its 75% stock holding to the Graham-Newman Corporation and a small group of private investors.

The value of the Company was approximately $3 million. Later that year, when the stock had been split into 175,000 shares, Graham-Newman Corporation distributed its stock to its shareholders and the Company became publicly owned, trading over-the-counter at about $20 per share.

Employees were being added so fast at all levels that even Leo Goodwin was having a difficult time instilling in them the sound fundamentals of his business — careful underwriting, quick, pleasant and fair claim service and constant attention to expenses to keep the premiums low — with resulting good profits and increasing stock price.

He was hardly aware that his company would soon attract the attention of Wall Street and the investing public due to sensational growth of the insurance business and its financial results.

1949 Company purchases the GEICO Building, 14th & L Streets, N.W. The 6-story building, with 48,000 square feet of space, cost $525,000, plus $200,000 for renovation.

1949 Government Employees Corporation, a Delaware finance company, is organized.

1949 Government Employees Life Insurance Company is incorporated in the District of Columbia.

1950 Company moves into the GEICO Building at 14th and L Streets.

1950 GEICO becomes licensed in New York and nine other states.

1952 New information office at 125 Broadway Street in New York City is so popular that an underwriting staff is added in 1952 and a claim staff in 1953.

1955 Federal Housing Administration Building at Vermont Avenue & K Street, N.W., purchased in 1953, is renamed GEICO Operations Building.

1955 Company begins writing fire insurance for dwellings and personal effects in D.C., Maryland and Virginia.

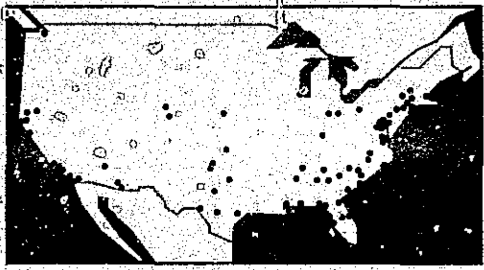
1958 Leo Goodwin retires and becomes Founder Chairman. Lorimer A. Davidson is elected president and general manager.

1960 Company initiates homeowners policy package. By 1961, homeowners insurance was being offered in 36 states and the District of Columbia.

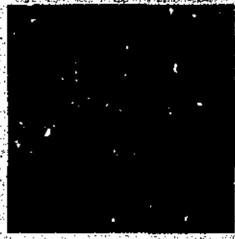
1951 1956 19

In 1964 Thomas E. Smith insured his 1962 Pontiac Catalina with GEICO to become its one millionth policyholder.

In 1965 GEICO opened its first drive-in claim center at Chevy Chase, Md.



By 1968 GEICO had offices in 24 states, Washington, D.C., England, W. Germany and Okinawa.



In 1973 GEICO expanded its potential market to embrace all preferred risk drivers irrespective of age and occupation.

Evidencing the acumen of the buyers, in 1949 GEICO passed the $1 million profit mark and began to expand the scope of its operations. Two companies were started — Government Employees Life Insurance Company (GELICO) and Government Employees Corporation (GECO), a finance company.

As evidence of Leo Goodwin's progressive thinking and concern for employees, he introduced employee deferred profit sharing and pension plans in 1952. These would allow employees to participate in Company growth and encourage them to remain in the GEICO family.

In 1952 GEICO broadened its insurance eligibility to include all state, county and municipal employees, thus gaining a much larger group of prospects. Over 41,000 new policyholders bought GEICO insurance that year — written premiums increased by more than 50%, to $15.2 million.

In 1954 Goodwin became concerned about the deteriorating public image of government employees. He decided to sponsor an advertising campaign to counteract the unfounded negative generalizations about government employees. The GEICO campaign helped create a better understanding and growing appreciation of government employees.

In 1958 eligibility was further expanded to include civilian professional, technical and managerial occupational groups in addition to government employees and military personnel. GEICO was dependent on these groups until 1973, when all occupational guidelines were removed.

GEICO President Leo Goodwin, retired on March 26, 1958, at age 71, and became Founder Chairman. He had seen his novel concept — with its operating principles of selling direct and marketing to preferred-risk customers — grow from $104,000 in written premiums to $36.2 million in 1957. From a handful of employees and policyholders, the company had grown to 985 employees and 485,443 policies in 46 states, the District of Columbia and the territories of Hawaii and Alaska.

Investors had fared well, too. If one had purchased 100 shares of stock in 1948 for $2,000, he would, at Goodwin's retirement 10 years later, have seen his investment grow to a value of $95,000.

John J. Byrne—By 1975, 18 years after Leo Goodwin's retirement, GEICO was in financial trouble. Between the years 1972-74, the introduction of no-fault insurance and public clamor over skyrocketing insurance rates resulted in states requiring prior approval of rates, mandatory insurance regulations and mandated rate reductions. Federal wage and price controls subsequently stifled rate increases needed to cover increasing costs. Some company decisions did not turn out well. All these developments

1961 Company opens the first West Coast office in San Francisco. It handles sales, policy service and settlement of claims.

1962 Government Employees Finance Company (GEFCO) is formed in Denver.

1964 Lorimer A. Davidson is elected chairman and CEO. David Lloyd Kreeger is named vice chairman and president.

1966 Norman L. Gidden is elected president.

1970 Lorimer A. Davidson retires. David Lloyd Kreeger named chairman and CEO.

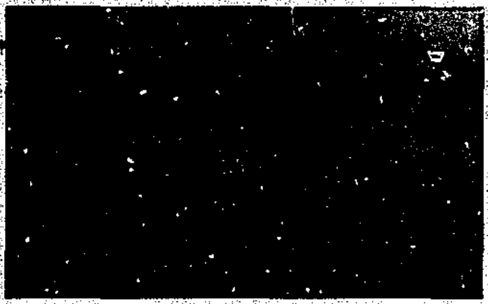
1971 GEICO becomes fifth largest stock company insurer of autos in U.S.

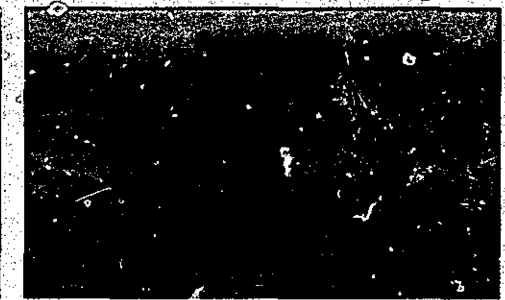
1971 Founder Leo Goodwin Sr. dies at age 84.

1972 GEICO passes two million policies in force.

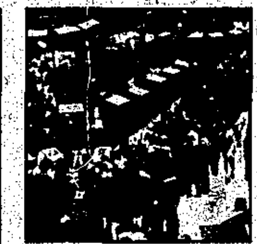
1973 The $13.1 million Woodbury, N.Y., regional office is formally dedicated.

61 1966 1971

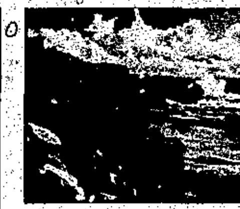




The Company reports a statutory underwriting loss of $150.4 million and net loss of $85 million for 1975, its first loss in 36 years.



GEICO Corporation began trading on the New York Stock Exchange October 1, 1980.



In 1982 the San Diego branch office was upgraded to a regional office to further improve sales and service for West Coast states.

brought GEICO to the brink of insolvency in 1975.

In May 1976 the Board of Directors elected John J. Byrne as chairman, president and CEO. Jack Byrne took three drastic steps to turn the company around.

- *OPERATION BOOTSTRAP* — This included rate increases, vigorous cost controls and a reunderwriting of the entire book of business.
- *REINSURANCE* — Byrne convinced 27 GEICO competitors that to provide reinsurance relief was in their best interest.
- *NEW CAPITAL* — The investment banking firm of Salomon Brothers agreed to underwrite a $76 million stock offering, increasing common stock to an equivalent of 34.3 million shares.

With these steps and the assistance of tough Washington, D.C., Insurance Superintendent Maximillian Wallach, GEICO was saved.

This was a triumph for state regulation, aggressive management of available resources and a basic business that deserved saving because of its unique marketing approach which provided good value to the public.

GEICO reported a $5.8 million net income in the third quarter of 1976. Operating profit returned for the first full year in 1977 with a 3^{c} per share dividend declared late that year.

GEICO created "sister companies" beginning in 1949. These were created by issuing rights to the shareholders of GEICO and its sister companies, with no ownership vested in GEICO. Thus, when the financial difficulties of 1975 occurred, it was impossible for the sister companies to provide financial assistance to GEICO.

Beginning in 1977 GEICO began to purchase stock of the sister companies. Considering the diverse businesses, it seemed apparent that a holding company was needed. In January 1979, GEICO Corporation was formed.

The current affiliates of the Corporation are listed and described on page 2.

Beginning in early 1979, through a series of purchases and tender offers, the Company steadily reduced common shares outstanding to 17.7 million by December 31, 1985. From a GEICO dividend of 3^{c} per share for 1977, the GEICO Corporation dividend has steadily increased to 27^{c} per share for the first quarter of 1986, indicating an annual rate of $1.08.

Today, the parent operates as an insurance organization whose largest subsidiary is GEICO, which remains the flagship of our enterprise.

GEICO Corporation is positioned to provide a wide array of insurance and financial services to families and individuals into the future. With its premiums over $1 billion — and assets over $2 billion — Leo and Lillian Goodwin would be proud.

1974 David Lloyd Kreeger retires. Norman L. Gidden is elected chairman and CEO and Ralph C. Peck is elected president.

1974 Macon, Ga., regional office opens.

1976 On May 5 the Board of Directors elects John J. Byrne chairman, president and CEO. Byrne initiates a three-phase recovery plan.

1976 By September the company achieved a net income of $5.8 million.

1978 Shareholders approve the formation of GEICO Corporation. Jack Byrne is elected chairman, CEO and president.

1980 GEICO introduces 24-hour service.

1981 Resolute Group, Inc., is formed as a wholly owned subsidiary of GEICO Corporation.

1981 William B. Snyder is elected president of GEICO Corporation.

1981 GEICO Investment Services Company is formed.

1981 GEICO Corporation sells its 66% interest in GELICO.

1982 A 50-state property casualty company is acquired and renamed GEICO General to write standard insurance.

1982 GEICO Corp. acquires Garden State Life Insurance Company and charters a new company, GEICO Annuity and Insurance Company.

1982 Criterion Casualty Company is formed to write non-standard risk automobile insurance.

1983 Safe Rider Child Safety Seat Program announced.

1985 Jack Byrne retires. Bill Snyder is elected chairman, president and CEO of GEICO Corp. Lou Simpson is elected vice chairman.

1986 GEICO celebrates 50 years of service.

1976 · 1981 · 1986

Fifty Year Summary of Significant Statutory Indicators

(In thousands, except for percent)

Government Employees Insurance Company

Year	Net Premiums Written & Service Charges	Change in Unearned Premium Reserve	Premiums Earned & Service Charges	Loss Ratio	Expense Ratio
1936	$ 104	$ 49	$ 56	60.2%	14.6%
1937	238	83	155	64.9%	38.1%
1938	401	100	301	68.6%	23.8%
1939	566	81	486	64.6%	25.1%
1940	768	121	647	65.8%	21.0%
1941	1,211	222	989	66.6%	20.3%
1942	986	(150)	1,137	53.6%	35.9%
1943	1,101	37	1,064	53.0%	33.4%
1944	1,316	116	1,200	56.1%	31.0%
1945	1,639	168	1,470	68.4%	29.9%
1946	2,456	458	1,998	75.8%	15.9%
1947	4,009	805	3,204	64.8%	13.0%
1948	5,905	1,002	4,903	57.9%	13.2%
1949	6,615	403	6,212	56.3%	12.9%
1950	8,017	680	7,337	63.0%	14.3%
1951	10,040	1,110	8,931	66.1%	16.5%
1952	15,184	2,561	12,623	67.1%	14.5%
1953	20,959	2,880	18,080	63.9%	14.3%
1954	22,298	664	21,634	54.5%	14.9%
1955	25,785	1,547	24,238	58.6%	15.8%
1956	28,373	1,876	26,497	69.6%	16.2%
1957	36,246	4,447	31,800	76.5%	15.6%
1958	46,627	6,096	40,530	66.3%	14.0%
1959	56,959	5,616	51,343	69.3%	13.7%
1960	65,022	4,223	60,798	66.6%	15.4%
1961	75,382	6,441	68,941	73.6%	15.3%
1962	83,426	5,031	78,395	75.8%	15.1%
1963	96,050	7,105	88,945	75.4%	14.9%
1964	113,712	9,584	104,128	79.6%	14.0%
1965	136,659	12,936	123,723	77.0%	13.7%
1966	164,821	15,229	149,592	74.7%	13.3%
1967	188,537	12,374	176,163	79.5%	12.9%
1968	216,663	15,791	200,872	82.4%	12.6%
1969	256,212	22,601	233,611	84.5%	12.4%
1970	324,100	34,857	289,243	85.6%	12.1%
1971	428,349	51,020	377,329	82.9%	12.5%
1972	479,652	27,774	451,878	80.2%	14.1%
1973	534,220	34,683	499,537	82.8%	14.8%
1974	565,226	28,537	536,690	85.4%	15.5%
1975	669,012	65,691	603,321	109.8%	13.9%
1976	463,410	(111,992)	575,402	99.1%	12.0%
1977	454,290	(9,310)	463,600	86.7%	15.1%
1978	550,344	42,715	507,629	80.2%	14.9%
1979	535,785	3,703	532,082	79.1%	16.1%
1980	559,138	14,188	544,950	80.7%	15.6%
1981	610,294	34,650	575,644	80.5%	15.0%
1982	666,424	15,635	650,790	79.9%	14.6%
1983	720,249	34,316	685,933	76.9%	15.6%
1984	838,660	55,278	783,382	80.8%	14.6%
1985	1,044,089	117,376	926,713	86.7%	14.1%

Underwriting Ratio Before Policyholder Dividends	Statutory Underwriting Gain (Loss) After Policyholder Dividends	Statutory Net Income	Policyholders' Surplus	Total Admitted Assets
74.8%	$ 3	$ 5	$ 213	$ 296
103.0%	(49)	(41)	171	357
92.4%	(27)	(17)	152	478
89.7%	(9)	(2)	203	665
86.8%	5	15	221	848
86.9%	16	22	233	1,226
89.5%	67	40	266	1,283
86.4%	50	4	253	1,552
87.1%	131	6	276	1,851
98.3%	(30)	22	567	2,400
91.7%	88	117	646	3,082
77.8%	613	414	1,051	4,817
71.1%	1,278	857	1,723	7,013
69.2%	1,719	1,188	2,872	9,182
77.3%	1,327	981	3,632	11,115
82.6%	1,110	830	4,193	13,759
81.6%	1,585	1,066	5,040	19,763
78.2%	2,962	1,506	6,126	27,719
69.4%	6,073	3,545	9,663	35,149
74.4%	5,449	3,400	12,434	41,954
85.8%	3,023	2,253	13,588	45,492
92.1%	1,374	1,695	14,141	54,165
80.3%	6,354	4,457	19,633	69,063
83.0%	7,060	4,903	22,289	81,615
82.0%	9,293	6,416	28,579	94,646
88.9%	5,569	5,481	34,285	112,220
90.9%	5,054	5,555	36,758	127,796
90.3%	6,149	6,612	42,279	148,195
93.6%	3,767	6,197	47,437	171,884
90.7%	8,241	8,986	52,761	204,254
88.0%	14,047	13,057	51,281	229,438
92.4%	9,679	12,095	59,372	266,750
95.0%	5,721	11,710	72,087	317,211
96.9%	2,525	11,857	55,332	340,557
97.7%	432	12,710	59,419	412,109
95.4%	7,035	20,351	112,602	556,201
94.3%	19,241	31,860	140,457	673,219
97.6%	3,790	30,120	130,703	717,783
100.9%	(10,857)	24,321	103,049	731,517
123.7%	(150,407)	(84,979)	49,302	849,010
111.1%	(48,763)	(9,942)	136,665	835,869
101.8%	(6,662)	35,227	178,630	874,154
95.1%	18,327	61,174	220,473	1,028,118
95.2%	22,974	76,611	251,078	1,053,181
96.3%	17,753	75,630	283,321	1,095,602
95.5%	19,938	98,584	317,062	1,174,817
94.5%	32,369	48,717	399,483	1,320,904
92.5%	28,973	115,287	459,806	1,443,151
95.4%	27,046	132,164	500,496	1,627,401
100.8%	(23,465)	165,940	572,632	1,978,252

In 1949 Myrtle Pitsenbarger was hired as a file clerk for GEICO. Through the years Myrtle grew with the companies and today holds the position of Assistant Corporate Secretary. "Some people don't realize how interesting our industry really is. Following the progress of our companies is exciting, even though our basic business approach is unchanged. The work environment couldn't be better, and the benefits are attractive. GEICO is simply a nice place to work."

Property and Casualty Insurance

Private Passenger Automobile Insurance

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

"Fifty years of service, a tradition for the future." With this as its slogan, Government Employees Insurance Company, the flagship subsidiary of GEICO Corporation, begins its sixth decade as a provider of private passenger automobile insurance.

GEICO is now the nation's fifth largest shareholder-owned private passenger auto insurer. Its unique system of doing business — using direct response marketing techniques and insuring drivers with good driving records — has enabled GEICO to deliver low-cost, quality insurance protection for 50 years. At the same time, emphasis on excellent service causes customers to know that it's easy to do business with GEICO. The Companies were insuring 2.4 million automobiles at the end of 1985.

Founded in 1936, GEICO operates in the District of Columbia and all states except New Jersey. While insuring family automobiles is GEICO's largest business, it also provides other personal lines such as homeowners, personal umbrella liability and boatowners insurance. In addition, selected reinsurance lines and credit-related insurance are offered. In 1985 insuring private passenger automobiles accounted for approximately 90% of GEICO's premium volume.

GEICO's automobile policy persistency remained at traditionally high levels in 1985 but turned down somewhat. About 91.1% of GEICO's customers accepted our offer to renew their coverage compared to 93.8% in 1984. Exclusive of residual market business, such as assigned risk and other involuntarily written policies, automobile policies in force totaled 1.3 million at year-end 1985, a 6.4% increase from the 1.2 million in force at the end of 1984.

An important part of GEICO's marketing effort in 1985 was to begin achieving a more balanced geographic distribution of its principal lines. Promotion of this concept and heavy concentration on attracting high-quality risks, primarily through direct response methods, are the major components of GEICO's 1986 marketing strategy. Production of new business by General Field Representatives (GFRs) became more significant in 1985 as they produced 12% of GEICO's new automobile business.

Because the Companies use direct response marketing methods, data processing continues to be an increasingly important part of achieving operating and marketing efficiencies. During 1985 phase two of the multi-company system was implemented, thus completing a project begun in 1982 to bring all the Companies' auto policy and claim data under a single system. This multi-company system eliminates the redundancies in two systems and provides the capability to handle policies and claims quicker and more efficiently. System enhancements to further improve productivity and customer service are planned for 1986 and beyond.

Over the past few years a significant element of the Corporation's strategy has been the development of a multi-company structure. With GEICO as the cornerstone of the property and casualty operation, Criterion, organized in 1961, is primarily responsible for meeting the automobile insurance needs of younger enlisted military personnel and other military base related groups not meeting GEICO's preferred risk underwriting standards. New customers are acquired and service is provided primarily through GFRs (commissioned agents). The GFR Program has 109 offices operating in 31 states. Criterion writes private passenger automobile and motorcycle insurance exclusively.

Criterion Casualty Company, a Criterion subsidiary, was formed in 1982 to offer non-standard automobile insurance principally through GFRs. Criterion Casualty is currently licensed in 29 states and operating in 19. This segment is believed to have growth potential once underwriting profitability is achieved.

Criterion's underwriting results, including Criterion Casualty, worsened in 1985. The underwriting ratio was 111.2% compared to 109.6% in 1984 and 102.1% in 1983. In 1985 further steps were initiated to reverse this trend. A large number of rate increases were implemented to reflect risk experience, and underwriting standards were strengthened while an expanded vehicle inspection program was introduced. Positive results from these programs began to appear in the last quarter of 1985.

GEICO General Insurance Company is a GEICO subsidiary acquired in 1982. GGIC presently operates in 33 states and the District of Columbia but is licensed to do business in all 50 states. Through direct response marketing GGIC has the role of providing standard risk automobile insurance to

Bob Newberry has been with GEICO for 43 years. From his early days as an insurance clerk, to his current management position, Assistant Vice President for Criterion Insurance Company, Bob has found the work intriguing. "Working at GEICO is fascinating and challenging. It seems like the company I arrive at in the morning is not the same company I'm going to leave at night. Something new is always happening here. It's been that way for 43 years."

most civilians not meeting GEICO's preferred risk standards. Underwriting results for this segment remained unprofitable in 1985. Premium rates were increased substantially and underwriting standards strengthened. The result will be slow growth until profitability is established.

In 1985 the Corporation's automobile written premiums, including service charges, grew 23.1% to $1,029.9 million following a 14.8% increase in 1984. Voluntary auto policy premiums increased by 22.9% while premiums from assigned or involuntary business rose 26.8%. In response to higher court awards, increases in medical and car repair costs plus accident frequency (which began an upward trend during 1984), the Corporation's voluntary rates countrywide increased 13.2% and involuntary rates were up 1.3%. While auto rate levels for the industry in general moved moderately higher in 1985, industrywide rate improvement is likely to be a long process because relatively few competitors maintain our standard for rate adequacy. GEICO will, however, stick to its philosophy of achieving an underwriting gain as a measure of success.

A total of 473,842 automobile claims was reported to GEICO and Criterion in 1985, representing a 9.7% increase from the 431,843 claims in 1984. The increase reflects the greater number of policies in force, rising accident frequency and a record year for catastrophe losses. In comparison, the number of claims reported to GEICO and Criterion increased 10.8% in 1984 following a 3.0% reduction in 1983.

Claim settlement costs rose throughout the year but, for car repairs, at a somewhat slower pace than in 1984. The costs associated with repairing automobiles increased at an estimated annual rate of 8% compared to 10% in 1984 and 6% in 1983. Personal injury claim costs, which are more difficult to quantify because of the mixture of old and new claims, are estimated to have increased approximately 12% in 1985 following increases of 10% in 1984 and 7% in 1983.

Overall, the Companies' property and casualty underwriting results were disappointing. For the first time in nine years the property and casualty operations experienced an underwriting loss. In 1985 we had an underwriting loss of $31.3 million compared to gains of $23.1 million and $37.2 million in 1984 and 1983, respectively. The Statutory Underwriting Ratio for property and casualty operations (GEICO plus affiliated companies) was 102.9% in 1985 compared to 97.7% in 1984 and 95.7% (after policyholder dividends) in 1983. The Statutory Underwriting Ratio for GEICO alone on a natural basis was 101.2% in 1985. Recent indications suggest that although claim costs continue to outpace the national inflation rate, our premium rate increases appear to be adequate for these increasing losses.

Homeowners Insurance

GEICO's homeowners insurance is marketed primarily through direct mail solicitation of our current policyholders. Underwriting results deteriorated significantly in 1985 due primarily to record-breaking weather-related catastrophe losses of over $7 million. Catastrophe losses made up almost 13 points of the 111% underwriting ratio in 1985 compared to less than 3 points of the 94.3% underwriting ratio in 1984. Written premiums, including service charges, increased 15.3% to $67.5 million from $58.5 million in 1984. Homeowners written premiums accounted for 5.8% of the Corporation's property and casualty premiums in 1985.

In July 1985 Consumer Reports published a survey on homeowners insurance service for years 1982-84, rating GEICO last in claim service on a list of 23 companies. Even though our claims service had been steadily improving, management immediately zeroed in on indicated problem areas.

In late September Hurricane Gloria gave GEICO's homeowners claims department an opportunity to respond and demonstrate current service capabilities. Policyholders filed over 5,000 claims, almost 10 times normal catastrophe loss experience. Local and emergency claim teams worked around the clock. Policyholders sent scores of letters complimenting the Company on its fast and fair service. In a subsequent independent survey measuring customers' attitudes about our post-Gloria service, 92% of the policyholders said their claims were handled fairly, 93% said they were dealt with promptly and 94% said they would recommend GEICO to a friend. We were pleased with this corroboration of our improved homeowners service, which many policyholders said was "the best in their neighborhood."

Other Property and Casualty Lines

In addition to its automobile and homeowners lines, GEICO offers boat, yacht, accident and health, and personal umbrella liability insurance. As an accommodation, GEICO also

Jack Burt is GEICO Plaza's Building Superintendent and serves on the GEICO Credit Union Board of Directors. "After 25 years with the Company I've seen a lot of good people pass through these halls. It's the employees at GEICO, and the business philosophy they follow, that make this a successful company." As for the future, "Under our current management team, GEICO is going places—and I want to be on board."

offers fire and comprehensive personal liability insurance. These lines combined accounted for less than 2% of property and casualty written premiums in 1985.

Reinsurance

Resolute Group, Inc., the Corporation's wholly owned property and casualty reinsurance subsidiary, has been based in New York since its formation in 1981. Through its subsidiary, Resolute Reinsurance Company, it writes domestic and foreign insurance on both a treaty and facultative basis on property and other short tail risks, and operates as a professional reinsurer, offering its services through reinsurance brokers and other intermediaries.

In both the domestic and international markets reinsurance results for 1985 were catastrophic. It was the worst year in history in terms of number and severity of catastrophes. Many reinsurance markets disappeared during 1985 because of companies withdrawing from areas of the business and, in many cases, insolvency of companies. The threat of insolvency for some companies remains a problem for the industry even as rates were increased substantially in some lines of business during 1985. However, established companies that are sufficiently capitalized and well managed can begin to prosper by taking advantage of these more adequate rates during 1986 and 1987.

Resolute's losses from catastrophes, financial guarantees and appliance warranty business, combined with some failed reinsurance security, resulted in a year far worse than anticipated. Its underwriting ratio was 125.9% in 1985 compared to 108.8% in 1984 and 114.4% in 1983.

Resolute's reinsurance premiums assumed in 1985 were $66.4 million, up from $38.6 million in 1984. Approximately 52% of 1985 premiums were retained for its net account, up from 45% in 1984 and 40% in 1983, with the balance ceded to other reinsurers. Net earned premiums were $28.2 million compared to $15.5 million in 1984 and $6.2 million in 1983. Due to adverse loss experience in 1985 Resolute incurred an operating loss of $3.5 million compared to income of $1.0 million in 1984. The net loss, including realized investment gains, was $1.6 million compared to net income of $1.1 million in 1984.

Resolute is well positioned to take advantage of market improvements for 1986. There is reason to believe that, without a repeat of the 1985 catastrophe experience, the large rate increases and an improvement in contract terms will make 1986 a much better year for Resolute.

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 and GEICO Annuity and Insurance Company. 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; GEICO Annuity is now licensed in 25 jurisdictions with applications pending in 12 additional states.

GEICO Annuity began marketing individual term life insurance in 1983 using direct response methods. This effort was expanded in 1985 by using Garden State as the underwriting company for states in which GEICO Annuity is not licensed. The face amount of new term life insurance written in 1985 was $640 million compared to $550 million in 1984.

Garden State offers single premium annuities to property and casualty companies, primarily its affiliates, to fund structured settlements of liability insurance claims. Annuity premiums from this source were $7.7 million in 1985, up from $4.0 million in the prior year.

In late 1985 Garden State began offering individual life insurance products, including universal life, in the greater Washington, D.C., area, through a small group of commissioned agents. The offering is advertised by mailings to customers of GEICO and its affiliates.

The 1985 premiums and benefits of the life insurance companies were up sharply from 1984. Premium income jumped from $9 million to $50 million while operating earnings increased to almost $2 million. Most of the 1985 increase in premium income came from group life and health insurance marketed and administered by an independent specialty insurance company under an agreement with Garden State. This group insurance is offered to small employers in all but a few states. Garden State recently entered into a similar agreement with an unrelated life insurance company which

Mary Lewis, Senior Payroll Specialist, was hired by Lillian Goodwin 45 years ago. "In those days we had maybe 70 or 80 employees — everyone felt like they were a part of one big family." What has working at GEICO meant to Mary? "It's my whole life. It's just an enjoyable place to work. Management has always been accessible, and through the years we've had talented people here at GEICO."

also specializes in the marketing and administration of group life and health insurance. Under this arrangement, Garden State group insurance will be offered to small employers in states in which the unrelated company is not licensed. It should be noted that these companies plan to eventually take back this group life and health business.

Savings and Thrift Instruments

GEICO Investment Services Company

GEICO Investment Services Company is a registered investment adviser 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 corporate cash management fund. The Company also serves as investment adviser to The Growth Fund of Washington, an open-end load fund which seeks growth of capital by investing primarily in securities of companies headquartered or having a major place of business in Washington, D.C., Maryland or Virginia.

The dividends paid by the GEICO Adjustable Rate Preferred Fund (the Fund) can be up to 93.1% tax free to corporations since they qualify for the 85% dividends received deduction under current tax law. The Fund is offered in 46 states and the District of Columbia. It is marketed directly to corporations through media advertising and through distribution and service organization agreements with registered broker-dealers and banks. The Fund produced a total return to investors of 15.59% for calendar year 1985. At year end assets under management had grown to $76.3 million, up from $49.7 million a year earlier.

The Growth Fund of Washington was initially offered through an underwriting that was completed August 7, 1985. Assets acquired through the underwriting totaled $28.3 million. At year end, this Fund's assets totaled $34.2 million.

Government Securities Cash Fund was GEIVEST's first product. Its 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. GTC Management, Inc., a subsidiary of Mellon Bank, N.A., is the Cash Fund's Money Manager. During the Fund's fiscal year, net assets decreased to $14.5 million as a result of a marketing partner's decision to move a portion of its customers' assets into alternative insured cash management products.

Government Employees Financial Corporation

Government Employees Financial Corporation, wholly owned since 1983 and headquartered in Denver, Colorado, is engaged in consumer and business lending, industrial banking, the marketing of vacation timeshare intervals and, to a lesser extent, the development of timeshare resort projects.

For 1985 GEFCO had mixed results, only moderately behind the record earnings of the prior year. Net income was $4.5 million compared to $4.9 million in 1984 and $3.7 million in 1983. Financial services results were favorably affected by interest income and fees derived from a larger portfolio of loan receivables, improved loss experience and increases in investment income. The investment portfolio of GEIBank Industrial Bank continues to be a strong performer, contributing a significant portion of GEFCO's after-tax earnings. Results of timeshare marketing activities were most disappointing due to substantially reduced sales and commision income.

GEFCO's loan portfolio, which increased 14% over the prior year, consists primarily of loans secured by real estate, timeshare notes receivable and newly introduced purchase money loans for recreational campground memberships. Reversing a trend of recent years, management is carefully expanding unsecured loan solicitations as experience and the regulatory climate have once again become favorable.

Mirroring national trends, delinquencies moved higher; however, loan loss experience continued to improve. Credit receivables written off, net of recoveries, decreased from the prior year and management continues to maintain its disciplined balance sheet.

Deposits of GEIBank, invested primarily in consumer and business secured loans as well as quality corporate redeemable preferred securities, rose to $81.9 million at year end from $78.5 million at the end of 1984.

Near term, GEFCO will concentrate on the acquisition of quality loan receivables, expand its loan servicing capabilities and seek additional fee income opportunities.

Selected Financial Data

GEICO Corporation

(In thousands, except per share data)

	1985	1984	1983	1982
Operating Results				
Premiums	$1,078,042	$ 874,896	$ 768,316	$ 731,719
Net investment income	118,312	108,186	96,478	82,743
Equity in earnings of unconsolidated affiliates	7,465	6,785	4,147	2,008
Other revenue	15,589	5,104	3,762	935
Total revenue	1,219,408	994,971	872,703	817,405
Total benefits and expenses	1,141,769	894,562	777,879	739,922
Operating earnings	77,639	100,409	94,824	77,483
Realized investment gain (loss) net of tax effect	92,940	30,904	18,929	(28,635)
Utilization of operating loss carryforward	—	—	—	—
Net income	$ 170,579	$ 131,313	$ 113,753	$ 48,848
Weighted Average Shares Outstanding				
Fully diluted	18,430	19,660	21,172	21,092
Primary	18,430	19,643	21,144	20,364
Per Share Results				
Fully Diluted:				
Operating earnings	$ 4.21	$ 5.11	$ 4.48	$ 3.67
Net income	$ 9.25	$ 6.68	$ 5.37	$ 2.32
Primary:				
Operating earnings	$ 4.21	$ 5.11	$ 4.48	$ 3.80
Net income	$ 9.25	$ 6.68	$ 5.38	$ 2.39
Common Stock dividends	$ 1.00	$ .88	$ .72	$ .56
Financial Condition				
Assets	$2,378,409	$1,907,342	$1,775,790	$1,563,799
Long-term debt	184,305	187,115	153,890	144,472
Redeemable Preferred Stock	—	—	—	—
Common Shareholders' Equity	515,636	420,401	405,439	344,797
Common shares outstanding (fully converted)	17,697	18,766	20,393	20,459
Book value per share (fully converted)	$ 29.14	$ 22.40	$ 19.88	$ 16.85

Significant Statutory Indicators

(In thousands, except ratios)

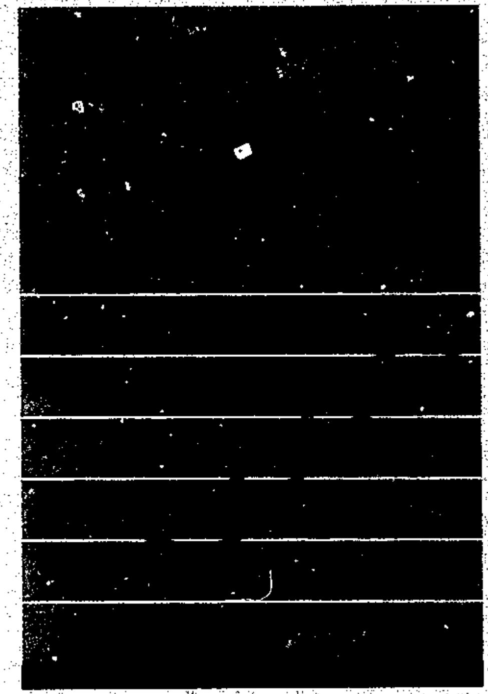
	1985	1984	1983	1982
Property And Casualty Operations*				
Surplus for protection of policyholders	$ 583,000	$ 521,804	$ 480,028	$ 414,837
Ratio of twelve months written premiums to surplus	2.0:1	1.8:1	1.6:1	1.8:1
Loss ratio	87.9%	82.1%	76.9%	80.0%
Expense ratio	15.0%	15.6%	16.7%	15.6%
Underwriting ratio	102.9%	97.7%	93.6%	95.6%
Underwriting ratio after policyholder dividends	102.9%	97.7%	95.7%	95.6%

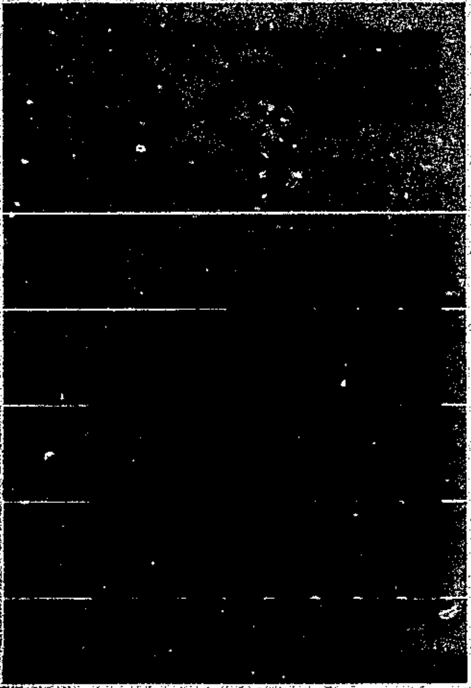
*Property and Casualty includes GEICO, Criterion, GEICO General, Criterion Casualty and Resolute.

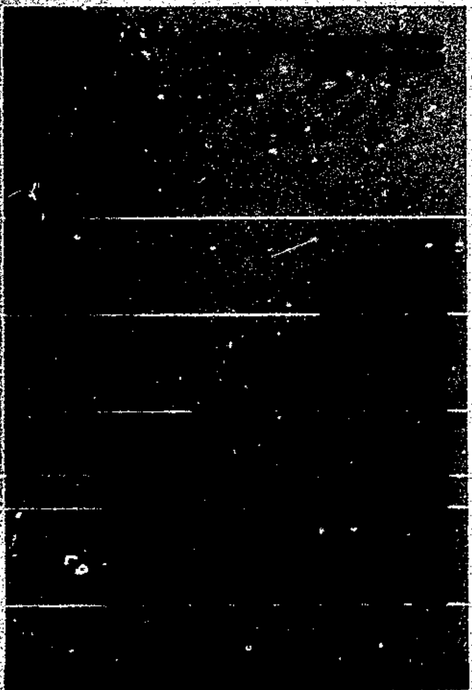
Property and Casualty ratios are natural statutory results excluding the effects of certain GEICO reinsurance transactions unrelated to its basic operations.

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
—	—	—	—	—
727,453	684,408	665,561	634,907	505,166
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
—	—	15,456	32,747	20,697
$ 83,286	$ 60,763	$ 74,282	$ 88,198	$ 58,581
21,644	23,003	27,753	34,343	34,345
20,623	20,522	17,336	18,040	17,744
$ 2.98	$ [illegible]	$ 2.14	$ 1.74	$ 1.10
$ 3.85	$ 2.6[illegible]	$ 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
20,597	21,617	25,158	34,237	34,236
$ 11.60	$ 8.89	$ 7.60	$ 6.45	$ 4.48
$ 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%







Results of Operations

Revenue

Premiums — Consolidated earned premiums totaled $1,078.0 million in 1985, up 23.2% from $874.9 million in the prior year. Earned premiums in 1983 were $768.3 million. The increase was due primarily to growth in policies in force and a higher average premium per automobile policy, reflecting the higher value of new cars and increased coverage purchased. Increased policies in force reflected continued growth in new business and good persistency. Voluntary automobile rate increases of 13.2% implemented in 1985 will impact earned premiums primarily in 1986. In comparison, voluntary automobile rates increased less than 2% in 1984.

Premiums in 1985 included $49.8 million for life and health business, up from $8.7 million in 1984 due to $38.7 million from group life and health business initiated in 1985.

In 1985 pursuant to a variable quota share reinsurance treaty for municipal bond insurance, GEICO assumed $13.6 million of written premiums of which $.4 million was earned in 1985. No additional written premiums will be assumed under the treaty after 1985.

Net Investment Income — Consolidated pretax net investment income gained 9.4% to $118.3 million in 1985 compared to $108.2 million in 1984, a 12.1% increase over 1983. The decrease in the growth rate reflects lower yields on fixed rate investments and the utilization of cash to repurchase shares. Aftertax net investment income was up 5.0% to $101.6 million compared to $96.8 million in 1984, a 10.4% increase over 1983. The aftertax percentage increase was lower than the pretax increase due to a shifting of assets from long-term tax-exempt bonds to short-term taxable investments.

Equity in Earnings of Affiliates — Earnings of affiliates, which are reflected in the consolidated financial statements using the equity method of accounting, totaled $7.5 million for the year compared to $6.8 million in 1984 and $4.1 million in 1983. Affiliates' earnings included $.7 million from a 20% ownership of Bond Investors Group, Inc., acquired by the Corporation in the first quarter of 1985. Increased 1985 earnings from AVEMCO were offset by a drop in GEFCO's earnings caused by sluggish timeshare sales. Improved results in 1984 reflected ownership for a full year of 100% of GEFCO's stock as well as 33.3% of AVEMCO's stock and increased earnings by both of these affiliates.

Other Revenue — Other revenue of $15.6 million increased $10.5 million from $5.1 million recorded in 1984 due primarily to the sale of a computer software limited partnership for $5.9 million and $4.0 million from a full year's production of oil and gas joint ventures.

Benefits and Expenses

Losses, life benefits and loss adjustment expenses totaled $910.5 million, up 30.6% from $697.4 million in 1984 and $573.6 million in 1983. These increases reflect growth in policies in force, upward trending accident frequency, the rising cost of claim settlements and $22.6 million for group life and health business. In addition, significant homeowner weather-related losses were incurred in 1985. Since the fourth quarter of 1984 rate increases have been implemented in all significant jurisdictions. However, these rate increases were not timely enough to prevent an underwriting loss for the year, because for our 12 month policies it takes 23 months before rate increases are fully reflected in earned premiums.

Policy acquisition and other operating expenses rose 27.5% to $218.8 million following an increase of 6.9% in 1984. The significant increase in 1985 is due, in part, to the amortization of new business expense and group life and health service fees. As shown by the Significant Statutory Indicators (page 16) the ratio of general expenses to written premiums was 15.0% in 1985, 15.6% in 1984 and 16.7% in 1983. These declines reflect higher productivity and increased written premiums.

In 1983 a policyholder dividend of $16.1 million was expensed for certain states with better than anticipated underwriting experience for the prior three years.

Interest expense increased 18.2% to $21.9 million compared to $18.5 million in 1984, due to the $25 million of long-term debt issued by the Corporation during 1984 and increased interest on deferred compensation plans, partially offset by the repurchase of $14.0 million of the Corporation's Debentures. Interest expense in 1983 was $16.3 million.

Income Taxes

Operating earnings before taxes decreased to $68.1 million in 1985 compared to $107.4 million in the prior year, the result of an underwriting loss, only partially offset by an increase in investment income. The underwriting loss and interest expense exceeded taxable investment income, resulting in a tax benefit of $9.5 million on operating earnings in 1985. The $9.5 million tax benefit consists of a current benefit of $13.6 million and a deferred expense of $4.1 million. The current tax benefit was utilized against current tax expense on realized short-term capital gains. In 1984 federal income taxes decreased 38.7% to $6.9 million from $11.3 million in 1983, primarily reflecting a lower underwriting gain.

Operating Earnings

Aftertax operating earnings totaled $77.6 million, down 22.7% from $100.4 million in 1984, which was an increase of 5.9% from $94.8 million in 1983. Per share operating earnings decreased 17.6% in 1985 to $4.21, following a 14.1% increase to $5.11 in 1984. The number of shares of Common Stock outstanding was substantially reduced in both 1985 and 1984 through the repurchase of shares, as explained in the Capital Structure section of this report. The weighted average shares assumed outstanding were 18,429,798 in 1985 compared to 19,660,199 in 1984 and 21,171,702 in 1983.

Net Income

Net income was $170.6 million ($9.25 per share) in 1985 compared to $131.3 million ($6.68 per share) in 1984 and $113.8 million ($5.37 per share) in 1983.

Net income included a net aftertax realized gain of $92.9 million ($5.04 per share) compared to 1984 and 1983 gains of $30.9 million ($1.57 per share) and $18.9 million ($.89 per share), respectively. $19.4 million of the 1985 net aftertax realized gain was short-term. The significant increase in 1985 was due, in part, to the strong appreciation in securities and the Corporation's strategy of investing for total return.

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 about the Corporation's operations are included in those disclosures.

Liquidity

Cash Flow

In the three years 1983 through 1985 the Corporation generated a positive cash flow of $650.8 million from operations. In addition, the Corporation received $24.5 million for 1,021,948 shares of Common Stock issued on the exercise of Common Stock Purchase Warrants in 1983 and $25 million from the issuance of 13 1/2% Debentures in 1984.

During the three-year period the Corporation spent $242.2 million net to repurchase its Common Stock, $12.9 million to repurchase $14.0 million face amount of its outstanding Debentures and $44.8 million to bring ownership in subsidiaries and affiliates to present levels. In the same period the Corporation paid $50.4 million in dividends to its shareholders and added $481.8 million net to its investments.

The Corporation receives dividends from GEICO, its principal subsidiary, which provides 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 was $118.3 million, an increase of 9.4% from $108.2 million in 1984. Pretax net investment income was $96.5 million in 1983. The relatively modest increases for the past three years reflect, in part, the net utilization of $242.2 million to repurchase common shares of the Corporation, funds which would otherwise have been available for investment.

Net new investments of $262.4 million were made in the consolidated portfolio during 1985. Net purchases made included $226.1 million of tax-exempt bonds and $113.4 million of U.S. Government and Agency securities. Net sales included $94.9 million of common stocks along with $6.7 million of preferred stocks. In the second half, advantage was taken of the strong equity market to sell common stocks in order to reduce common stock exposure and to make the overall portfolio more defensive. During the year, the Corporation realized a net aftertax gain of $92.9 million from the sale of investments. The year-end market value of fixed maturity investments was $20.1 million over amortized cost and the net unrealized appreciation of equity securities over cost, after deferred taxes, as reflected in shareholders' equity, was $97.6 million compared to $70.3 million a year earlier.

The common stock portfolio, adjusted for purchases and sales, earned an aftertax total rate of return of 35.5% in 1985, including market appreciation. The comparable return for the S&P 500 was 23.2%. The largest industry positions in the common stock portfolio at year end were in electric utilities (19.8%), office equipment (16.3%), telephone utilities (15.9%) and food and other consumer nondurables (8.4%).

The GEICO Corporation Investment Summary shows the year-end consolidated investment portfolio for 1985, 1984 and 1983. 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, 1985 the Corporation and its subsidiaries held $77.0 million in cash and cash equivalents. Additionally, approximately $319.9 million of the bond portfolio will mature in 1986.

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

GEICO Corporation Investment Summary

(In millions)	1985		1984	1983
	Carrying Value	**% Portfolio**	Carrying Value	Carrying Value
Short-term investments	**$ [illegible]1.3**	**3.6%**	$ 37.3	$ 24.6
Fixed maturities				
U.S. Government bonds	**206.0**	**12.2**	92.5	56.2
Corporate bonds	**30.2**	**1.8**	13.2	10.3
Tax-exempt bonds	**664.2**	**39.5**	435.6	532.6
Bonds	**900.4**	**53.5**	541.3	599.1
Redeemable preferred stocks	**237.8**	**14.1**	257.7	183.4
Other fixed maturities	**6.0**	**.4**	—	—
	1,144.2	**68.0**	799.0	782.5
Equity securities				
Preferred stocks	**93.3**	**5.5**	85.7	75.6
Common stocks	**384.7**	**22.9**	457.2	422.9
	478.0	**28.4**	542.9	498.5
Totals	**$1,683.5**	**100.0%**	$1,379.2	$1,305.0

GEICO Corporation Bond Maturity Table

(In millions)	1985			1984		
Maturity	**Amortized Value**	**% Portfolio**	**Market Value**	Amortized Value	% Portfolio	Market Value
Less than one year	**$319.9**	**35.5%**	**$320.9**	$ 86.7	16.0%	$ 89.6
1-5 years	**112.7**	**12.5**	**113.4**	101.6	18.8	100.5
6-10 years	**175.5**	**19.5**	**176.8**	212.6	39.3	205.6
11-15 years	**107.3**	**11.9**	**103.0**	81.4	15.0	71.5
16-20 years	**110.9**	**12.3**	**111.5**	26.4	4.9	21.9
Greater than 20 years	**57.4**	**6.4**	**56.2**	32.6	6.0	26.6
GNMA's (1)	**16.7**	**1.9**	**17.6**	—	—	—
	$900.4	**100.0%**	**$899.4**	$541.3	100.0%	$515.7

(1) GNMA's with regular periodic principal repayments over the life of the issue.

Property and Casualty Loss Reserves

Loss Reserving Methodology

Reserves for loss and loss adjustment expenses (LAE) 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 on unsettled claims are based on averages for all automobile physical damage claims and for automobile liability claims reported within the most recent three months. Case-basis estimates are established for automobile liability claims after three months and for other reported claims from inception. IBNR loss reserves are calculated estimates. The reserves for losses include additional amounts to reflect anticipated future economic and social conditions. The determination of these amounts includes consideration of studies of the Companies' reserve levels performed annually by independent consulting actuaries. The methods used to develop 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, while 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 established 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 data.

Reserves are tested for adequacy using 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 weaknessess of each projection and reserve test are reviewed, using actuarial judgment and knowledge of the Companies' operations, when selecting the reserve for loss and loss adjustment expenses.

Reconciliation of Claim Reserves

An analysis of the changes in aggregate reserves for property and casualty losses and LAE reported under generally accepted accounting principles (GAAP) for each of the last three years is presented below. Since reserves are necessarily based on estimates, the ultimate net cost may vary from the original estimates. As adjustments to these estimates become necessary, they 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 $33.2 million, $26.7 million and $21.0 million for anticipated recoveries at December 31, 1985, 1984, and 1983, respectively, are reflected below. GAAP reserves at December 31, 1985 and 1984 also exclude $13.6 million and $2.9 million, respectively, of reserves assumed under a statutory reinsurance contract.

Loss Reserve Development

Loss and loss adjustment expense reserves are established at each valuation date for all reported and projected IBNR claims using management's judgment based on the information known as of that date. As time passes, more information with respect to the claims becomes known and reserve estimates are appropriately adjusted upward or downward. Given the estimation elements encompassed in the reserving

Reconciliation of Claim Reserves
(In millions)

	1985	1984	1983
Reserves for loss and LAE at January 1	**$580.2**	$526.3	$518.1
Incurred loss and LAE			
Provision for current accident year claims	**893.2**	733.4	619.2
Decrease in provision for prior accident years claims	**(16.6)**	(44.7)	(47.5)
Total loss and LAE incurred	**876.6**	688.7	571.7
Payments for loss and LAE			
Payments on current accident year claims	**(483.9)**	(398.1)	(334.3)
Payments on prior accident years claims	**(274.3)**	(236.7)	(229.2)
Total payments for loss and LAE	**(758.2)**	(634.8)	(563.5)
Reserves for loss and LAE at December 31	**$698.6**	$580.2	$526.3

process and the time it takes to settle many of the most substantial claims, several years are required before a meaningful comparison of actual losses to reserves can be developed.

The development of reserves refers to the difference between estimates of reserves as of the original year's end and the reestimated liability at each subsequent year's end, based on actual payments in full or partial settlement of claims plus reestimates of the reserves required 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 1985, the cumulative amounts paid with respect to the reserves for each subsequent year, the reestimated liability at the end of each year, and the resulting development of the original reserve estimates for 1976 through 1984 as evaluated through December 31, 1985.

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, 1985 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)*

As of December 31,	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Reserves for Loss and LAE	$424.6	$426.0	$482.2	$468.9	$470.7	$477.8	$518.1	$526.3	$580.2	$698.6
Cumulative Payments as of:										
One year later	226.2	170.3	216.1	211.0	214.2	207.6	229.2	236.7	274.3	
Two years later	328.0	281.5	319.0	306.5	301.1	295.8	320.9	338.7		
Three years later	398.2	349.0	378.0	355.5	347.0	343.8	371.2			
Four years later	439.8	383.8	405.3	380.6	372.4	368.5				
Five years later	458.7	399.2	418.7	394.6	385.1					
Six years later	467.1	406.4	426.3	400.6						
Seven years later	470.8	410.8	429.5							
Eight years later	473.2	413.0								
Nine years later	475.3									
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	698.6
One year later	462.7	431.6	470.2	455.1	453.5	447.4	470.6	481.6	563.6	
Two years later	486.2	434.1	464.8	444.6	430.4	422.8	451.1	480.3		
Three years later	487.7	435.8	458.2	430.7	414.9	413.9	445.5			
Four years later	488.6	430.1	450.8	419.4	412.1	406.3				
Five years later	485.1	428.5	441.7	419.0	406.4					
Six years later	486.1	421.1	442.5	414.2						
Seven years later	479.9	422.1	439.4							
Eight years later	480.4	420.6								
Nine years later	480.3									
Upward (Downward) Development	$ 55.7	$ (5.4)	$ (42.8)	$ (54.7)	$ (64.3)	$ (71.5)	$ (72.6)	$ (46.0)	$ (16.6)	—

Capital Structure

At December 31, 1985 the Corporation's capital structure consisted of 17,696,738 common shares outstanding, reduced through repurchases from the 20,458,938 shares outstanding on December 31, 1982. The repurchased shares are held in the Corporation's Treasury.

Through a tender offer and other transactions the Corporation acquired a net of 1,111,100 shares for $66.3 million in 1983; 1,730,295 shares for $101.1 million in 1984; and 1,088,468 shares for $74.8 million in 1985. These repurchases resulted in reductions of both shareholders' equity and book value per share. Under the current repurchase authorization 3,000,000 shares remained unpurchased at December 31, 1985.

At the end of 1982 the Corporation had outstanding 506,787 Warrants entitling the holders to purchase, at $24 per share through August 1, 1983, 1,054,117 shares of Common Stock. During 1983, 491,442 Warrants were exercised resulting in the issuance of 1,021,948 shares, and the remaining 15,345 Warrants expired.

The GEICO Companies Employee Stock Ownership Plan and Trust (the Trust) purchases shares of the Corporation's stock with borrowed funds. The repayment of such loans, including interest, is guaranteed by the Corporation. In turn the Corporation is required to make contributions to the Trust sufficient to cover principal repayments and interest. As repayments are made, a prorated number of shares are released to employees' accounts.

In 1985, 1984 and 1983, respectively, the Trust borrowed $11.3 million, $5.7 million and $10.0 million; the Corporation expensed contributions to the Trust of $2.4 million, $2.5 million and $5.8 million, which enabled the Trust to make interest payments and repay $1.0 million, $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, 1986 was 4,491.

The following table shows the quarterly high and low prices for the Common Stock as shown in the tabulation of the New York Stock Exchange Composite Transactions. The table also shows dividends paid to shareholders of record in each quarter of 1985 and 1984.

	High	Low	Dividends Paid
1985			
Fourth Quarter	$88	$66 3/4	$.25
Third Quarter	76 1/4	65 1/4	.25
Second Quarter	78 7/8	68	.25
First Quarter	77 3/4	57 1/8	.25
1984			
Fourth Quarter	$64 1/2	$54	$.22
Third Quarter	64 5/8	47 5/8	.22
Second Quarter	58 1/2	53 3/8	.22
First Quarter	65 5/8	53	.22

Report of Ernst & Whinney, Independent Accountants

To The Shareholders
GEICO Corporation

We have examined the consolidated balance sheet of GEICO Corporation and subsidiaries as of December 31, 1985 and 1984, 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, 1985. 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, 1985 and 1984, 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, 1985, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Whinney

Washington, D.C.
February 19, 1986

GEICO Corporation
Consolidated Balance Sheet

December 31, in thousands of dollars

ASSETS	1985	1984
Investments — Note E:		
Fixed maturities, at amortized cost (market $1,164,350 and $775,514)	$1,144,227	$ 798,979
Equity securities, at market (cost $341,674 and $443,328)	477,967	542,891
Short-term investments	61,309	37,373
Total Investments	1,683,503	1,379,243
Cash	15,712	11,163
Investment in affiliates — Note A	83,800	56,024
Accrued investment income	19,078	22,314
Premiums receivable	361,106	280,970
Amounts receivable from sales of securities	41,653	3,761
Deferred policy acquisition costs — Note D	63,077	49,624
Property and equipment, at cost less accumulated depreciation of $41,261 and $33,816 — Note H	60,837	52,075
Other assets	49,643	52,168
Total Assets	$2,378,409	$1,907,342

See Notes to Consolidated Financial Statements

LIABILITIES AND SHAREHOLDERS' EQUITY	1985	1984
Liabilities		
Policy liabilities:		
Property and casualty loss reserves	$ 610,068	$ 504,015
Life benefit reserves	27,050	18,359
Loss adjustment expense reserves	88,555	76,139
Unearned premiums	640,424	509,510
Dividends to policyholders	—	2,168
	1,366,097	1,110,191
Amounts payable on purchase of securities	82,403	20,587
Other liabilities	134,585	96,097
Income taxes — Note F	95,383	72,951
Debt — Note H	184,305	187,115
Total Liabilities	1,862,773	1,486,941
Shareholders' Equity — Note I		
Common Stock — $1 par value, 60,000,000 shares authorized, 32,055,613 and 32,036,048 shares issued and 17,696,738 and 18,765,641 shares outstanding	32,056	32,036
Paid-in surplus	183,425	182,752
Unrealized appreciation of equity securities	97,608	70,341
Retained earnings — Note F	609,273	456,931
Treasury Stock, at cost (14,358,875 and 13,270,407 shares)	(386,737)	(311,970)
Guaranteed bank loans of Employee Stock Ownership Trust — Notes G and H	(19,989)	(9,689)
Total Shareholders' Equity	515,636	420,401
Total Liabilities and Shareholders' Equity	$2,378,409	$1,907,342

GEICO Corporation
Consolidated Statement of Income

For the year ended December 31, in thousands of dollars except per share results	1985	1984	1983
Revenue			
Premiums	**$1,078,042**	$874,896	$768,316
Net investment income	**118,312**	108,186	96,478
Equity in earnings of unconsolidated affiliates	**7,465**	6,785	4,147
Other revenue	**15,589**	5,104	3,762
Total Revenue	**1,219,408**	994,971	872,703
Benefits and Expenses			
Losses, life benefits, and loss adjustment expenses	**910,527**	697,436	573,587
Policy acquisition expenses — Note D	**92,099**	75,046	62,525
Other operating expenses	**126,724**	96,605	98,033
Provision for dividends to policyholders	**—**	—	16,070
Interest expense — Note H	**21,911**	18,533	16,337
Total Benefits and Expenses	**1,151,261**	887,620	766,552
Operating Earnings Before Income Taxes	**68,147**	107,351	106,151
Income tax expense (benefit) — Note F	**(9,492)**	6,942	11,327
Operating Earnings	**77,639**	100,409	94,824
Realized gains on investments, net of tax — Note E	**92,940**	30,904	18,929
Net Income	**$ 170,579**	$131,313	$113,753
Per Share Results — Note J:			
Operating Earnings	**$4.21**	$5.11	$4.48
Net Income	**$9.25**	$6.68	$5.37

See Notes to Consolidated Financial Statements

GEICO Corporation
Consolidated Statement of Shareholders' Equity

For the year ended December 31, in thousands of dollars	1985	1984	1983
Common Stock:			
Balance, beginning of year	$ 32,036	$ 31,933	$ 30,888
Exercise of warrants, stock options and other	20	22	1,043
Payment of performance shares	—	81	2
Balance, end of year	32,056	32,036	31,933
Paid-in surplus:			
Balance, beginning of year	182,752	177,600	153,085
Proceeds over par value of stock issued upon:			
Exercise of warrants, stock options and other	673	536	24,031
Payment of performance shares	—	4,616	93
Proceeds over cost of reissued Treasury Stock	—	—	391
Balance, end of year	183,425	182,752	177,600
Unrealized appreciation of equity securities:			
Balance, beginning of year	70,341	69,009	60,806
Increase in unrealized appreciation, net of deferred taxes — Note E	27,267	1,332	8,203
Balance, end of year	97,608	70,341	69,009
Retained earnings:			
Balance, beginning of year	456,931	342,744	244,184
Net Income	170,579	131,313	113,753
Dividends ($1.00, $.88 and $.72 per share)	(18,237)	(17,126)	(15,017)
Other	—	—	(176)
Balance, end of year	609,273	456,931	342,744
Treasury Stock, at cost:			
Balance, beginning of year	(311,970)	(210,858)	(144,166)
Purchase of 1,281,866; 1,763,600 and 1,197,100 shares of Common Stock	(86,244)	(103,027)	(70,627)
Reissuance of 193,398; 33,305 and 86,000 shares of Common Stock	11,477	1,915	3,935
Balance, end of year	(386,737)	(311,970)	(210,858)
Guaranteed bank loans of Employee Stock Ownership Trust:			
Balance, beginning of year	(9,689)	(4,989)	—
Borrowings	(11,300)	(5,700)	(9,989)
Repayments	1,000	1,000	5,000
Balance, end of year	(19,989)	(9,689)	(4,989)
Total Shareholders' Equity	$515,636	$420,401	$405,439

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	1985	1984	1983
Operating Activities:			
Operating earnings	$ 77,639	$100,409	$ 94,824
Charges (credits) to earnings not involving funds:			
Net premiums receivable	(80,136)	(30,045)	(12,985)
Deferred policy acquisition costs	(13,453)	(7,836)	(4,343)
Loss, life benefit and loss adjustment expense reserves	127,160	57,955	4,958
Unearned premiums	130,914	57,574	33,749
Dividends to policyholders	(2,168)	(13,902)	16,070
Income taxes	12,515	9,121	15,372
Equity in undistributed earnings of affiliates	(4,744)	(5,570)	(3,318)
Provision for depreciation	8,214	5,926	4,260
Accrual of discount and amortization of premiums on investments	(5,136)	(3,858)	(4,229)
Reinsurance balances and other	47,183	8,828	29,849
Cash provided from operating activities	297,988	178,602	174,207
Dividends Paid to Shareholders	(18,237)	(17,127)	(15,017)
Financing Activities:			
Issuance of long-term debt	1,600	25,900	5,000
Increase in short-term debt, net	—	—	1,200
Repurchase of debentures	(12,878)	—	—
Proceeds from exercise of warrants and stock options	693	559	25,169
Purchase of Common Stock (Treasury)	(86,244)	(103,027)	(70,627)
Reissuance of Common Stock (Treasury)	11,477	1,915	4,327
Other	(4,708)	3,344	(388)
Net cash flow from financing activities	(90,060)	(71,309)	(35,319)
Decrease (increase) in cash	(4,549)	3,911	(6,257)
Net cash flow available for investment	$ 185,142	$ 94,077	$117,614
Investment of Cash Flow:			
Purchase of investments	$1,166,645	$520,167	$522,864
Change in payable on security purchases	(61,316)	33,186	(47,905)
Sale of investments, net of related taxes	(997,385)	(486,302)	(387,096)
Change in receivable from security sales	37,892	3,761	(1,388)
Investment in affiliates and subsidiaries	21,609	—	23,217
Purchase of property and equipment, net	16,887	11,788	2,673
Other	1,310	11,477	5,249
Net investment of cash flow	$ 185,142	$ 94,077	$117,614

See 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, Bond Investors Group, Inc. (BIG), a 20% owned municipal bond guarantee insurance 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 subsidiaries 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, 1985	December 31, 1984
Assets		
Investments		
Short-term investments	$ 27,826	$ 24,561
Fixed maturities	998,518	724,733
Equity securities	478,446	521,694
Affiliates	118,012	84,167
Cash	11,235	9,155
Property and equipment, net	54,143	48,934
Premiums receivable, net	346,068	273,803
Deferred policy acquisition costs	54,349	43,716
Other assets	56,359	36,014
	$2,144,956	$1,766,777
Liabilities and Shareholder's Equity		
Reserves for losses and loss adjustment expenses	$ 675,659	$ 569,181
Unearned premiums	628,548	503,675
Other liabilities	283,707	200,939
Shareholder's equity	557,042	492,982
	$2,144,956	$1,766,777

Condensed Income Statements
(In thousands)

	Year Ended December 31, 1985	1984	1983
Premiums	$ 999,998	$850,781	$760,219
Net investment income	99,601	90,877	81,868
Equity in earnings of:			
GEFCO	4,661	5,127	3,173
AVEMCO	2,439	1,928	1,002
BIG	702	—	—
Other affiliates	1,611	839	(869)
Total Revenue	1,109,012	949,552	845,393
Losses and loss adjustment expenses	850,649	677,211	567,228
Other expenses	170,911	148,869	154,374
Interest expense	4,812	3,953	4,005
Income tax expense (benefit)	(3,119)	15,518	20,660
Total Benefits and Expenses	1,023,253	845,551	746,267
Operating Earnings	85,759	104,001	99,126
Realized gains	86,923	29,835	17,837
Net Income	$ 172,682	$133,836	$116,963

Parent Company Operations

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

(In thousands)	1985	1984	1983
Net Income — GEICO	$172,682	$133,836	$116,963
Parent company operations:			
Investment income	7,193	7,402	6,911
Operating expenses, net	(6,610)	(4,283)	(6,460)
Interest expense	(16,268)	(13,503)	(12,073)
Tax benefit	6,273	6,913	7,614
Realized gains	4,385	1,055	750
Equity in earnings of affiliates	2,924	(107)	48
Total parent company operations	(2,103)	(2,523)	(3,210)
Net Income — GEICO Corporation	$170,579	$131,313	$113,753

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)	1985	1984	1983
Investments	$ 45.1	$ 30.3	$ 28.7
Total assets	76.1	45.4	40.3
Shareholder's equity	9.7	12.4	12.5
Premiums earned	28.2	15.5	6.2
Underwriting loss	(9.7)	(1.6)	(1.4)
Net investment income	3.7	3.2	2.0
Net income (loss)	(1.6)	1.1	.6

Life Insurance

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

(In millions)	1985	1984	1983
Investments	$ 57.1	$ 36.4	$ 28.4
Total assets	79.4	50.0	42.8
Shareholder's equity	32.1	27.8	26.8
Premiums	49.8	8.7	1.9
Net investment income	5.5	4.0	2.8
Net income (loss)	1.7	1.1	(.1)

Plaza Resources Company

Plaza Resources Company (Plaza), a wholly owned subsidiary, participates in a variety of ventures and investments.

Plaza has invested in oil and gas exploration joint ventures and as of December 31, 1985 Plaza's share of the estimated remaining oil and gas reserves in the commercially producing fields is approximately 100,000 barrels of oil and 1 billion cubic feet of natural gas. All oil and gas ventures are being accounted for by the successful efforts method.

During 1985 Plaza sold its interest in a computer software limited partnership for $5.9 million. The costs associated with the software development had previously been expensed as incurred.

Plaza also is a partner in two real estate projects which are developing and selling timeshare vacation units jointly with GEFCO.

During 1985 Plaza invested $6.0 million in a real estate financing loan due in 1991. Summary financial data for Plaza are as follows:

(In millions)	December 31,	
Condensed Balance Sheets	1985	1984
Investments in:		
Producing oil and gas fields	$ 4.2	$ 6.4
Other oil and gas fields	1.5	1.6
Real estate development partnerships	5.6	6.3
Real estate financing loan	6.0	—
Other assets and liabilities, net	(.4)	(1.6)
Shareholder's equity	$ 16.9	$ 12.7

	Year Ended December 31,		
Condensed Income Statements	1985	1984	1983
Real estate development income	$ 1.1	$ 1.6	$ 1.0
Oil and gas revenue	4.0	.3	—
Sale of computer software interest	5.9	—	—
Computer software costs expensed	—	(1.3)	(2.8)
Oil and gas costs expensed	(2.9)	(1.4)	(1.1)
Income tax benefit (expense)	(2.7)	.6	1.4
Net income (loss)	$ 5.4	$ (.2)	$ (1.5)

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. GEICO received dividends of $2,117,000 in 1985, $620,000 in 1984, and $370,000 in 1983 from GEFCO. Summary financial data for GEFCO are as follows:

(In millions)	December 31,	
Condensed Balance Sheets	**1985**	1984
Cash and investments	**$ 52.0**	$ 59.2
Net finance receivables	**148.1**	128.3
Other assets	**9.0**	6.4
Total assets	**$209.1**	$193.9
Notes and debentures payable	**$ 71.6**	$ 63.0
Liability for savings deposits	**81.9**	78.5
Other liabilities	**9.7**	9.1
Total liabilities	**163.2**	150.6
Redeemable preferred stock	**.9**	1.0
Nonredeemable preferred stock and common shareholder's equity	**45.0**	42.3
Total liabilities and equity	**$209.1**	$193.9

	Year Ended December 31,		
Condensed Income Statements	**1985**	1984	1983
Interest on finance receivables	**$ 25.1**	$ 23.2	$ 22.2
Investment and other income	**15.9**	18.1	13.6
Total revenue	**41.0**	41.3	35.8
Interest and capital financing expenses	**17.5**	15.7	15.2
Other operating expenses	**18.3**	19.5	16.6
Income taxes	**.7**	1.2	.5
Income from continuing operations	**4.5**	4.9	3.5
Discontinued operations	**—**	—	.2
Net income	**$ 4.5**	$ 4.9	$ 3.7

GEICO Corporation's consolidated balance sheet includes investments in GEFCO's bonds of $4,014,945 and $4,604,145 at December 31, 1985 and 1984, 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)	**1985**	1984	1983
Total assets	**$121.4**	$ 94.7	$ 83.8
Shareholders' equity	**51.7**	42.5	38.2
Revenue	**59.4**	48.0	37.5
Net income	**7.6**	6.0	4.1

CRICO received dividends of $604,000 in 1985, $594,000 in 1984, and $458,000 in 1983 from AVEMCO. At December 31, 1985 the total market value of AVEMCO shares held by CRICO was $37.3 million.

Bond Investors Group, Inc.

In January 1985, GEICO acquired a 20% interest in Bond Investors Group, Inc. (BIG), a municipal bond guarantee insurance company, for $15.7 million. GEICO invested an additional $6 million in BIG in December 1985 to maintain a 20% ownership interest. GEICO's equity in BIG's earnings in 1985 approximated $.7 million.

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, 1985 before deferred tax effects consisted of gross gains of $140.2 million and gross losses of $3.9 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 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 $33.2 million and $26.7 million at December 31, 1985 and 1984, 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, 1985 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 revenue is reported net of reinsurance. Dividends to policyholders of $16.1 million were charged to operations in 1983 for 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 the 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, 1985 goodwill on consolidated subsidiaries of $4.6 million is included in other assets and net negative goodwill on unconsolidated affiliates of $1.0 million is reflected in investment in affiliates.

Note C: Statutory Results

Consolidated net income for all property and casualty insurance subsidiaries was $165.4 million in 1985, $134.1 million in 1984, and $110.1 million in 1983 as determined under statutory practices. Consolidated shareholder's equity under statutory practices for these subsidiaries was $583.0 million and $521.8 million at December 31, 1985 and 1984, respectively.

Consolidated life insurance subsidiaries reported net losses of $1.4 million in 1985 and $2.5 million in 1984 as determined under statutory practices. Consolidated shareholder's equity under statutory practices for these subsidiaries was $18.6 million and $18.5 million at December 31, 1985 and 1984, 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 $557.0 million at December 31, 1985, of which approximately $94.5 million is available for payment of dividends in 1986 and other amounts may be available in the form of loans or cash advances. During 1985 the Corporation received $141.5 million in dividends from these subsidiaries.

Note D: Policy Acquisition Costs

Policy acquisition costs information is summarized as follows:

(In thousands)	1985	1984	1983
Policy acquisition costs incurred:			
Commission and brokerage	$ 26,995	$ 14,084	$ 9,713
Premium taxes	23,944	19,226	14,685
Salaries, direct mail selling and other	54,613	49,572	42,470
	$105,552	$ 82,882	$ 66,868
Policy acquisition costs expensed	$ 92,099	$ 75,046	$ 62,525

Note E: Investment Operations

Investment Income

The sources of investment income are summarized as follows:

(In thousands)	1985	1984	1983
Fixed maturities	$ 72,468	$ 63,606	$ 68,583
Equity securities	33,708	34,985	25,572
Short-term investments	16,305	12,988	5,366
Other	577	841	626
Total investment income	123,058	112,410	100,147
Investment expenses	4,746	4,224	3,669
Net investment income	$118,312	$108,186	$ 96,478

There were no investments in fixed maturities which were non-income producing for the twelve month period ended December 31, 1985.

Realized Gains (Losses)

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

(In thousands)	1985	1984	1983
Fixed maturities	$ 17,248	$ (5,916)	$ (19,292)
Equity securities	125,319	50,283	40,271
Other	—	6	120
Equity in affiliates' realized losses	(18)	(90)	(65)
	142,549	44,283	21,034
Income taxes	(49,609)	(13,379)	(2,105)
Realized gains, net of taxes	$ 92,940	$ 30,904	$ 18,929

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)	1985	1984	1983
Increase in unrealized appreciation	$ 36,725	$ 4,913	$ 18,637
Equity in affiliates' unrealized appreciation (depreciation)	1,446	(299)	192
Deferred income taxes	(10,904)	(3,282)	(10,626)
Increase in unrealized appreciation, net of deferred taxes	$ 27,267	$ 1,332	$ 8,203

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)	1985	1984	1983
Market value	$1,164,350	$775,514	$736,818
Amortized cost	1,144,227	798,979	782,495
Unrealized appreciation (depreciation) at December 31	$ 20,123	$ (23,465)	$ (45,677)
Unrealized appreciation during the year	$ 43,588	$ 22,212	$ 15,865

Note F: Income Taxes

Tax Provision

The income tax provision has been computed upon pretax financial reporting income as follows:

(In thousands)	1985	1984	1983
Tax expense (benefit) on:			
Tax basis income (loss)	$(13,642)	$ (3,495)	$ 4,179
Timing differences	4,150	10,437	7,148
Income tax provision	$ (9,492)	$ 6,942	$ 11,327

The current tax benefit in 1985 and 1984 was utilized primarily against current tax expense on realized short-term capital gains.

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)	1985	1984	1983
Income tax provision at 46% of pretax income	$ 31,348	$ 49,381	$ 48,829
Effect of:			
Tax-exempt interest income	(13,394)	(15,225)	(17,210)
Dividends received deduction	(24,141)	(22,564)	(17,736)
Investment tax credit	(1,594)	(1,472)	(979)
Affiliates' undistributed earnings	(1,569)	(2,267)	(1,017)
Capital gains rate differential	(1,974)	(754)	(872)
Other items	1,832	(157)	312
Income tax provision	$ (9,492)	$ 6,942	$ 11,327

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)	1985	1984	1983
Deferral of policy acquisition costs	$ 6,038	$ 3,653	$ 2,160
Deferred compensation	(4,272)	851	(2,242)
Investment tax credit	367	216	248
Tax benefit transfer leases	5,043	5,210	5,622
Policy liabilities	(4,380)	(1,058)	1,102
Other items	1,354	1,565	258
Deferred tax provision	$ 4,150	$ 10,437	$ 7,148

During 1982 the Corporation invested $16.3 million in "safe harbor" tax benefit transfer leases resulting in $5.0 million, $5.2 million and $5.6 million reductions in current income taxes payable for 1985, 1984 and 1983, 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, 1985	1984
Current tax payable (recoverable)	$ 7,013	$ (1,515)
Deferred tax payable	47,611	44,611
Deferred tax related to unrealized appreciation on equity securities	40,759	29,855
Income tax liability	$95,383	$72,951

GEFCO is an unconsolidated affiliate for financial reporting but is included in the Corporation's consolidated U.S. federal income tax return. 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.

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, 1985, 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

Pension Plan

The Corporation and its subsidiaries have a defined benefit noncontributory pension plan covering most full-time employees, the cost of which was $2,285,000 in 1985, $4,005,000 in 1984, and $4,203,000 in 1983 which includes amortization of prior service costs over 30 years. The decrease in pension expense in 1985 resulted from changes in investment and salary assumptions. The plan provides for payment based on salary and years of service. The Corporation makes annual contributions to the plan based on amounts determined by consulting actuaries.

Accumulated plan benefits, as estimated by consulting actuaries, and plan net assets at December 31, 1984 (latest valuation date) and 1983 were as follows:

(In thousands)	December 31, 1984	1983
Actuarial present value of accumulated plan benefits:		
Vested	$35,218	$38,810
Nonvested	6,491	7,882
	$41,709	$46,692
Net assets available for plan benefits	$75,030	$66,262

The assumed rate of return on invested assets used in determining the actuarial present value of accumulated plan benefits was 7½% and 6% for the December 31, 1984 and 1983 valuations, respectively.

Employee Stock Ownership Plan

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. The Trust may borrow money from a bank and use the proceeds to purchase shares of the Corporation's Common Stock. The Corporation guarantees the loans and will make annual contributions sufficient to enable the Trust to repay the loans including interest. The Corporation charged $2,371,000, $2,503,000 and $5,757,000 to expense for amounts contributed to the Trust for 1985, 1984 and 1983 respectively. The obligations of the Trust, $20.0 million and $9.7 million at December 31, 1985 and 1984 respectively, are included in the Corporation's long-term debt and a like amount deducted from shareholders' equity.

Profit Sharing Plan

The Corporation 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 $3,558,000, $3,350,000, and $3,235,000 were charged to expense in 1985, 1984 and 1983, respectively.

Note H: Debt

Debt consists of the following:

(In thousands)	December 31, 1985	1984
GEICO Corporation unsecured debt —		
13½% Debentures, principal due in annual installments from 1989 to 1994	$ 25,000	$ 25,000
15% Debenture due 1997	7,500	7,500
13¾% Debentures due 1999, annual sinking fund requirement 1990-1999 of 10% of principal amount outstanding January 1990	18,123	18,323
11% Debentures due 1999, annual sinking fund requirement 1990-1999 of 10% of principal amount outstanding January 1990	59,454	73,287
Resolute revolving credit agreement, convertible into term notes due quarterly from June 1987 until March 1991	10,700	9,200
Secured debt of real estate subsidiaries —		
GEICO Properties, Inc.:		
8¼% notes, due in equal quarterly installments of $339 including interest, until June 2004	12,793	13,077
8½% note, due in equal quarterly installments of $196 including interest, until May 2004	7,291	7,449
GEICO Washington Properties, Inc.:		
9⅜% note, due in equal monthly installments of $203 including interest, until June 2010	23,355	23,590
Guaranteed bank loans of Employee Stock Ownership Trust	19,989	9,689
Other	100	—
	$184,305	$187,115

During 1985 the Corporation acquired $13.8 million of its 11% Debentures and $.2 million of its 13¾% Debentures. The acquired Debentures are held in treasury and may be used to satisfy future annual sinking fund requirements. The aggregate maturities of long-term debt (assuming the application of the acquired Debentures to the earliest sinking fund requirements and conversion of the Resolute debt into term notes) for the years 1986 through 1990 are: $1,738,368; $3,910,083; $4,542,428; $7,796,792 and $10,655,494, respectively.

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.

During 1985 the Corporation executed a revolving credit and term loan agreement under which the Corporation and/or GEFCO may borrow up to $50 million. The agreement provides for revolving credit loans through March 15, 1988 convertible at that date or earlier into four-year term loans payable in equal quarterly installments. The Corporation pays a commitment fee of ¼ of 1% per annum on the unused credit line. Amounts borrowed by GEFCO under this agreement would be guaranteed by the Corporation. No amounts have been borrowed under this agreement.

At December 31, 1985, Resolute has $10.7 million of debt outstanding under a revolving credit and term loan agreement under which it may borrow up to a total of $12 million, guaranteed by the Corporation. The agreement calls for revolving credit loans through March 31, 1987, convertible at that date or earlier into four-year term loans payable in equal quarterly installments.

Subsequent to December 31, 1985 the holders of the 13¾% Debentures were given notice that the Corporation will redeem all of these outstanding Debentures on March 17, 1986 at a redemption price of 104.5%.

Note I: Shareholders' Equity

Share Acquisitions

The Corporation purchased 1,281,866, 1,763,600, and 1,197,100 shares of Common Stock in 1985, 1984 and 1983, respectively, for an aggregate cost of $86,243,807, $103,026,875, and $70,627,440.

On November 20, 1985 the Board of Directors authorized the purchase of up to 3,000,000 shares of the Corporation's Common Stock from time to time depending on market conditions. No shares were purchased under this authorization as of December 31, 1985 and 154,006 shares were purchased under this authorization as of February 19, 1986.

Stock Options, Stock Appreciation Rights and Performance Shares

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.

Under the Corporation's 1985 Stock Option Plan, options and related stock appreciation rights (SARs) may be granted to officers and key employees for the purchase of Common Stock at 100% or more of the fair market value at the date of grant. The options are exercisable in installments beginning one year from the date of grant and expire not more than 10 years and 1 month 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.

Activity under both Stock Option Plans is summarized as follows:

	Options Available For Grant	Price Per Share On Date of Grant	Options Outstanding
1973 Stock Option Plan:			
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
Exercised	—	6.56 to 23.50	(19,565)
Forfeited	—	16.90	(127)
Balance at December 31, 1985	—	$ 6.56 to $23.50	38,572
1985 Stock Option Plan:			
Available for grant	250,000		
Granted	(150,000)	$59.38	150,000
Balance at December 31, 1984	100,000	59.38	150,000
Granted	(55,532)	69.00 to 76.38	55,532
Forfeited	34,033	59.38 to 69.00	(34,033)
Balance at December 31, 1985	78,501	$59.38 to $76.38	171,499

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, 1985, 190,935 performance share awards were outstanding and 232,191 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 $6,050,630, $2,389,178, and $4,595,242 were made against 1985, 1984 and 1983 earnings, respectively, under the plan. A total of 711,698 authorized shares have been reserved for stock options, performance share awards, and stock appreciation rights.

Warrants

At December 31, 1982 GEICO Corporation had outstanding warrants, exercisable at anytime to August 1, 1983, to purchase 1,054,117 shares of its Common Stock at $24 per share. During 1983, 1,021,948 shares of Common Stock were issued upon the exercise of warrants and the remaining unexercised warrants expired on August 1, 1983.

Note J: Earnings Per Share

The computation of earnings per share is based on the weighted average number of common shares assumed outstanding of 18,429,798 in 1985, 19,660,199 in 1984, and 21,171,702 in 1983.

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 most 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, 1985	December 31, 1984
Policy Liabilities		
Loss and loss adjustment expense reserves	$ 48,854	$ 33,941
Unearned premium reserve	15,187	9,996

(In thousands)	1985	1984	1983
Premiums written	$ 37,900	$ 30,694	$ 20,446
Premiums earned	32,680	27,143	19,908
Loss and loss adjustment expense incurred	31,928	22,457	16,822

Note L: Commitments and Contingencies

Rental expense for all leases was $8,957,000 in 1985, $11,234,000 in 1984, and $10,305,000 in 1983.

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, 1985 for noncancellable leases with a remaining term of at least one year are as follows:

(In thousands)	Total	Building Space	Equipment
1986	$ 5,147	$ 1,604	$ 3,543
1987	5,019	1,494	3,525
1988	2,835	1,182	1,653
1989	1,596	356	1,240
1990	217	51	166
1991-1992	51	51	—
	$ 14,865	$ 4,738	$ 10,127

The Corporation is committed to guarantee up to $25.0 million of GEFCO commercial paper for which the Corporation receives an annual fee of $31,250 plus 1/8 of 1% on the average daily amount of commercial paper outstanding. At December 31, 1985, $17.0 million of GEFCO commercial paper was outstanding.

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: Financial Guarantee Business

The Corporation's property and casualty insurance subsidiaries are engaged in the direct writing and reinsuring of various financial guarantees including municipal bond insurance. Premium revenue is recognized over the length of the guarantee period. Case basis loss reserves are established when there is a default, or knowledge of a potential default, in addition to reserves established based on expected ultimate loss ratios. A summary of amounts related to financial guarantee business at December 31, 1985 is as follows:

(In thousands)	1985
Par value of municipal bond guarantees maturing through 2032	$ 733,389
Dollar value of other financial guarantees	122,545
Unearned premiums	16,364
Premiums earned	2,052
Loss reserves	1,669
Losses incurred	2,288

Note N: 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, personal lines property and casualty insurance is GEICO Corporation's dominant business segment, pursuant to Financial Accounting Standards Board Statement No. 14.

Supplemental Information on the Effects 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. 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 loss of $1.6 million in 1985, compared to a gain of $5.9 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, 1985	1984	1983	1982	1981
Total revenue:					
As reported	$1,219,408	$ 994,971	$872,703	$817,405	$727,453
Adjusted for general inflation	$1,219,408	$1,030,471	$942,308	$910,992	$860,446
Purchasing power gain (loss) during the year:					
As required	$ (1,605)	$ 1,126	$ (2,578)	$ (5,161)	$ (8,769)
Alternative computation	$ 5,935	$ 7,984	$ 3,583	$ 1,222	$ 5,659
Net assets at year end:					
As reported	$ 515,636	$ 420,401	$405,439	$344,797	$238,904
Adjusted for general inflation	$ 515,636	$ 435,401	$437,776	$384,274	$282,580
Operating earnings per share:					
As reported	$ 4.21	$ 5.11	$ 4.48	$ 3.67	$ 2.98
Adjusted for general inflation	$ 4.21	$ 5.29	$ 4.84	$ 4.09	$ 3.52
Net income per share:					
As reported	$ 9.25	$ 6.68	$ 5.37	$ 2.32	$ 3.85
Adjusted for general inflation	$ 9.25	$ 6.92	$ 5.80	$ 2.59	$ 4.55
Cash dividends declared per common share:					
As reported	$ 1.00	$ .88	$ .72	$ .56	$ .48
Adjusted for general inflation	$ 1.00	$ .91	$ .78	$ .62	$ .57
Market price per common share at year end:					
Historical amount	$ 87.00	$ 58.00	$ 58.13	$ 43.00	$ 27.75
Adjusted for general inflation	$ 87.00	$ 60.07	$ 62.77	$ 47.92	$ 32.82
Average consumer price index	322.2	311.1	298.4	289.1	272.4

Quarterly Highlights of Operating Results (Unaudited)

(In millions, except per share results)

	1985				1984			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Revenue								
Premiums	$ 290.4	$ 277.4	$ 264.7	$ 245.6	$ 233.3	$ 221.3	$ 217.3	$ 203.0
Net investment income	31.9	28.7	29.0	28.7	28.6	27.5	25.6	26.4
Affiliates and other	9.5	4.5	4.8	4.1	3.5	3.0	3.1	2.3
Total Revenue	331.8	310.6	298.5	278.4	265.4	251.8	246.0	231.7
Benefits and Expenses								
Losses, life benefits, and loss adjustment expenses	239.3	239.2	227.4	204.6	190.6	175.5	171.8	159.5
Operating expenses	64.0	52.2	50.3	52.3	43.8	42.5	42.9	42.5
Interest expense	6.8	4.3	4.9	6.0	4.7	5.5	4.2	4.1
Income tax expense (benefit)	(1.2)	(2.5)	(2.0)	(3.9)	.9	3.1	1.9	1.1
Total Benefits and Expenses	308.9	293.2	280.6	259.0	240.0	226.6	220.8	207.2
Operating Earnings	22.9	17.4	17.9	19.4	25.4	25.2	25.2	24.5
Realized gains on investments	38.9	22.9	19.5	11.6	7.8	6.0	9.2	8.0
Net Income	$ 61.8	$ 40.3	$ 37.4	$ 31.0	$ 33.2	$ 31.2	$ 34.4	$ 32.5
Per Share Results:								
Operating earnings	$ 1.28	$ .95	$ .96	$ 1.04	$ 1.34	$ 1.30	$ 1.28	$ 1.20
Net income	$ 3.46	$ 2.19	$ 2.00	$ 1.66	$ 1.75	$ 1.61	$ 1.75	$ 1.59

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

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

Richard G. Rosenthal
Private Investor

Louis A. Simpson
Vice Chairman of the Board,
GEICO Corporation

Joseph J. Sisco
Partner, Sisco Associates

William B. Snyder
Chairman of the Board, President and
Chief Executive Officer,
GEICO Corporation

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

Walter E. Washington
Counsel, Burns Summit Rovins & Feldesman

Frank A. Weil
Chairman of the Board and Chief Executive Officer,
Abacus & Associates

H. Edward Wrapp
Retired-Professor Emeritus 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 11 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 controls 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*

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*

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, Vice 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; approves or recommends to the Board amendments to the employee benefit plans; elects all officers except the Chairman of the Board, Vice 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 Meeting 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
(At February, 1988)

Government Employees Insurance Company

William B. Snyder
Chairman and Chief Executive Officer

Eugene J. Meyung
President

Senior Vice Presidents
Richard C. Lucas
Olza M. Nicely
Ross D. Pierce
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
Harry I. Bond*
Marion E. Byrd
Noel A. Chandonnet
Edward J. Clark
Theodore F. Culp
Charles R. Davies*
Herbert L. De Prenger
James G. Goss*
Herbert M. Holtzman, Jr.
Alvin Kaltman
Merrill D. Knight, III
Alan R. Ledbetter
Andrew J. Lyons, Jr.
Donald D. Messmer
Richard A. Ollen
William E. Roberts
Thomas M. Wells*
Controller
Patrick E. Wilson

Treasurer
Albert M. McKenney*

Secretary
John M. O'Connor*

GEICO Corporation

William B. Snyder
Chairman, President and Chief Executive Officer

Louis A. Simpson
Vice Chairman and Chairman of the Finance Committee of the Board of Directors

*Officers of GEICO Corporation with title shown.

Criterion Insurance Company And Criterion Casualty Company

William B. Snyder
Chairman

Edward H. Utley
President

GEICO General Insurance Company

William B. Snyder
Chairman and Chief Executive Officer

James E. Reagan
President

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

International Insurance Underwriters, Inc.

William B. Snyder
Chairman

John M. Avery
President

Financial Insurance Risk Management, Inc.

John J. Krieger
Chairman

Dennis J. Layne
President and Chief Executive Officer

Annual Meeting

The Annual Meeting of Shareholders of GEICO Corporation will be held on April 16, 1986, 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 Accountants

The financial statements contained in this report have been examined by Ernst & Whinney, GEICO Corporation's independent accountants who have been appointed by the Board of Directors, subject to ratification by the shareholders, to examine the Corporation's 1986 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, 1986, 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.

Exhibit 24

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in Registration Statement No. 2-83426 on Form S-8 dated December 30, 1983 and in Registration Statement No. 2-68792 on Form S-8 dated March 31, 1983 and in Registration Statement No. 2-99661 on Form S-8 dated September 2, 1985 of our report on the financial statements and schedules included in the Annual Report on Form 10-K of GEICO Corporation for the year ended December 31, 1985.

Ernst & Whinney

ERNST & WHINNEY

Washington, D.C.
March 31, 1986

CONSOLIDATED ANNUAL STATEMENT FOR THE YEAR 1985 OF THE GOVERNMENT EMPLOYEES INSURANCE COMPANY

SCHEDULE O—PART 1—LOSS DEVELOPMENT

(000 omitted)

1	2 Losses paid during the year less reinsurance received during the year (a): On losses incurred during 1985	3 On losses incurred during 1984	4 On losses incurred prior to 1984	5 Salvage and subrogation received in the current year: On losses incurred during 1985	6 On losses incurred during 1984	7 On losses incurred prior to 1984	8 Total (Col. 2+3+4−5−6−7) net disbursements per Col. 4 Part 3	9 Losses paid during 1984 on losses incurred prior to 1984 (Col. 3+4, Sch. O, 1984)	10 Losses unpaid December 31 of current year: On losses incurred during 1985	11 On losses incurred during 1984	12 On losses incurred prior to 1984	13 Total per Col. 5, Part 3A (Col. 10+11+12)	14 Development: On losses incurred prior to 1985 (Col. 3+4+11+12)	15 On losses incurred prior to 1984 (Col. 4+9+12)	16 Estimated liability on unpaid losses: Dec. 31, 1984 per Col. 5, Part 3A, 1984	17 Dec. 31, 1983 per Col. 5, Part 3A, 1983	18 Change in such estimated liability: Dec. 31, 1984 (Col. 14 less Col. 16)	19 Dec. 31, 1983 (Col. 15 less Col. 17)
1 Fire	1,393	849	210	-0-	-0-	-0-	2,452	525	1,690	590	142	2,422	1,791	877	1,909	1,230	-118	-353
2 Allied lines	1,139	118	34	-0-	-0-	-0-	1,291	313	387	112	6	505	270	353	447	727	-177	-374
9 Inland marine	1,188	321	11	-0-	-0-	-0-	1,520	317	458	31	67	556	425	385	396	424	29	-39
12 Earthquake	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	8	-0-	-0-	8	-0-	-0-	-0-	5	-0-	-5
13 Group accident and health	470	219	-0-	-0-	-0-	-0-	689	-0-	1,001	383	-0-	1,384	602	-0-	475	-0-	127	-0-
14 Credit accident and health (group and individual)**																		
15 Other accident and health	150	171	11	-0-	-0-	-0-	332	96	168	9	-0-	177	191	105	211	97	-20	8
21 Auto phys. damage	235,498	27,913	481	14,712	14,075	3,209	231,896	23,906	40,233	645	1,562	42,440	30,681	25,959	35,382	29,357	-4,701	-3,400
23 Fidelity	636	-0-	-0-	-0-	-0-	-0-	636	-0-	1,074	100	-0-	1,174	100	-0-	102	-0-	-2	-0-
24 Surety	904	207	181	-0-	-0-	-0-	1,292	-0-	2,680	283	117	3,080	788	290	359	-0-	429	290
25 Glass																		
26 Burglary and theft	12	-0-	-0-	-0-	-0-	-0-	12	-0-	21	-0-	-0-	21	-0-	-0-	11	7	-11	-7
28 Credit	-0-	11	60	-0-	-0-	-0-	71	30	198	181	52	431	304	142	292	30	12	112
29 International	1,487	1,122	696	-0-	-0-	-0-	3,305	370	2,951	830	283	4,064	2,929	1,547	2,127	-0-	802	1,547
30 Reinsurance (excess & catastrophe)	1,137	1,434	1,310	-0-	-0-	-0-	3,881	1,008	16,754	6,175	1,628	24,557	10,547	3,946	8,368	4,339	2,179	-393
31 TOTALS	244,214	32,365	2,992	14,712	14,075	3,209	247,575	26,750	67,603	9,319	3,852	80,774	40,548	33,602	49,999	36,216	-9,451	-2,614

(a) Reinsurance as used in Columns 2, 3 and 4 include (1) received in cash, and (2) recoverable (charged during year of statement) and carried as a ledger asset.

**Business not exceeding 120 months duration.

SCHEDULE O—PART 2—LOSS EXPENSE DEVELOPMENT (000 omitted)

1	2 Allocated loss expense payments during the year: On losses incurred during 1985	3 On losses incurred during 1984	4 On losses incurred prior to 1984	5 Unallocated loss expense payments during the year (a): On losses incurred during 1985	6 On losses incurred during 1984	7 On losses incurred prior to 1984	8 Total (Col. 2+3+4+5+6+7) net disbursements	9 Loss expenses paid during 1984 on losses incurred prior to 1984 (Col. 3+4+6+7, Schedule O, Part 2, 1984)	10 Unpaid loss adjustment expenses December 31 of current year: On losses incurred during 1985	11 On losses incurred during 1984	12 On losses incurred prior to 1984	13 Total per Col. 6, Part 3A (Col. 10+11+12)	14 Development: On losses incurred prior to 1985 (Col. 3+4+6+7+11+12)	15 On losses incurred prior to 1984 (Col. 4+7+9+12)	16 Estimated liability on unpaid loss adjustment expenses: Dec. 31, 1984 per Col. 6, Part 3A, 1984	17 Dec. 31, 1983 per Col. 6, Part 3A, 1983	18 Change in such estimated liability: Dec. 31, 1984 (Col. 14 less Col. 16)	19 Dec. 31, 1983 (Col. 15 less Col. 17)
1 Fire	50	30	24	90	32	1	227	58	96	12	10	118	109	93	119	115	-10	-22
2 Allied lines	35	10	4	86	10	2	147	73	61	1	1	63	28	80	67	95	-39	-15
9 Inland marine	20	11	2	114	22	1	170	40	48	2	4	54	42	47	54	54	-12	-7
10																		
12 Earthquake																		
13 Group accident and health	9	3	-0-	5	1	-0-	18	-0-	14	4	-0-	18	8	-0-	5	-0-	3	-0-
14 Credit accident and health (group and individual)**																		
15 Other accident and health	-0-	-0-	-0-	1	1	-0-	2	-0-	2	-0-	-0-	2	1	-0-	1	1	-0-	-1
21 Auto phys. damage	1,297	470	86	22,503	2,976	141	27,473	3,221	3,248	101	156	3,505	3,930	3,604	3,040	2,100	890	1,504
23 Fidelity	6	-0-	-0-	3	-0-	-0-	9	-0-	16	-0-	-0-	16	-0-	-0-	1	-0-	-1	-0-
24 Surety	11	2	2	3	1	-0-	19	-0-	26	4	2	32	11	4	4	-0-	7	4
25 Glass																		
26 Burglary and theft																		
28 Credit	-0-	-0-	1	-0-	-0-	-0-	1	-0-	3	3	-0-	6	4	1	3	1	1	-0-
29 International	20	19	12	8	11	1	71	4	45	12	4	61	59	21	21	-0-	38	21
30 Reinsurance (excess & catastrophe)	13	16	17	6	6	9	67	9	50	22	17	89	87	52	35	20	52	32
31 TOTALS	1,461	561	148	22,819	3,060	155	28,204	3,405	3,609	161	194	3,964	4,279	3,902	3,350	2,386	929	1,516

(a) See Schedule P – Part 1I footnote (g) for method of distribution

**Business not exceeding 120 months duration.

Exhibit 29: Information from reports furnished to state insurance regulatory authorities

CONSOLIDATED ANNUAL STATEMENT FOR THE YEAR 1985 OF THE GOVERNMENT EMPLOYEES INSURANCE COMPANY

SCHEDULE O—PART 3—SUMMARY—LOSS AND LOSS EXPENSE

(000 omitted)

	1 Years in Which Premiums Were Earned and Losses Were Incurred	2 Premiums Earned	3 Loss Payments (b)	3a Salvage Received (c)	(d) Loss Expense Payments: 4 Allocated	4a Ratio 4 ÷ 3 %	5 (g) Unallocated	5a Ratio 5 ÷ 3 %	6 Loss and Loss Expense Payments (3 + 4 + 5)	7 Ratio 6 ÷ 2 %	8	9 Losses Unpaid	10 (d) Loss Expense Unpaid	11 Total Losses and Loss Expense Incurred (6 + 9 + 10)	12 Ratio 11 ÷ 2 %
1	Prior to 1976	-	1,572	8,956	416	-	857	-	2,883	-	XXX	6	-0-	2,889	-
2	1976	214,616	181,924	12,389	4,162	2.3	26,093	14.3	212,179	98.9	XXX	83	10	212,272	98.9
3	1977	171,006	115,255	16,652	2,564	2.2	21,173	18.4	138,992	81.3	XXX	82	9	139,083	81.3
4	1978	185,475	125,402	18,468	3,008	2.4	17,512	14.0	145,922	78.7	XXX	84	9	146,015	78.7
5	1979	192,382	139,642	18,108	2,897	2.1	19,534	14.0	162,073	84.2	XXX	83	10	162,166	84.3
6	1980	205,038	146,974	17,630	2,085	1.4	20,419	13.9	169,478	82.6	XXX	230	22	169,730	82.8
7	1981	224,476	161,500	19,675	1,857	1.1	19,183	11.9	182,540	81.3	XXX	285	37	182,862	81.5
8	1982	262,906	195,056	22,002	1,664	.9	18,869	9.7	215,589	82.0	XXX	458	40	216,087	82.2
9	1983	264,203	190,178	26,106	1,527	.8	21,427	11.3	213,132	80.7	XXX	2,527	66	215,725	81.7
10	1984	324,280	236,227	27,056	2,016	.9	24,501	10.4	262,744	81.0	XXX	9,339	181	272,264	84.0
11	1985	402,052	244,214	16,712	1,461	.6	22,819	9.3	268,494	66.8	XXX	67,603	3,610	339,707	84.5
12	TOTALS	2,446,454	1,737,552	199,632	23,655	1.4	212,407	12.2	1,974,014	80.7		80,792	3,966	2,058,770	84.2

(b) Include amounts reportable in Cols. 2, 3 and 4 of Schedule O Part 1. (For lines other than current year, amounts reported herein should include loss payments made in prior years as well as loss payments made in current year.)

(c) Include amounts reportable in Cols. 5, 6 and 7 of Schedule O Part 1. (For lines other than current year, amounts reported herein should include salvage received in prior years as well as salvage received in current year.)

(d) The term "loss expense" includes all payments for legal expenses, including attorney's and adjusters' fees and court costs, salaries and expenses of investigators, adjusters and field men, rents, stationery, telegraph and telephone charges, postage, salaries and expenses of office employees, home office expenses and all other payments made on account of such losses, whether the payments are allocated to specific claims or are unallocated. Are they so reported in this statement? Answer: Yes

(g) The unallocated loss expense payments paid during the most recent calendar year should be distributed to the various years in which losses were incurred as follows: (1) 45% to the most recent year, (2) 5% to the next most recent year, and (3) the balance to all years, including the most recent, in proportion to the amount of loss payments paid for each year during the most [illegible] calendar year. If the distribution in (1) or (2) produces an accumulated distribution to such year in excess of 10% of the premiums earned for such year, disregarding all distributions made under (3), such accumulated distribution should be limited to 10% of premiums earned and the balance distributed in accordance with (3). Are they so reported in this Statement? Answer: Distribution under (3) were proportioned to salvage and subrogation recoveries plus gross payments prior to deduction for salvage and subrogation.

CONSOLIDATED ANNUAL STATEMENT FOR THE YEAR 1985 OF THE GOVERNMENT EMPLOYEES INSURANCE COMPANY

SCHEDULE P—PART 1—SUMMARY

1 Years in Which Premiums Were Earned and Losses Were Incurred	2 Premiums Earned	3 Loss Payments	(a) Loss Expense Payments: 4 Allocated	4a Ratio 4÷3 %	5 (a) Unallocated	5a Ratio 5÷3 %	6 Loss and Loss Expense Payments (3+4+5)	7 Ratio 6÷2 %	8 Number of Claims Outstanding	9 Losses Unpaid	10 (a) Loss Expense Unpaid	11 Total Losses and Loss Expense Incurred (6+9+10)	12 Ratio 11÷2 %
PR TO 76	2,491,621,945	1,947,022,098	195,069,220	9.9	187,880,063	9.6	2,349,971,373	87.2	174	3,199,194	584,928	2,353,076,417	87.4
1976	409,029,778	312,918,449	24,465,751	7.8	38,535,379	12.3	375,919,770	91.9	128	1,026,969	169,396	377,116,135	92.2
1977	344,480,416	209,599,597	15,790,547	7.5	32,135,109	15.3	257,525,253	74.8	154	1,222,580	115,479	260,002,412	[illegible]
1978	377,727,497	222,635,626	17,604,133	7.9	35,606,269	15.9	275,728,927	73.0	224	1,025,787	296,500	278,046,122	[illegible]
1979	394,974,659	248,176,461	17,139,712	6.9	38,298,712	15.4	303,610,885	76.9	519	2,267,324	657,581	307,411,[illegible]	[illegible]
1980	400,851,470	263,763,464	15,887,149	6.0	38,889,746	14.7	318,480,559	[illegible]	477	4,071,003	1,120,455	324,172,[illegible]	[illegible]
1981	418,356,773	270,871,113	14,920,277	5.5	38,994,159	14.4	332,785,549	[illegible]	1,126	14,824,[illegible]	2,105,208	349,497,[illegible]	[illegible]
1982	450,382,847	287,741,406	13,236,728	4.6	39,849,856	13.8	340,827,986	75.6	2,757	32,037,626	4,043,821	377,130,435	[illegible]
1983	483,921,712	293,898,465	10,012,321	3.7	40,171,821	13.7	344,082,585	71.[illegible]	5,642	67,822,074	9,060,143	416,955,806	[illegible]
1984	535,027,953	270,000,156	6,711,333	2.3	37,648,913	12.9	315,250,481	62.[illegible]	12,316	127,421,[illegible]	18,121,[illegible]	481,793,717	90.1
1985	627,714,819	197,315,595	2,877,192	1.5	38,688,817	15.6	238,881,604	36.0	60,605	336,374,819	46,007,618	601,263,041	96.2
TOTALS	7,134,310,307	4,671,969,691	334,496,317	7.3	457,795,061	12.2	5,464,261,092	76.6	85,737	576,469,261	86,690,138	6,126,320,206	XXX

SCHEDULE P—PART 1A—AUTO LIABILITY†

1	2	3	4	4a	5	5a	6	7	8	9	10	11	12
PR TO 76	2,321,341,761	1,864,795,164	188,801,029	10.1	175,905,442	9.4	2,229,501,036	88.2	166	3,296,267	494,433	2,233,292,536	88.4
1976	377,004,492	292,664,930	22,073,310	7.6	35,184,417	12.0	350,722,693	93.0	122	981,170	188,973	351,087,016	[illegible]
1977	320,384,831	196,384,638	14,580,813	7.4	29,584,459	15.1	240,477,[illegible]	[illegible]	147	2,152,012	327,442	242,957,[illegible]	[illegible]
1978	351,187,444	208,259,973	16,766,704	8.1	33,330,770	16.0	258,357,447	73.6	217	1,974,079	202,281	260,594,[illegible]	[illegible]
1979	365,261,405	225,944,364	15,989,139	7.1	35,501,587	15.7	277,437,090	[illegible]	365	2,736,103	419,348	280,592,626	[illegible]
1980	363,030,402	235,515,340	15,060,181	6.9	35,170,740	15.1	282,575,261	77.[illegible]	501	5,572,057	852,742	288,999,060	[illegible]
1981	377,548,455	251,359,645	12,993,229	5.2	35,123,227	14.[illegible]	299,476,102	77.4	1,251	13,107,070	2,077,[illegible]	314,666,017	[illegible]
1982	398,782,334	259,479,700	11,894,993	4.6	34,832,035	13.4	306,207,520	76.8	2,624	28,464,971	4,432,511	339,505,010	[illegible]
1983	420,456,555	262,546,374	9,361,700	3.6	36,590,005	13.9	308,526,969	72.[illegible]	4,981	64,247,241	8,385,066	371,160,076	[illegible]
1984	476,583,162	258,765,705	5,561,760	2.1	34,374,537	13.3	298,701,942	62.7	12,093	120,796,046	18,367,[illegible]	437,861,[illegible]	91.9
1985	560,071,444	165,745,021	2,114,204	1.3	27,520,442	16.6	195,380,649	34.9	57,126	304,050,307	43,744,672	543,193,428	97.0
TOTALS	6,545,657,251	4,219,423,661	314,804,400	7.5	613,323,460	12.2	5,047,551,522	77.1	79,592	537,793,641	79,644,503	5,664,989,746	86.8

COMPUTATION OF EXCESS OF STATUTORY RESERVE OVER STATEMENT RESERVES—AUTO LIABILITY

1985 $ -0- 1984 $ -0- 1983 $ -0- Total $ -0- Calculation Method— 74.7 % of Column 2, less Column 11, if negative enter zero. See Note a

SCHEDULE P—PART 1B—OTHER LIABILITY†

1	2	3	4	4a	5	5a	6	7	8	9	10	11	12
PR TO 76	4,565,317	1,430,777	303,509	21.2	330,595	23.1	2,064,881	44.2	0	0	0	2,064,881	44.2
1976	275,917	245,417	37,761	15.4	34,039	13.9	317,237	115.0	1	11,217	4,595	333,049	120.7
1977	282,718	280,447	44,373	15.5	43,902	15.2	377,322	134.1	0	0	0	377,322	[illegible]
1978	309,481	55,667	14,100	25.5	26,195	47.1	96,042	31.0	1	2,479	1,211	99,732	32.2
1979	748,743	399,[illegible]	252,476	63.1	59,103	14.8	711,647	95.0	13	250,478	108,351	1,070,476	143.0
1980	1,521,194	298,760	287,292	94.2	66,916	22.4	652,868	42.9	32	436,933	189,665	1,279,466	84.1
1981	1,396,730	138,660	76,890	55.5	38,074	27.5	253,624	18.2	28	511,152	223,136	987,910	[illegible]
1982	1,243,502	238,161	75,771	32.9	62,419	27.1	368,351	29.2	15	717,217	346,271	1,431,839	[illegible]
1983	1,055,560	217,298	63,573	24.7	77,947	35.9	358,811	33.9	16	881,742	360,530	1,599,093	[illegible]
1984	1,033,104	92,124	13,072	14.2	61,813	67.1	167,009	16.2	11	682,226	208,224	869,959	84.2
1985	447,440	4,943	3,979	80.5	46,993	950.7	65,916	12.0	14	381,086	115,717	562,838	[illegible]
TOTALS	12,739,885	3,402,335	1,163,296	34.2	848,876	24.9	5,413,707	42.5	131	3,702,970	1,857,706	10,974,383	85.8

COMPUTATION OF EXCESS OF STATUTORY RESERVE OVER STATEMENT RESERVES—OTHER LIABILITY

1985 $ -0- 1984 $ -0 1983 $ -0- Total $ -0- Calculation Method— 60.0 % of Column 2, less Column 11, if negative enter zero. See Note a

† See Schedule P Part II for footnotes

CONSOLIDATED ANNUAL STATEMENT FOR THE YEAR 1985 OF THE GOVERNMENT EMPLOYEES INSURANCE COMPANY

SCHEDULE P—PART 1C—MEDICAL MALPRACTICE

	1 Years in Which Premiums Were Earned and Losses Were Incurred	2 Premiums Earned	3 Loss Payments	(4) Loss Expense Payments: 4 Allocated	4a Ratio 4÷3 %	5 (a) Unallocated	5a Ratio 5÷3 %	6 Loss and Loss Expense Payments (3+4+5)	7 Ratio 6÷2 %	8 Number of Claims Outstanding	9 (a) Losses Unpaid	10 (a) Loss Expense Unpaid	11 Total Losses and Loss Expense Incurred (6+9+10)	12 Ratio 11÷2 %	
1	Prior to 1976														1
2	1976														2
3	1977														3
4	1978														4
5	1979														5
6	1980							NONE							6
7	1981														7
8	1982														8
9	1983														9
10	1984														10
11	1985														11
12	TOTALS													XXX	12

COMPUTATION OF EXCESS OF STATUTORY RESERVE OVER STATEMENT RESERVES—MEDICAL MALPRACTICE

1985 $ 1984 $ 1983 $ Total $ Calculation Method — % of Column 2, less Column 11, if negative enter zero. See Note a.

SCHEDULE P—PART 1D—WORKERS' COMPENSATION

1	2	3	4	4a	5	5a	6	7	8	9	10	11	12
PR TO 76	0	0	0	.0	0	.0	0	.0	0	0	0	0	.0
1976	0	0	0	.0	0	.0	0	.0	0	0	0	0	.0
1977	11,599	2,658	913	34.3	287	10.8	3,858	33.3	0	0	0	3,858	33.3
1978	57,112	345	1,315	380.9	128	37.1	1,787	3.1	0	0	0	1,787	3.1
1979	77,958	21	0	.0	271	1,290.5	292	.4	0	0	0	292	.4
1980	87,252	0	0	.0	59	.0	59	.1	0	0	0	59	.1
1981	96,888	4,00[illegible]	0	.0	183	2.7	4,1[illegible]	[illegible]	0	0	0	4,1[illegible]	[illegible]
1982	102,169	12,66[illegible]	446	3.5	285	2.4	13,6[illegible]	[illegible]	0	0	0	13,6[illegible]	[illegible]
1983	75,383	1,75[illegible]	0	.0	524	[illegible]	1,427	[illegible]	0	0	0	1,427	[illegible]
1984	118,232	7,624	207	2.7	95	1.2	7,924	[illegible]	0	0	0	7,924	[illegible]
1985	141,845	0	0	.0	0	.0	0	.0	0	3,750	5,250	9,000	[illegible]
TOTALS	782,358	26,766	2,888	11.2	1,676	6.3	30,222	3.9	0	3,750	5,250	40,222	[illegible]

COMPUTATION OF EXCESS OF STATUTORY RESERVE OVER STATEMENT RESERVES—WORKERS' COMPENSATION

1985 $ 90,399 1984 $ 64,766 , 1983 $ 51,620 Total $ 206,594 Calculation Method — 65.0% % of Column 2, less Column 11, if negative enter zero. See Note a. (a)65.0% applied to each company.

SCHEDULE P—PART 1E—FARMOWNERS MULTIPLE PERIL, HOMEOWNERS MULTIPLE PERIL, COMMERCIAL MULTIPLE PERIL, OCEAN MARINE, AIRCRAFT (ALL PERILS) AND BOILER AND MACHINERY

1	2	3	4	4a	5	5a	6	7	8	9	10	11	12
PR TO 76	161,512,865	108,794,150	6,964,482	5.9	11,643,826	11.4	130,404,658	73.2	0	182,049	18,495	118,510,802	73.2
1976	31,747,369	20,888,285	1,554,632	7.8	3,316,923	14.6	25,879,840	78.5	2	32,302	7,027	24,914,069	78.5
1977	23,880,884	13,803,657	1,156,849	8.9	2,506,460	19.3	16,644,966	70.0	3	49,476	7,429	16,745,071	70.0
1978	26,203,840	14,319,540	801,935	5.6	2,169,177	15.1	17,290,651	66.0	6	45,489	13,854	17,350,104	66.2
1979	29,398,273	21,829,887	898,897	4.1	2,334,471	12.8	25,461,854	86.6	32	240,851	29,857	25,739,766	87.6
1980	34,632,642	29,869,644	1,739,636	5.8	3,644,071	12.2	35,253,371	101.9	24	541,292	74,020	35,692,713	103.1
1981	39,495,680	27,368,885	1,850,158	6.8	3,632,750	13.3	32,851,713	83.2	64	985,676	82,659	37,639,724	95.3
1982	50,314,842	28,818,680	1,265,513	4.5	4,154,297	14.8	33,439,491	66.5	107	2,455,430	265,030	36,158,960	71.9
1983	54,334,236	30,316,528	1,396,960	4.6	3,496,744	11.6	35,208,232	64.8	125	2,493,891	293,045	38,195,264	70.3
1984	57,301,456	32,822,703	1,138,353	3.6	3,212,469	10.8	36,373,524	63.5	212	6,122,451	660,390	43,656,333	76.2
1985	66,511,308	31,566,833	758,927	2.4	3,113,382	9.9	35,437,140	53.3	3,361	21,925,756	2,112,979	59,482,875	89.4
TOTALS	675,538,814	349,117,938	18,525,741	5.3	43,622,771	12.8	411,266,442	73.8	3,994	34,962,892	3,462,896	449,491,930	XXX

SCHEDULE P—PART 1F—INCURRED BUT NOT REPORTED LOSSES

1 Year in Which Losses Were Incurred			(h) Incurred But Not Reported Losses Unpaid Included in Column 9 of:				(i) One Year Development of IBNR Losses Included in Columns 3 and 9 of:					
		2 Part 1A	3 Part 1B	4 Part 1C	5 Part 1D	6 Part 1E	7 Part 1A	8 Part 1B	9 Part 1C	10 Part 1D	11 Part 1E	
1	Prior to 1976	1,693,650	-0-	-0-	-0-	22,896	21,198	-0-	-0-	-0-	35,856	1
2	1976	-633	-0-	-0-	-0-	19,060	16,210	-0-	-0-	-0-	3,524	2
3	1977	496,469	-0-	-0-	-0-	-0-	65,014	-0-	-0-	-0-	8,809	3
4	1978	339,279	-0-	-0-	-0-	7,632	59,104	-0-	-0-	-0-	3,339	4
5	1979	291,069	60,886	-0-	-0-	17,172	265,705	95,000	-0-	-0-	31,446	5
6	1980	455,199	203,508	-0-	-0-	35,298	391,646	23,500	-0-	-0-	68,458	6
7	1981	711,216	332,660	-0-	-0-	115,201	460,025	17,509	-0-	-0-	33,032	7
8	1982	908,907	473,953	-0-	-0-	442,016	1,842,390	212,079	-0-	-0-	166,099	8
9	1983	3,303,481	766,779	-0-	-0-	650,600	5,872,613	56,079	-0-	-0-	271,169	9
10	1984	13,114,195	346,838	-0-	-0-	2,616,268	48,404,540	20,000	-0-	-0-	2,000,583	10
11	1985	69,765,372	251,015	-0-	9,750	10,781,082	XXX	XXX	XXX	XXX	XXX	11
12	TOTALS	90,969,619	2,419,639	-0-	9,750	14,707,307	57,198,261	423,788	-0-	-0-	2,670,396	12

Footnotes

(c) The percentage to be used is based on the company's actual loss ratios in the five years immediately prior to the most recent three, provided that at least three of the five years have at least $1 million in Column 2. Use the lowest ratio in Column 12 for these years using only years which have at least $1 million in Column 2. If the lowest qualifying ratio is less than 60%, then use 60% (65% for Workers' Compensation). If the lowest qualifying ratio is more than 75%, then use 75%. If at least three of the five years do not have at least $1 million in Column 2, use 60% (65% for Workers' Compensation). Round percentage to nearest tenth of one percent. Indicate percentage used

(d) The term "loss expense" includes all payments for legal expenses, including attorney's and witness fees and court costs, salaries and expenses of investigators, adjusters and field men, rents, stationery, telegraph and telephone charges, postage, salaries and expenses of office employees, home office expenses and all other payments under or on account of such injuries, whether the payments are allocated to specific claims or are unallocated. Are they so reported in this statement? Answer Yes

(f) State the maximum rate of interest used in determining present values of future workers' compensation payments (Part 1D) 0 % and which of Parts 1A, 1B, 1C and 1E, if any, include reserves for unpaid losses that are gross (before) discount for the present value of future payments where the reserves for those losses are carried net of (after) such discount in the liabilities shown on Page 10. Answer. None

(g) The unallocated loss expense payments paid during the most recent calendar year should be distributed to the various years in which losses were incurred as follows. (1) 45% to the most recent year, (2) 5% to the next most recent year, and (3) the balance to all years, including the most recent, in proportion to the amount of loss payments paid for each year during the most recent calendar year. If the distribution in (1) or (2) produces an accumulated distribution to such year in excess of 10% of the premiums earned for such year, disregarding all distributions made under (3), such accumulated distribution should be limited to 10% of premiums earned and the balance distributed in accordance with (3). Are they so reported in this Statement? Answer See below

(h) Totals on line 12 to agree with the reserve shown on Page 10, Columns 4a + 4b − 4c of this statement. The IBNR reserve estimates in Columns 2 through 6 should be sufficient to cover claims which may be reopened in future periods.

(i) Include payments and reserves in respect to losses incurred more than one year prior to the date of this statement and reported during the current year. Includes only bodily injury liability prior to 1971

For lines of business for which there are no loss payments item (g-3) was distributed to the latest accident year.

SCHEDULE P—PART 2—SUMMARY

	1 Years in Which Losses Were Incurred	Incurred Losses and Loss Expenses Reported at end of year (000 omitted)						Incurred Loss and Loss Expense Ratios Reported					
		2 1980	3 1981	4 1982	5 1983	6 1984	7 1985	8 1980	9 1981	10 1982	11 1983	12 1984	13 1985
1	Prior to 1980	3,421,214	3,409,024	3,594,148	3,582,277	3,581,451	3,576,551	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2	1980	343,385	343,231	334,[illegible]45	329,881	327,224	326,172	85.6	85.8	83.5	82.5	81.8	81.5
3	Cumulative Total	3,964,599	3,952,255	3,928,210	3,912,158	3,908,675	3,902,723	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
4	1981	XXXX	371,745	366,531	358,225	351,719	349,497	XXXX	89.1	87.6	85.6	84.1	83.5
5	Cumulative Total	XXXX	4,324,300	4,294,741	4,270,383	4,260,394	4,252,220	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
6	1982	XXXX	XXXX	403,263	386,333	375,579	377,109	XXXX	XXXX	89.5	85.8	83.4	83.7
7	Cumulative Total	XXXX	XXXX	4,698,004	4,656,716	4,635,973	4,629,329	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
8	1983	XXXX	XXXX	XXXX	427,413	409,417	410,953	XXXX	XXXX	XXXX	88.3	84.6	84.9
9	Cumulative Total	XXXX	XXXX	XXXX	5,084,129	5,045,390	5,040,282	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
10	1984	XXXX	XXXX	XXXX	XXXX	492,060	481,794	XXXX	XXXX	XXXX	XXXX	92.0	90.1
11	Cumulative Total	XXXX	XXXX	XXXX	XXXX	5,537,450	5,522,076	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
12	1985	XXXX	XXXX	XXXX	XXXX	XXXX	603,244	XXXX	XXXX	XXXX	XXXX	XXXX	94.2

SCHEDULE P—PART 2A—AUTO LIABILITY

1	Prior to 1980	3,415,593	3,403,248	3,348,127	3,375,687	3,374,597	3,369,326	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2	1980	309,923	306,109	297,197	292,529	290,384	289,000	85.2	86.1	81.7	86.4	79.8	79.4
3	Cumulative Total	3,725,516	3,709,357	3,645,324	3,668,216	3,664,981	3,658,326	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
4	1981	XXXX	334,703	330,353	322,452	316,764	314,466	XXXX	88.9	87.5	85.4	83.9	83.4
5	Cumulative Total	XXXX	4,044,063	4,015,677	3,990,668	3,981,745	3,973,192	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
6	1982	XXXX	XXXX	363,652	347,785	338,023	339,505	XXXX	XXXX	86.9	87.2	84.8	85.2
7	Cumulative Total	XXXX	XXXX	4,379,329	4,338,453	4,319,768	4,312,697	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
8	1983	XXXX	XXXX	XXXX	388,131	370,114	371,160	XXXX	XXXX	XXXX	90.6	86.4	86.6
9	Cumulative Total	XXXX	XXXX	XXXX	4,726,584	4,689,882	4,683,857	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
10	1984	XXXX	XXXX	XXXX	XXXX	447,156	437,861	XXXX	XXXX	XXXX	XXXX	93.8	91.9
11	Cumulative Total	XXXX	XXXX	XXXX	XXXX	5,137,038	5,121,718	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
12	1985	XXXX	XXXX	XXXX	XXXX	XXXX	543,193	XXXX	XXXX	XXXX	XXXX	XXXX	97.0

SCHEDULE P—PART 2B—OTHER LIABILITY

1	Prior to 1980	3,175	3,280	3,446	3,856	3,669	3,953	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2	1980	1,317	1,229	1,206	1,528	1,173	1,279	86.6	80.8	79.3	106.4	77.1	84.1
3	Cumulative Total	4,492	4,509	[illegible]	5,384	4,842	5,232	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
4	1981	XXXX	1,101	1,167	1,449	1,014	988	XXXX	78.9	83.5	103.7	72.6	70.7
5	Cumulative Total	XXXX	5,610	5,839	6,832	5,856	6,220	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
6	1982	XXXX	XXXX	1,274	1,640	1,468	1,432	XXXX	XXXX	100.8	129.8	116.2	113.3
7	Cumulative Total	XXXX	XXXX	7,113	8,473	7,324	7,652	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
8	1983	XXXX	XXXX	XXXX	1,439	1,587	1,599	XXXX	XXXX	XXXX	134.3	150.6	151.5
9	Cumulative Total	XXXX	XXXX	XXXX	9,912	8,911	9,251	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
10	1984	XXXX	XXXX	XXXX	XXXX	1,248	870	XXXX	XXXX	XXXX	XXXX	120.9	84.2
11	Cumulative Total	XXXX	XXXX	XXXX	XXXX	10,159	10,121	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
12	1985	XXXX	XXXX	XXXX	XXXX	XXXX	553	XXXX	XXXX	XXXX	XXXX	XXXX	118.2

SCHEDULE P—PART 2C—MEDICAL MALPRACTICE

NONE

1	Prior to 1980							XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2	1980												
3	Cumulative Total							XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
4	1981	XXXX						XXXX					
5	Cumulative Total	XXXX						XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
6	1982	XXXX	XXXX					XXXX	XXXX				
7	Cumulative Total	XXXX	XXXX					XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
8	1983	XXXX	XXXX	XXXX				XXXX	XXXX	XXXX			
9	Cumulative Total	XXXX	XXXX	XXXX				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
10	1984	XXXX	XXXX	XXXX	XXXX			XXXX	XXXX	XXXX	XXXX		
11	Cumulative Total	XXXX	XXXX	XXXX	XXXX			XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
12	1985	XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX	XXXX	XXXX	XXXX	

SCHEDULE P—PART 2D—WORKERS' COMPENSATION

	1 Years in Which Losses Were Incurred	Incurred Losses and Loss Expense Reported at end of year (000 omitted)						Incurred Loss and Loss Expense Ratio Reported					
		2 1980	3 1981	4 1982	5 1983	6 1984	7 1985	8 1980	9 1981	10 1982	11 1983	12 1984	13 1985
1	Prior to 1980	6	6	6	6	6	6	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2	1980	15	0	0	0	0	0	17.2	.1	.1	.1	.1	.1
3	Cumulative Total	21	6	6	6	6	6	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
4	1981	XXXX	25	5	4	4	4	XXXX	35.3	5.0	4.1	4.2	4.2
5	Cumulative Total	XXXX	31	11	10	10	10	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
6	1982	XXXX	XXXX	34	13	14	14	XXXX	XXXX	33.2	13.3	13.3	13.3
7	Cumulative Total	XXXX	XXXX	45	23	24	24	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
8	1983	XXXX	XXXX	XXXX	14	1	1	XXXX	XXXX	XXXX	18.0	1.9	1.9
9	Cumulative Total	XXXX	XXXX	XXXX	37	23	23	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
10	1984	XXXX	XXXX	XXXX	XXXX	23	8	XXXX	XXXX	XXXX	XXXX	28.8	7.2
11	Cumulative Total	XXXX	XXXX	XXXX	XXXX	46	31	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
12	1985	XXXX	XXXX	XXXX	XXXX	XXXX	15	XXXX	XXXX	XXXX	XXXX	XXXX	9.3

SCHEDULE P—PART 2E—FARMOWNERS MULTIPLE PERIL, HOMEOWNERS MULTIPLE PERIL, COMMERCIAL MULTIPLE PERIL, OCEAN MARINE, AIRCRAFT (all perils) AND BOILER AND MACHINERY

1	Prior to 1980	202,441	202,490	202,547	202,728	203,180	203,268	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2	1980	32,130	35,893	35,662	35,825	35,666	35,893	92.8	103.7	103.0	103.5	103.0	103.7
3	Cumulative Total	234,571	238,383	238,209	238,553	238,846	239,161	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
4	1981	XXXX	35,912	35,205	34,320	33,936	33,640	XXXX	91.6	88.6	86.9	85.9	85.2
5	Cumulative Total	XXXX	274,295	273,214	272,873	272,782	272,801	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
6	1982	XXXX	XXXX	38,303	36,494	36,075	36,159	XXXX	XXXX	76.1	73.3	71.7	71.9
7	Cumulative Total	XXXX	XXXX	311,517	309,767	308,857	308,960	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
8	1983	XXXX	XXXX	XXXX	37,829	37,717	38,195	XXXX	XXXX	XXXX	69.6	69.[illegible]	70.3
9	Cumulative Total	XXXX	XXXX	XXXX	347,596	346,574	347,155	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
10	1984	XXXX	XXXX	XXXX	XXXX	43,632	51,054	XXXX	XXXX	XXXX	XXXX	76.1	75.1
11	Cumulative Total	XXXX	XXXX	XXXX	XXXX	390,206	390,209	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
12	1985	XXXX	XXXX	XXXX	XXXX	XXXX	59,488	XXXX	XXXX	XXXX	XXXX	XXXX	59.4

CONSOLIDATED ANNUAL STATEMENT FOR THE YEAR 1985 OF THE GOVERNMENT EMPLOYEES INSURANCE COMPANY

SCHEDULE P—PART 3—SUMMARY

Calendar Year Premiums Earned, Accident Year Loss and Loss Expense Incurred

	Dollars (000 omitted)							Percentages						
	1 1979	2 1980	3 1981	4 1982	5 1983	6 1984	7 1985	8 1979	9 1980	10 1981	11 1982	12 1983	13 1984	14 1985
	Summary Data from Schedule P – Part 1 – Summary													
1 PREMIUMS EARNED	396,977	400,851	418,337	400,362	403,922	535,028	627,216	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2 LOSS+LOSS EXP INC	307,411	326,172	349,497	377,109	410,903	481,794	603,204	77.8	81.5	83.5	83.7	84.9	90.1	96.2
	LOSS AND LOSS EXPENSE THROUGH 1 YEAR													
3 PAID	130,206	137,177	140,041	154,070	166,307	184,658	230,062	33.8	34.3	33.4	34.8	34.4	34.5	36.6
4 RESERVE (2) - (3)	177,207	188,998	208,456	223,039	244,646	297,139	372,142	44.6	47.2	47.9	48.9	50.5	55.6	59.4
	LOSS AND LOSS EXPENSE THROUGH 2 YEARS													
5 PAID	222,416	239,778	254,105	269,391	293,487	335,250	X X	56.4	59.9	60.7	59.8	60.6	62.7	X X
6 RESERVE (2) - (5)	84,795	86,394	95,394	107,718	117,446	146,544	X X	21.4	21.6	22.8	23.9	24.3	27.4	X X
	LOSS AND LOSS EXPENSE THROUGH 3 YEARS													
7 PAID	260,426	278,841	297,701	314,333	344,463	X X	X X	65.9	69.7	71.2	69.8	71.1	X X	X X
8 RESERVE (2) - (7)	46,985	47,331	51,796	62,780	66,470	X X	X X	11.9	11.8	12.3	13.9	13.8	X X	X X
	LOSS AND LOSS EXPENSE THROUGH 4 YEARS													
9 PAID	282,381	300,135	320,788	340,828	X X	X X	X X	71.5	73.0	76.7	75.3	X X	X X	X X
10 RESERVE (2) - (9)	25,030	26,037	28,709	37,381	X X	X X	X X	6.3	6.5	6.8	8.2	X X	X X	X X
	LOSS AND LOSS EXPENSE THROUGH 5 YEARS													
11 PAID	290,384	311,655	332,786	X X	X X	X X	X X	73.5	77.9	79.5	X X	X X	X X	X X
12 RESERVE (2) - (11)	15,027	14,517	16,711	X X	X X	X X	X X	3.8	3.6	4.0	X X	X X	X X	X X

SCHEDULE P—PART 3A—AUTO LIABILITY

Calendar Year Premiums Earned, Accident Year Loss and Loss Expense Incurred

	Dollars (000 omitted)							Percentages						
	1 1979	2 1980	3 1981	4 1982	5 1983	6 1984	7 1985	8 1979	9 1980	10 1981	11 1982	12 1983	13 1984	14 1985
	Summary Data from Schedule P – Part 1A													
1 PREMIUMS EARNED	364,752	363,830	377,144	396,782	422,487	476,885	540,073	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2 LOSS+LOSS EXP INC	280,595	289,400	314,444	339,585	371,160	437,861	542,195	76.9	79.6	83.4	85.2	86.6	91.9	97.4
	LOSS AND LOSS EXPENSE THROUGH 1 YEAR													
3 PAID	112,959	115,197	126,133	134,111	144,709	159,444	195,189	31.3	31.7	33.5	33.6	33.6	33.5	34.9
4 RESERVE (2) - (3)	167,696	173,403	188,533	205,394	226,451	278,417	347,006	45.9	47.7	49.9	51.6	52.8	58.4	62.1
	LOSS AND LOSS EXPENSE THROUGH 2 YEARS													
5 PAID	198,684	206,944	223,155	236,172	259,916	298,702	X X	54.5	56.9	59.1	59.7	60.7	62.7	X X
6 RESERVE (2) - (5)	81,937	82,456	91,711	101,328	111,244	119,159	X X	22.4	22.5	24.3	25.5	25.9	29.2	X X
	LOSS AND LOSS EXPENSE THROUGH 3 YEARS													
7 PAID	234,233	244,973	268,773	281,300	308,527	X X	X X	64.4	67.2	70.6	70.6	72.0	X X	X X
8 RESERVE (2) - (7)	46,340	44,427	49,146	58,280	62,633	X X	X X	12.1	12.2	13.2	14.6	14.6	X X	X X
	LOSS AND LOSS EXPENSE THROUGH 4 YEARS													
9 PAID	257,430	265,242	288,168	304,288	X X	X X	X X	70.6	72.9	76.4	76.6	X X	X X	X X
10 RESERVE (2) - (9)	23,163	23,758	26,690	35,297	X X	X X	X X	6.3	6.5	7.0	8.4	X X	X X	X X
	LOSS AND LOSS EXPENSE THROUGH 5 YEARS													
11 PAID	268,812	276,132	299,474	X X	X X	X X	X X	73.7	75.9	79.4	X X	X X	X X	X X
12 RESERVE (2) - (11)	11,781	12,468	15,190	X X	X X	X X	X X	3.2	3.5	4.0	X X	X X	X X	X X

SCHEDULE P—PART 3B—OTHER LIABILITY

Calendar Year Premiums Earned, Accident Year Loss and Loss Expense Incurred

	Dollars (000 omitted)							Percentages						
	1 1979	2 1980	3 1981	4 1982	5 1983	6 1984	7 1985	8 1979	9 1980	10 1981	11 1982	12 1983	13 1984	14 1985
	Summary Data from Schedule P – Part 1B													
1 PREMIUMS EARNED	749	1,321	1,197	1,284	1,354	1,332	467	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2 LOSS+LOSS EXP INC	1,078	1,279	908	1,458	1,599	870	553	144.3	96.8	75.7	113.4	151.5	54.2	118.2
	LOSS AND LOSS EXPENSE THROUGH 1 YEAR													
3 PAID	26	52	16	60	72	87	56	3.5	3.9	1.9	4.7	4.8	6.4	12.0
4 RESERVE (2) - (3)	1,052	1,227	902	1,378	1,527	783	497	140.5	88.7	68.0	108.6	144.7	75.6	106.2
	LOSS AND LOSS EXPENSE THROUGH 2 YEARS													
5 PAID	46	212	100	146	267	167	X X	6.1	15.9	7.5	11.4	25.3	16.2	X X
6 RESERVE (2) - (5)	1,032	1,067	808	1,298	1,332	703	X X	137.9	78.2	63.2	101.9	126.2	60.4	X X
	LOSS AND LOSS EXPENSE THROUGH 3 YEARS													
7 PAID	86	279	121	329	169	X X	X X	11.2	18.3	1.8	26.0	32.0	X X	X X
8 RESERVE (2) - (7)	996	1,300	800	1,133	1,230	X X	X X	118.8	60.6	61.9	87.3	110.5	X X	X X
	LOSS AND LOSS EXPENSE THROUGH 4 YEARS													
9 PAID	152	402	331	346	X X	X X	X X	19.5	26.6	14.6	29.2	X X	X X	X X
10 RESERVE (2) - (9)	926	877	799	666	X X	X X	X X	123.7	57.7	54.1	64.3	X X	X X	X X
	LOSS AND LOSS EXPENSE THROUGH 5 YEARS													
11 PAID	443	503	296	X X	X X	X X	X X	61.4	55.5	16.2	X X	X X	X X	X X
12 RESERVE (2) - (11)	615	776	756	X X	X X	X X	X X	82.2	51.3	58.3	X X	X X	X X	X X

CONSOLIDATED ANNUAL STATEMENT FOR THE YEAR 1985 OF THE GOVERNMENT EMPLOYEES INSURANCE COMPANY

SCHEDULE P—PART 3C—MEDICAL MALPRACTICE

Calendar Year Premiums Earned, Accident Year Loss and Loss Expense Incurred

	Dollars (000 omitted)							Percentages						
	1 1979	2 1980	3 1981	4 1982	5 1983	6 1984	7 1985	8 1979	9 1980	10 1981	11 1982	12 1983	13 1984	14 1985
	Summary Data from Schedule P – Part 1C													
1 Premiums Earned								100.0	100.0	100.0	100.0	100.0	100.0	100.0
2 Loss & Loss Exp. Inc'd.														
	Loss & Loss Expense through 1 year													
3 Paid														
4 Reserve (2) – (3)														
	Loss & Loss Expense through 2 years													
5 Paid		NONE					XX							XX
6 Reserve (2) – (5)							XX							XX
	Loss & Loss Expense through 3 years													
7 Paid						XX	XX						XX	XX
8 Reserve (2) – (7)						XX	XX						XX	XX
	Loss & Loss Expense through 4 years													
9 Paid					XX	XX	XX					XX	XX	XX
10 Reserve (2) – (9)					XX	XX	XX					XX	XX	XX
	Loss & Loss Expense through 5 years													
11 Paid				XX	XX	XX	XX				XX	XX	XX	XX
12 Reserve (2) – (11)				XX	XX	XX	XX				XX	XX	XX	XX

SCHEDULE P—PART 3D—WORKERS' COMPENSATION

Calendar Year Premiums Earned, Accident Year Loss and Loss Expense Incurred

	Dollars (000 omitted)							Percentages						
	1 1979	2 1980	3 1981	4 1982	5 1983	6 1984	7 1985	8 1979	9 1980	10 1981	11 1982	12 1983	13 1984	14 1985
	Summary Data from Schedule P – Part 1D													
1 PREMIUMS EARNED	78	87	99	102	75	110	142	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2 LOSS+LOSS EXP INC	4	0	4	14	1	8	13	.4	.1	4.2	13.3	1.9	7.2	9.3
	LOSS AND LOSS EXPENSE THROUGH 1 YEAR													
3 PAID	0	0	0	1	1	8	0	.0	.0	.0	1.0	1.9	7.2	.0
4 RESERVE (2) – (3)	4	4	4	13	0	0	13	.4	.1	4.2	12.3	.0	.0	9.3
	LOSS AND LOSS EXPENSE THROUGH 2 YEARS													
5 PAID	0	0	0	5	1	8	XX	.0	.0	.2	4.8	1.9	7.2	XX
6 RESERVE (2) – (5)	4	0	4	10	0	0	XX	.4	.1	4.2	9.3	.0	.0	XX
	LOSS AND LOSS EXPENSE THROUGH 3 YEARS													
7 PAID	0	0	1	14	1	XX	XX	.0	.0	.0	13.3	1.9	XX	XX
8 RESERVE (2) – (7)	4	0	3	0	0	XX	XX	.4	.1	3.4	.4	.0	XX	XX
	LOSS AND LOSS EXPENSE THROUGH 4 YEARS													
9 PAID	0	0	4	14	XX	XX	XX	.0	.1	4.2	13.3	XX	XX	XX
10 RESERVE (2) – (9)	3	0	0	0	XX	XX	XX	.4	.2	.2	.0	XX	XX	XX
	LOSS AND LOSS EXPENSE THROUGH 5 YEARS													
11 PAID	3	3	4	XX	XX	XX	XX	.4	.1	4.2	XX	XX	XX	XX
12 RESERVE (2) – (11)	0	0	0	XX	XX	XX	XX	.0	.0	.2	XX	XX	XX	XX

SCHEDULE P—PART 3E—FARMOWNERS MULTIPLE PERIL, HOMEOWNERS MULTIPLE PERIL, COMMERCIAL MULTIPLE PERIL, OCEAN MARINE, AIRCRAFT (ALL PERILS) AND BOILER AND MACHINERY

Calendar Year Premiums Earned, Accident Year Loss and Loss Expense Incurred

	Dollars (000 omitted)							Percentages						
	1 1979	2 1980	3 1981	4 1982	5 1983	6 1984	7 1985	8 1979	9 1980	10 1981	11 1982	12 1983	13 1984	14 1985
	Summary Data from Schedule P – Part 1E													
1 PREMIUMS EARNED	29,390	34,613	39,496	50,314	54,334	57,361	66,311	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2 LOSS+LOSS EXP INC	25,740	35,493	33,644	36,139	38,175	43,384	59,443	87.6	102.7	80.2	71.9	70.3	75.1	89.6
	LOSS AND LOSS EXPENSE THROUGH 1 YEAR													
3 PAID	17,239	21,920	22,442	22,497	21,527	25,116	35,437	58.6	63.4	56.7	45.1	39.6	43.8	53.3
4 RESERVE (2) – (3)	8,801	13,769	11,150	13,442	16,648	17,938	24,344	29.0	40.3	28.3	26.8	30.7	31.3	36.1
	LOSS AND LOSS EXPENSE THROUGH 2 YEARS													
5 PAID	23,884	32,422	30,848	31,471	32,936	36,376	XX	81.2	93.2	78.1	61.8	60.6	63.5	XX
6 REBERVE (2) – (5)	1,456	3,271	2,790	5,088	5,269	6,680	XX	4.4	9.5	7.1	10.1	9.7	11.6	XX
	LOSS AND LOSS EXPENSE THROUGH 3 YEARS													
7 PAID	24,300	33,989	31,454	32,678	39,208	XX	XX	81.9	98.2	80.7	64.9	66.0	XX	XX
8 RESERVE (2) – (7)	1,452	1,704	1,736	3,461	2,987	XX	XX	5.7	5.5	4.5	7.2	5.3	XX	XX
	LOSS AND LOSS EXPENSE THROUGH 4 YEARS													
9 PAID	24,798	34,491	32,380	33,430	XX	XX	XX	84.4	99.6	82.0	66.5	XX	XX	XX
10 RESERVE (2) – (9)	942	1,402	1,255	2,731	XX	XX	XX	3.2	4.1	3.2	5.4	XX	XX	XX
	LOSS AND LOSS EXPENSE THROUGH 5 YEARS													
11 PAID	25,109	35,020	32,852	XX	XX	XX	XX	85.6	101.2	83.2	XX	XX	XX	XX
12 RESERVE (2) – (11)	631	873	788	XX	XX	XX	XX	2.2	2.5	2.0	XX	XX	XX	XX

END