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GEICO CORP

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DISCLOSURE INCORPORATED BETHESDA MD 20816

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10-K

FOR 12/31/87

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		■		
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☐ Nature of Business	A	A				F		A	A		A	■	■		
☐ History	F	A						A			A	■	■		
☐ Organization and Change	F	F		A	■	F	■	A		F	A	■			
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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				
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☐ Annual Audited	A	A							A			A		A	
☐ Interim Audited		A					■	■			■				
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Foreign Operations	A						■	A	A		A	■	F		
Labor Contracts		■		■			■		F		F				
Legal Agreements	F	■		■					F		F				
Legal Counsel				■				A			A		■		
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Portfolio Operations															
☐ Content (Listing of Securities)															A
☐ Management														A	
Product-Line Breakout	A							A			A	■			
Securities Structure	A	A			■			A	A		A				
Subsidiaries	A	A					■	A	A		A	■	■		
Underwriting				■				A	A		A				
Unregistered Securities	■			■			■	F			F				
Block Movements	■			F			■		A				■		

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

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

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

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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, 1987

Commission File No. 1-8012

GEICO CORPORATION

PROCESSED BY
RECEIVED
APR 13 1988
DISCLOSURE INCORPORATED

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

109

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 Pacific 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 21, 1988........................ $1,946,205,122 (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 21, 1988
Common Stock, $1.00 par value	16,213,976 Shares

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the GEICO Corporation Annual Report to Shareholders for the fiscal year ended December 31, 1987 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 May 18, 1988 are incorporated by reference into Part III of this Form 10-K Report.

(1) Except as stated herein, the amount set forth as the aggregate market value of GEICO Corporation's voting stock held by non-affiliates is based upon the closing price of $122.00 per share of Common Stock on the Composite Tape for New York Stock Exchange listed stocks for March 21, 1988. The amount excludes the market value of 261,475 shares of Common Stock beneficially owned by the Registrant's directors and executive officers (including 15,300 shares of Common Stock as to which said directors and/or executives officers disclaim beneficial ownership) and includes the market value of 6,850,000 shares of Common Stock beneficially owned by Berkshire Hathaway Inc.

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 has been engaged in the insurance business since 1936. It is a multiple line property and casualty insurer currently engaged in writing preferred risk private passenger automobile insurance primarily for government employees and, to a lesser extent, homeowners insurance, fire and extended coverage, personal umbrella liability, and boat and yacht insurance for all qualified applicants. GEICO General Insurance Company, a subsidiary of GEICO, began writing private passenger automobile insurance in 1987 for all other preferred risk applicants. GEICO Indemnity Company ("GI"), also a subsidiary of GEICO, writes standard risk private passenger automobile and motorcycle insurance with emphasis on marketing to military personnel. Criterion Casualty Company, a subsidiary of GI, writes non-standard risk private passenger automobile insurance. Resolute Reinsurance Company, a subsidiary of Resolute Group, Inc., in turn a subsidiary of the Corporation, wrote property and casualty reinsurance in the domestic and international markets until late 1987 when it suspended writing new and renewal reinsurance.

Wholly-owned Garden State Life Insurance Company, and its subsidiary, GEICO Annuity and Insurance Company, write consumer-oriented life and health insurance products and structured settlement annuity policies for their property and casualty affiliates. Other active subsidiaries of the Corporation and the Company involved in the sale of insurance and insurance related products 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., which provides various services to military personnel as they are transferred overseas; GEICO Financial Services, GmbH, 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; Insurance Counselors, Inc., formed primarily to facilitate the marketing of insurance products; and Safe Driver Motor Club, Inc., which offers motor club services to customers of subsidiaries of the Corporation and for sponsors of motor clubs.

The Corporation offers additional financial services through other subsidiaries. GEFCO, directly or through one or more of its own subsidiaries, is in the business of consumer and business lending and industrial banking. GEICO Investment Services Company ("GEIVEST"), is a registered investment adviser and broker-dealer. 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 Qualified Dividend Fund, a no-load mutual fund which is a series of the Tax Advantaged Trust designed specifically for corporate investors.

Other subsidiaries of the Corporation include Plaza Resources Company, which is engaged in oil and gas exploration and other investment ventures; GEICO Products, Inc., which is engaged in mail order solicitation of automobile-related products; and several real estate/property companies including Maryland Ventures, Inc., GEICO Facilities Corporation, GEICO Properties, Inc. and GEICO Washington Properties, Inc.

Personal lines property and casualty insurance is the Corporation's dominant business segment, although other insurance and financial service products are offered.

Seasonal variations in the business of the Corporation 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.

Each of the Corporation's insurance company subsidiaries is subject to regulation and supervision of its 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 Congress and certain state legislatures are considering the effects of the use of sex as a basis for rating classification; its use has been and is being challenged in the courts. Congress is also considering whether it is appropriate to modify or repeal the McCarran-Ferguson Act which grants to the states the responsibility for regulating the insurance industry and exempts the "business of insurance" from federal anti-trust laws (except in cases of boycott, coercion or intimidation). Several bills have been introduced in Congress, but whether any changes in the current statute will be made, or the effect of such changes, if any, cannot be determined.

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. Because personal lines property and casualty insurance is so stringently regulated, it is difficult to differentiate products from company to company. Additionally, because of the long delays in learning of and settling certain claims, some companies may sell their products at inadequate rates for a period of time, exacerbating that price competitiveness. Consequently, GEICO's business is very price sensitive and competition for preferred risks, which is substantial, tends to focus on issues of price and service. GEICO is now in the second year of a nationwide effort to "Make It Easy To Do Business With GEICO", focusing the attention of its employees on the necessity of providing superior service. Also, GEICO is beginning to write its new auto business with six-month policies, allowing it to manage rate changes in the future more effectively.

Although most insurance companies are stock companies like GEICO, in 1986 mutual companies wrote approximately one-third 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 circumstances, however, stock companies do pay dividends to their policyholders. In 1986 GEICO accrued $10 million for policyholder dividends, part of which were paid in 1987 with the balance scheduled to be paid in 1988.

The latest available statistics as published in the National Underwriter reveal that, based upon 1986 earned premiums, GEICO maintained its position as the fifth largest stock automobile insurer and the tenth largest individual automobile insurer, and the GEICO Companies were the ninth largest automobile insurer group in the United States.

As of December 31, 1987 the Corporation and its subsidiaries had 5,320 full-time employees and 1,155 part-time employees. A number of benefits are provided or made available for full-time employees including profit sharing, savings, pension, employee stock ownership and stock bonus plans and various insurance programs.

PRINCIPAL BUSINESS SEGMENTS

The information concerning the Corporation's personal lines property and casualty insurance business required by the remainder of this Item I is contained in its 1987 Annual Report to Shareholders under the caption "Business Segments" on pages 10 through 14 and Note N of the "Notes to Consolidated Financial Statements" contained on Page 39 and is incorporated herein by reference.

Item 2. Properties.

Through its real estate/property subsidiaries, the Corporation owns its headquarters building (the 508,000 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 or other reasonably available 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 the 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, which is scheduled to be held on May 18, 1988, 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.

Marion E. Byrd, 51, has been a Vice President of GEICO since January 1980. He also is, or has served as, a director and/or an officer of several subsidiaries of the Corporation and GEICO.

Alvin Kaltman, 50, was elected a Vice President of GEICO in March 1988. He was Group Vice President of GEICO from September 1986 to March 1988 and was a Vice President from May 1978 to September 1986. He has been a director of GEICO since December 1986 and he also is, or has served as, a director or officer of several subsidiaries of the Corporation and GEICO.

Merrill D. Knight, III, 57, has been a Vice President of GEICO since March 1973. He also is, or has served as, an officer of several subsidiaries of the Corporation and GEICO.

Richard C. Lucas, 61, has been a Senior Vice President of GEICO since July 1978 and a director of GEICO since October 1979, having been an officer since May 1977. Mr. Lucas served as a Senior Vice President of the Corporation from January 1980 to May 1982 and was its controller from November 1978 until January 1982. Mr. Lucas also is, or has served as, Chairman of the Board, a director and/or an officer of various other subsidiaries of the Corporation and GEICO. Since September 1981 Mr. Lucas has been a director of AVEMCO Corporation, a holding company engaged, through subsidiaries, in the general aviation insurance and related business and in which the Corporation owns a 34.2% equity investment.

Donald D. Messmer, Jr., 61, has been a Vice President of GEICO since May 1980. He also is, or has served as, a director or an officer of several subsidiaries of the Corporation and GEICO.

Eugene J. Meyung, 62, was elected President of GEICO in February 1986, a director in May 1981 and served as Executive Vice President from September 1981 to February 1986. He has been an officer since July 1978. Mr. Meyung also is, or has served as, a director and/or an officer of several subsidiaries of the Corporation and GEICO.

Robert M. Miller, 45, was elected Vice President of GEICO in September 1987 and has been an officer since May 1980. He is also an officer of certain subsidiaries of GEICO.

Olza M. Nicely, 44, was elected Executive Vice President of GEICO in June 1987 and has been a director since September 1985. He had served as a Senior Vice President from September 1985 to June 1987 and as a Vice President from September 1980 to September 1985, having been an officer since March 1973. Mr. Nicely also is, or has served as, a director and/or an officer of several subsidiaries of the Corporation and GEICO.

Ross D. Pierce, 64, has been a Senior Vice President of GEICO since February 1986, having served as a Vice President from February 1970 to February 1986. He also is, or has served as, a director and/or an officer of several subsidiaries of the Corporation and GEICO.

James E. Reagan, 63, has been a Senior Vice President of GEICO since August 1979 and has been a director since 1981, having been an officer since March 1964. Mr. Reagan also is, 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, 51, was elected Vice Chairman of the Board of Directors of the Corporation in July 1985, a director of the Corporation in May 1983, a Senior Vice President of GEICO in August 1979, a director of GEICO in October 1979 and served as a 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 several subsidiaries of the Corporation and GEICO.

Donald K. Smith, 55, was elected a Senior Vice President and General Counsel of the Corporation in January 1980, having served as General Counsel since December 1978. He has been a Senior Vice President and General Counsel of GEICO since March 1977 and a director since May 1979. Mr. Smith has served as an officer of GEICO since January 1969 and is, or has served as, 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, 58, 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 is, or has served as, Chairman of the Board, a director and/or an officer of various subsidiaries of the Corporation and GEICO. He has served as Chairman of the Board of Trustees of GEICO Investment Series Trust since September 1981 and of GEICO Tax Advantaged Series Trust since May 1984 and has been a director of the Growth Fund of Washington, Inc. since July 1985.

W. Alvon Sparks, Jr., 52, was elected a Senior Vice President of the Corporation and GEICO in September 1982 and a director of GEICO in May 1982. He previously served as a Vice President of the Corporation from November 1981 to September 1982. Mr. Sparks also is, or has served as, a director and/or an officer of several subsidiaries of the Corporation and GEICO. He 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, 58, was elected a Senior Vice President of the Corporation in August 1987 and of GEICO in March 1988 and has been a director of GEICO since May 1984. He previously had served as an officer of GEICO since July 1973 and as a Senior Vice President from July 1984 to January 1986, when he was elected President of GEICO Indemnity Company. Mr. Utley is, or has served as, a director and/or an officer of various subsidiaries of the Corporation and GEICO.

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 15) and the final paragraph of Note C (page 34) of the "Notes to Consolidated Financial Statements" in the Corporation's 1987 Annual Report to Shareholders are 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 1987 Annual Report to Shareholders is incorporated herein by reference.

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

In response to this Item the material under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" (pages 18 through 24 and page 41) in the Corporation's 1987 Annual Report to Shareholders is incorporated herein by reference.

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 1987 Annual Report to Shareholders (pages 25 through 39) and the Quarterly Highlights of Operating Results (page 40) 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 or to be 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 hereof.

Item 11. Executive Compensation.

The information required by this Item is incorporated herein by reference from the Corporation's definitive proxy statement filed or to be 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 or to be 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 or to be 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 the Corporation and subsidiaries, included in the Corporation's Annual Report to Shareholders for the year ended December 31, 1987, are incorporated by reference in Item 8:

Consolidated Balance Sheet - December 31, 1987 and 1986

Consolidated Statement of Income - Years Ended December 31, 1987, 1986 and 1985

Consolidated Statement of Shareholders' Equity - Years Ended December 31, 1987, 1986 and 1985

Consolidated Statement of Changes in Financial Position - Years Ended December 31, 1987, 1986 and 1985

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 nos. 24-25.

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	Certificate of Amendment to Certificate of Incorporation.	Exhibit A to GEICO Corporation's definitive Proxy Statement dated April 22, 1987.
3-c	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 Sovran Bank/Maryland	Exhibit 9 to Form SE filed in connection with GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1986.

10-a	Consulting Agreement between Richard G. Rosenthal and GEICO Corporation dated January 1, 1986.	Exhibit 10-d to Form SE filed in connection with GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1986.
10-b	Consulting Agreement between H. Edward Wrapp and GEICO Corporation dated June 1, 1987.	Page no. 43.
10-c	Form of Pension Plan for Non-Employee Directors, as amended.	Page no. 45.
10-d	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-e	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-f	Amendments to Form of Option Agreement under 1973 Stock Option Plan (for employees granted more than $50,000 worth of options).	Exhibits 10-n and 10-o to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1981.
10-g	Form of Non-Qualified Stock Option Agreement, as amended.	Exhibit 10-k to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1986.
10-h	Revised Stock Option Plan for Key Employees of GEICO Corporation and its Subsidiaries ("1985 Plan").	Exhibit 10-l to Form SE filed in connection with GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1986.
10-i	Form of Incentive Stock Option Agreement Under 1985 Plan.	Exhibit 10-m to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1986.
10-j	Form of Incentive Stock Option Agreement With Stock Appreciation Rights Under 1985 Plan.	Exhibit 10-n to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1986.

10-k	Notice of election to exercise stock options and/or stock appreciation rights under 1985 Plan.	Exhibit 10-o to Form SE filed in connection with GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1985.
10-1	Statement of 1988 Incentive Bonus Program.	Page no. 49.
10-m	Statement of 1987 Incentive Bonus Prcgram.	Exhibit 10-p to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1986.
10-n	Deferred Compensation Plan.	Exhibit 10-r to Form SE filed in Connection with GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1986.
10-o	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, 1987	Exhibit 13 to Form SE filed in connection with GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1987.
22	Subsidiaries of GEICO Corporation.	Page No. 50.
24	Consent of Accountants.	Page No. 51.
28	Annual Report on Form 11-K for the revised Profit Sharing Plan for the Employees of the GEICO Companies for the fiscal year ended December 31, 1987.	To be filed by amendment.
29	Information from reports furnished to state insurance regulatory authorities.	Exhibit 29 to Form SE filed in connection with GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1987.

(b) Reports on Form 8-K

GEICO Corporation did not file any report on Form 8-K during the three months ended December 31, 1987.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1984, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GEICO CORPORATION

March 30, 1988

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

March 30, 1988

By: Thomas M Wells
Thomas 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 30, 1988 Date
Louis A. Simpson Vice Chairman of the Board and Director	March 30, 1988 Date
Thomas E. Bolger Director	March 30, 1988 Date
Norma E. Brown Director	March 30, 1988 Date
Samuel C. Butler Director	March 30, 1988 Date
James E. Cheek Director	March 30, 1988 Date
Thomas G. Pownall Director	March 30, 1988 Date
William J. Ruane Director	March 30, 1988 Date
Joseph J. Sisco Director	March 30, 1988 Date
John C. Steggles Director	March 30, 1988 Date
W. Reid Thompson Director	March 30, 1988 Date

ANNUAL REPORT ON FORM 10-K

ITEM 14(d)

FINANCIAL STATEMENT SCHEDULES

YEAR ENDED DECEMBER 31, 1987

GEICO CORPORATION

WASHINGTON, D. C.

Ernst & Whinney

1225 Connecticut Ave., 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, 1987. 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, 1987 and 1986, 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, 1987, 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 17, 1988

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

GEICO CORPORATION
DECEMBER 31, 1987
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	$ 286,858	$ 287,878	$ 286,858
States, municipalities and political subdivisions	1,032,471	1,051,492	1,032,471
Public utilities	27,376	27,710	27,376
All other corporate bonds	57,516	57,820	57,516
Redeemable preferred stocks	67,793	76,269	67,793
Other fixed maturities	12,796	12,796	12,796
Total fixed maturities	1,484,810	$1,513,965	1,484,810
Equity securities:			
Common stocks:			
Public utilities	49,733	$ 80,170	80,170
Banks, trusts and insurance companies	63,451	69,729	69,729
Industrial, miscellaneous and all other	247,719	252,801	252,801
Nonredeemable preferred stocks	82,502	81,591	81,591
Total equity securities	443,405	$ 484,291	484,291
Short-term investments	51,455		51,455
Total investments	$1,979,670		$2,020,556

(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, 1987	December 31, 1986
ASSETS		
Short-term investments	$ 6,474	$ 5,038
Fixed maturities, at amortized cost (market $19,603 and $35,995)	19,811	34,830
Equity securities, at market (cost $37,097 and $36,594)	36,857	37,506
Investment in consolidated subsidiaries (1)	674,923	676,874
Investment in AVEMCO	50,663	-
Cash	657	596
Notes receivable from subsidiaries (1)	1,100	2,575
Income tax benefit receivable	7,143	6,558
Accrued investment income	567	641
Amounts due from subsidiaries (1)	94	295
Amounts receivable from sales of securities	-	3,679
Property and equipment, at cost less accumulated depreciation of $1,207 and $792	3,349	2,591
Other assets	384	2,413
Total Assets	$802,022	$773,596
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Accrued expenses and other liabilities	$ 39,907	$ 33,808
Amounts payable on purchase of securities	26	1,348
Debt	127,411	114,443
Total Liabilities	167,344	149,599
Shareholders' Equity:		
Common Stock	32,149	32,120
Paid-in surplus	191,302	188,478
Unrealized appreciation of equity securities	34,158	106,423
Retained earnings	964,366	808,549
Treasury Stock, at cost	(544,340)	(481,584)
Guaranteed bank loans of Employee Stock Ownership Trust	(42,957)	(29,989)
Total Shareholders' Equity	634,678	623,997
Total Liabilities and Shareholders' Equity	$802,022	$773,596

(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,		
	1987	1986	1985
Revenue:			
Dividends from consolidated subsidiaries (1)	$135,020	$143,600	$150,000
Dividends from AVEMCO	211	-	-
Interest from subsidiaries (1)	372	309	317
Management fees from subsidiaries (1)	9,799	8,247	7,221
Other investment income	5,069	5,935	6,876
Other revenue (expense)	945	(399)	1,463
Total Revenue	151,416	157,692	166,377
Expenses:			
General and administrative	15,782	17,561	15,294
Interest paid to GEICO (1)	-	15	163
Other interest	11,655	13,186	16,104
Total Expenses	27,437	30,762	31,561
Income before income tax benefit, equity in undistributed income and realized gains	123,979	126,930	134,816
Income tax benefit from operations	5,052	9,279	6,273
Income before equity in undistributed income and realized gains	129,031	136,209	141,089
Equity in undistributed operating income (losses) of consolidated subsidiaries (1)	20,430	(16,945)	(63,450)
Equity in undistributed operating income of AVEMCO	722	-	-
Operating Earnings	150,183	119,264	77,639
Realized gains on sale of investments	232	4,414	4,385
Equity in realized gains on sale of investments by consolidated subsidiaries (1)	27,491	94,064	88,555
Equity in realized gains on sale of investments by AVEMCO	8	-	-
Net Income	$177,914	$217,742	$170,579

(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, 1987	1986	1985
OPERATING ACTIVITIES			
Operating earnings	$150,183	$119,264	$ 77,639
Charges (credits) to earnings not involving funds:			
Equity in undistributed operating (income) losses of consolidated subsidiaries (1)	(20,430)	16,945	63,450
Equity in undistributed operating (income) of AVEMCO	(722)	-	-
Income taxes	1,264	(1,157)	2,721
Decrease in amounts due from subsidiaries (1)	201	74	83
Other	8,308	11,546	8,459
Cash provided from operating activities	138,804	146,672	152,352
DIVIDENDS PAID TO SHAREHOLDERS	(22,447)	(18,466)	(18,237)
FINANCING ACTIVITIES			
Repurchase of debentures	-	(26,964)	(12,878)
Proceeds from exercise of stock options	492	307	693
Purchase of Common Stock (Treasury)	(73,756)	(104,847)	(86,244)
Reissuance of Common Stock (Treasury)	11,000	10,000	11,477
Other	345	(21)	(4,032)
Net cash flow from financing activities	(61,919)	(121,525)	(90,984)
Decrease (increase) in cash	(61)	736	(858)
Net cash flow available for investment	$ 54,377	$ 7,417	$ 42,273
INVESTMENT OF CASH FLOW			
Purchase of investments	$ 56,839	$197,124	$103,323
Change in payable on security purchases	1,322	(1,288)	14
Sale of investments, net of related taxes	(69,926)	(203,137)	(64,414)
Change in receivable from security sales	(3,679)	3,434	245
Net investment in (sale of) subsidiaries (1)	72,018	11,439	(787)
Increase (decrease) in notes receivable from subsidiaries (1)	(1,475)	250	550
Purchase of property and equipment, net	1,173	(405)	3,342
Other	(1,895)	-	-
Net investment of cash flow	$ 54,377	$ 7,417	$ 42,273

(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, 1987

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, 1987
In Thousands

	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percentage of amount assumed to net
Year ended December 31, 1987:					
Life insurance in force	$3,239,747	$665,032	$ -	$2,574,715	
Premiums earned:					
*Accident and health insurance	$ 51,302	$ 29,779	$ 9,589	$ 31,112	31%
Property and liability insurance	1,349,719	43,694	81,375	1,387,400	6%
Life insurance	19,232	2,484	268	17,016	2%
Total premiums earned	$1,420,253	$ 75,957	$ 91,232	$1,435,528	
Year ended December 31, 1986:					
Life insurance in force	$2,739,174	$647,731	$ 3,252	$2,094,695	-
Premiums earned:					
*Accident and health insurance	$ 61,519	$ 21,331	$ 9,451	$ 49,639	19%
Property and liability insurance	1,185,676	55,046	98,444	1,229,074	8%
Life insurance	16,376	1,802	1,401	15,975	9%
Total premiums earned	$1,263,571	$ 78,179	$109,296	$1,294,688	
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	

* 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
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
Consolidated property and casualty subsidiaries					
Year ended December 31, 1987	$68,832	$993,362	-	$787,013	$1,389,681
Year ended December 31, 1986	$66,175	$831,511	-	$741,346	$1,231,070
Year ended December 31, 1985					$1,028,234

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

GEICO CORPORATION AND SUBSIDIARIES
(Thousands of Dollars)

Column G	Column H		Column I	Column J	Column K
	Loss and Loss Adjustment Expenses Incurred Related to				
Net Investment Income	(1) Current Year	(2) Prior Years	Amortization of Deferred Policy Acquisition Costs	Paid Losses and Loss Adjustment Expenses	Premiums Written
$109,565	$1,094,287	$ 3,019	$124,914	$935,455	$1,435,348
$101,064	$ 980,448	$ (4,381)	$107,427	$843,179	$1,331,993
$102,682	$ 893,199	$(16,602)	$ 91,614	$758,128	$1,159,148

BYLAWS

OF

GEICO CORPORATION

* * *

ARTICLE I
Offices

SECTION I. 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 Shareholders

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 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 directors 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 in formation 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 a 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 thereof, 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 of 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 Bylaws 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 Responsibility 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 a 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 shareholders 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 super vision 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 shareholders at their annual meeting and also to the Board; and

(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 Company 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 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 shareholders at their annual meeting and also to the Board; and

(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 accounting 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. Transfer of shares of the stock of the Corporation shall be made only on the books of the Company 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, mutilated or destroyed certificate or his legal representatives 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 indemnity 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 Shareholders 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

SECTION 1. Right to Indemnification. The Corporation shall to the fullest extent permitted by applicable law as then in effect indemnify any person (the "Indemnitee" who is or was a director or officer of the Corporation and who is or was involved in any manner (including, without limitation, as a party or witness) or is threatened to be made so involved in any threatened, pending or completed investigation, claim, action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, any action, suit or proceeding by or in the right of the Corporation to procure a judgment in its favor) (a "Proceeding") by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (including, without limitation, any employee benefit plan) against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such Proceeding; *provided*, *however*, that, except as provided in Section 4(d), the foregoing shall not apply to a director or officer of the Corporation with respect to a

Proceeding that was commenced by such director or officer. Such indemnification shall be a contract right and shall include the right to receive payment in advance of any expenses incurred by the Indemnitee in connection with such Proceeding, consistent with the provisions of applicable law as then in effect.

SECTION 2. Insurance, Contracts and Funding. The Corporation may purchase and maintain insurance to protect itself and any person entitled to indemnification under this Article XI against any expenses, judgments, fines and amounts paid in settlement as specified in this Article XI or incurred by any such person in connection with any Proceeding referred to in this Article XI, to the fullest extent permitted by applicable law as then in effect. The Corporation may enter into contracts with any person entitled to indemnification under this Article XI in furtherance of the provisions of this Article XI and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Article XI.

SECTION 3. Indemnification; Not Exclusive Right. The right of indemnification provided in this Article XI shall not be exclusive of any other rights to which those seeking indemnification may otherwise be entitled, and the provisions of this Article XI shall inure to the benefit of the heirs and legal representatives of any person entitled to indemnity under this Article XI and shall be applicable to Proceedings commenced or continuing after the adoption of this Article XI, whether arising from acts or omissions occurring before or after such adoption.

SECTION 4. Advancement of Expenses; Procedures; Presumptions and Effect of Certain Proceedings; Remedies. In furtherance, but not in limitation of the foregoing provisions, the following procedures, presumptions and remedies shall apply with respect to advancement of expenses and the right to indemnification under this Article XI:

(a) Advancement of Expenses. All reasonable expenses incurred by or on behalf of the Indemnitee in connection with any Proceeding shall be advanced to the Indemnitee by the Corporation within 20 days after the receipt by the Corporation of a statement or statements from the Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the expenses incurred by the Indemnitee and, if required by law at the time of such advance, shall include or be accompanied by an undertaking by or on behalf of the Indemnitee to repay the amounts advanced if it should ultimately be determined that the Indemnitee is not entitled to be indemnified against such expenses pursuant to this Article XI.

(b) Procedure for Determination of Entitlement to Indemnification. (i) to obtain indemnification under this Article XI, an Indemnitee shall submit to the Secretary of the Corporation a written request, including such documentation and information as is reasonably available to the Indemnitee and reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification (the "Supporting Documentation"). The determination of the Indemnitee's entitlement to indemnification shall be made not later than 60 calendar days after receipt by the Corporation of the written request for indemnification together with the Supporting Documentation. The Secretary of the Corporation shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that the Indemnitee has requested indemnification.

(ii) The Indemnitee's entitlement to indemnification under this Article XI shall be determined in one of the following ways: (A) by a majority vote of the Disinterested Directors (as hereafter defined), if they constitute a quorum of the Board of Directors; (B) by a written opinion of Independent Counsel (as hereinafter defined) if a quorum of the Board of Directors consisting of Disinterested Directors is not obtainable or, even if obtainable, a majority of such Disinterested Directors so directs; (C) by the stockholders of the Corporation (but only if a majority of the Disinterested Directors, if they constitute a quorum of the Board of Directors, presents the issue of entitlement to indemnification to the stockholders for their determination); or (D) as provided in Section 4(c).

(iii) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 4(b)(ii), a majority of the Disinterested Directors shall select the Independent Counsel, but only an Independent Counsel to which the Indemnitee does not reasonably object.

(c) Presumptions and Effect of Certain Proceedings. Except as otherwise expressly provided in this Article XI, the Indemnitee shall be presumed to be entitled to indemnification under this Article XI upon submission of a request for indemnification together with the Supporting Documentation in accordance with Section 4(b)(i), and thereafter the Corporation shall have the burden of proof to overcome that presumption in reaching a contrary determination. In any event, if the person or persons empowered under Section 4(b) to determine entitlement to indemnification shall not have been appointed or shall not have made a determination within 60 days after receipt by the Corporation of the request therefor together with the Supporting Documentation, the Indemnitee shall be deemed to be entitled to indemnification and the Indemnitee shall be entitled to such indemnification unless (A) the Indemnitee misrepresented or failed to disclose a material fact in making the request for indemnification or in the Supporting Documentation or (B) such indemnification is prohibited by law. The termination of any Proceeding described in Section 1, or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, adversely affect the right of the Indemnitee to indemnification or create a presumption that the Indemnitee did not act in good faith and in a manner which the Indemnitee reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal Proceeding, that the Indemnitee had reasonable cause to believe that his conduct was unlawful.

(d) Remedies of Indemnitee. (i) In the event that a determination is made pursuant to Section 4(b) that the Indemnitee is not entitled to indemnification under this Article XI, (A) the Indemnitee shall be entitled to seek an adjudication of his entitlement to such indemnification either, at the

Indemnitee's sole option, in (x) an appropriate court of the State of Delaware or any other court of competent jurisdiction or (y) an arbitration to be conducted by a single arbitrator pursuant to the rules of the American Arbitration Association; (B) any such judicial proceeding or arbitration shall be de novo and the Indemnitee shall not be prejudiced by reason of such adverse determination; and (C) in any such judicial proceeding or arbitration the Corporation shall have the burden of proving that the Indemnitee is not entitled to indemnification under this Article XI.

(ii) If a determination shall have been made or deemed to have been made, pursuant to Section 4(b) or (c), that the Indemnitee is entitled to indemnification, the Corporation shall be obligated to pay the amounts constituting such indemnification within five days after such determination has been made or deemed to have been made and shall be conclusively bound by such determination unless (A) the Indemnitee misrepresented or failed to disclose a material fact in making the request for indemnification or in the Supporting Documentation or (B) such indemnification is prohibited by law. In the event that (x) advancement of expenses is not timely made pursuant to Section 4(a) or (y) payment of indemnification is not made within five calendar days after a determination of entitlement to indemnification has been made or deemed to have been made pursuant to Section 4(b) or (c), the Indemnitee shall be entitled to seek judicial enforcement of the Corporation's obligation to pay to the Indemnitee such advancement of expenses or indemnification. Notwithstanding the foregoing, the Corporation may bring an action, in an appropriate court in the State of Delaware or any other court of competent jurisdiction, contesting the right of the Indemnitee to receive indemnification hereunder due to the occurrence of an event described in subclause (A) or (B) of this clause (ii) (a "Disqualifying Event"); provided, however, that in any such action the Corporation shall have the burden of proving the occurrence of such Disqualifying Event.

(iii) The Corporation shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 4(d) that the procedures and presumptions of this Article XI are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Corporation is bound by all the provisions of this Article XI.

(iv) In the event that the Indemnitee, pursuant to this Section 4(d), seeks a judicial adjudication of or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Article XI, the Indemnitee shall be entitled to recover from the Corporation, and shall be indemnified by the Corporation against, any expenses actually and reasonably incurred by the Indemnitee if the Indemnitee prevails in such judicial adjudication or arbitration. If it shall be determined in such judicial adjudication or arbitration that the Indemnitee is entitled to receive part but not all of the indemnification or advancement of expenses sought, the expenses incurred by the Indemnitee in connection with such judicial adjudication or arbitration shall be prorated accordingly.

(e) Definitions. For purposes of this Section 4:

(i) "Disinterested Director" means a director of the Corporation who is not or was not a party to the Proceeding in respect of which indemnification is sought by the Indemnitee.

(ii) "Independent Counsel" means a law firm or a member of a law firm that neither presently is, nor in the past five years has been, retained to represent: (a) the Corporation or the Indemnitee in any matter material to either such party or (b) any other party to the Proceeding giving rise to a claim for indemnification under this Article XI. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing under the law of the State of Delaware, would have a conflict of interest in representing either the Corporation or the Indemnitee in an action to determine the Indemnitee's rights under this Article XI.

SECTION 5. Effect of Amendments. Neither the amendment or repeal of, nor the adoption of a provision inconsistent with, any provision of this Article (including, without limitation, this Section 5) shall adversely affect the rights of any director or officer under this Article with respect to any Proceeding commenced or threatened prior to such amendment, repeal or adoption of an inconsistent provision, without the written consent of such director or officer.

SECTION 6. Severability. If any provision or provisions of this Article XI shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Article XI (including, without limitation, all portions of any section of this Article XI containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Article XI (including, without limitation, all portions of any section of this Article XI containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

SECTION 7. Indemnification of Employees and Agents. Notwithstanding any other provision or provisions of this Article XI, the Corporation may indemnify (including, without limitation, by direct payment) any person (other than a director or officer of the Corporation) who is or was involved in any manner (including, without limitation, as a party or a witness) or is threatened to be made so involved in any Proceeding by reason of the fact that such person is or was an employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (including, without limitation, any employee benefit plan) against any or all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement incurred in connection with such Proceeding.

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.

Exhibit 10-b

CONSULTANT AGREEMENT

THIS AGREEMENT, entered into as of June 1, 1987, 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, 1987, 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 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.

3. 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, 1987.

4. 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.

5. The consulting fee provided for herein is in addition to, and not in lieu of, the benefits WRAPP is entitled to receive~~d~~ under the retirement programs for former directors of GEICO Corporation.

6. WRAPP will be reimbursed for all reasonable expenses incurred in connection with the services rendered by him to the COMPANY as a consultant.

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

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

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

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

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

H. EDWARD WRAPP

GEICO CORPORATION

By:

William B. Snyder
Chairman

(SEAL)

Attest:

J. M. O'Connor, Secretary

Exhibit 10-c

PENSION PLAN FOR RETIRED NON-EMPLOYEE DIRECTORS
OF
GEICO CORPORATION
(Non-Qualified)

Purpose

Recognizing that the non-employee directors of GEICO Corporation (the "Corporation") are not currently eligible to participate in the Pension Plan for the Employees of Government Employees Companies (the "Employee Pension Plan"), the Corporation has adopted this special retirement plan in order that retired non-employee directors of the Corporation shall receive a retirement benefit commensurate with their years of service to the Corporation. (Note: This Plan is not a "qualified Plan" as defined in the Internal Revenue Code, as amended.)

Section 1: Definitions

(a) "Government Employees Companies" includes, but is not limited to, the Corporation, Government Employees Insurance Company, GEICO Indemnity Company, Government Employees Financial Corporation, Garden State Life Insurance Company and Resolute Management Corporation.

(b) "Non-employee director" means any person who at any time after the adoption (and before the termination) of this Pension Plan for Retired Non-Employee Directors of GEICO Corporation (the "Directors' Plan") was a director of the Corporation who has not served at any time as an officer or employee of one of the Government Employees Companies who also is entitled to receive a retirement benefit from any qualified or non-qualified retirement plan of such Companies based on such employee service. However, the Board of Directors of the Corporation, by a two-thirds vote (of those present and voting), may determine that such retirement benefit and any other benefits to be received based on service as an employee either (a) are not substantial enough to disqualify the director from receiving benefits under this Directors' Plan or (b) may be foregone by the director and benefits under this Directors' Plan substituted therefor.

Section 2: Benefits

(a) Non-employee directors who retire between the ages of 65 and 70 inclusive with 10 years of service or more shall receive an annual benefit for life, payable in monthly installments, equal to 75% of the annual director's retainer in effect at the time of his or her retirement.

(b) At the time of his or her retirement, a non-employee director eligible for benefits under Section 2(a) of this Directors' Plan may elect to convert his or her retirement income to a reduced retirement income (on an actuarially equivalent basis determined in accordance with Appendix A) with the provision that after his or her death such reduced retirement income will be payable to his or her surviving spouse during the life of such spouse in the same or a lesser (either 50% or 75%) percentage as specified by the retired director in such election.

(c) Non-employee directors who retire between the ages of 65 and 70 inclusive with less than 10 years of service shall receive an annual benefit equal to 75% of the annual director's retainer in effect at the time of his or her retirement, said annual benefit to be paid, in monthly installments, for the number of years equal to the retired director's years of service on the Board of the Corporation, or until his or her death, whichever shall first occur.

(d) At the time of his or her retirement, a non-employee director eligible for benefits under Section 2(c) of this Directors' Plan may elect to convert his or her retirement income to a reduced retirement income (on an actuarially equivalent basis determined in accordance with Appendix B) with the provision that after his or her death any remaining reduced installments will be payable to his or her surviving spouse. Upon the death of such spouse any installments not yet due shall be forfeited.

Section 3: Miscellaneous

(a) The Corporation shall be under only a contractual obligation to make payments when due to a retired director referred to herein, and the amounts of such payments shall not be held in trust for the retired director, nor shall such payment be subject to deferment.

(b) Nothing contained herein shall confer any right on an individual to be continued as a member of the Board of Directors of the Corporation or shall affect the right of the Corporation and its shareholders to remove a director from the Board at any time.

(c) No person eligible for benefits under the Employee Pension Plan also shall be eligible for benefits under the Directors' Plan, except as provided in Section 1 hereof.

(d) The Directors' Plan shall continue in force with respect to any retired director until the termination of the right of such retired director to receive benefits under the Directors' Plan and shall be binding upon any successor to sustantially all the assets of the Corporation. The Corporation may, however, at any time, amend the Directors' Plan. The Corporation may also, at any time, amend the Directors' Plan retroactively or otherwise if and to the extent that such action is deemed appropriate in light of governmental regulations or other legal requirements.

(e) A retired director receiving benefits under this Directors' Plan shall not engage in any activities detrimental to any of the Government Employees Companies nor shall such retired director serve as an officer, director, employee or consultant, or in any similar capacity, of or to any company in direct competition with any of the Government Employees Companies.

(f) Notwithstanding any provision to the contrary in this Directors' Plan, in the event (i) the Board of Directors of the Corporation (or, if approval of the Board is not required as a matter of law, the shareholders of the Corporation) shall approve (a) any consolidation or merger of the Corporation in which the Corporation is not the continuing or surviving corporation or pursuant to which shares of Corporation Common Stock would be converted into cash, securities or other property, other than a merger of the Corporation in which the holders of Common Stock immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (b) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, the assets of the Corporation or (c) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation, or (ii) any person (as such term is defined in Section 13(d) of the Securities Exchange Act of 1934 as amended (the "Exchange Act")), corporation or other entity other than the Corporation shall make a tender offer or exchange offer to acquire any Common Stock (or securities convertible into Common Stock) for cash, securities or any other consideration; provided that (a) at least a portion of such securities sought pursuant to the offer in question is acquired and (b) after consummation of such offer, the person, corporation or other entity in question is the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 20% or more of the outstanding Common Stock (calculated as provided in paragraph (d) of such Rule 13d-3 in the case of rights to acquire Common Stock), then any director who has been such for one year or more shall receive an immediate benefit as follows:

(1) Such benefit shall be immediately due in a single payment.

(2) Such benefit shall be the actuarial equivalent of the benefits the director would have received for all years of service as a director to the date any of the events specified in subsection (f)(i) or (ii) occurs, applied as if he or she was age 65 and then retired pursuant to the terms of this Directors' Plan, at the same annual retainer then in effect. A director over age 65 at such date shall have his or her benefit calculated based on his or her actual age.

(3) Such benefit shall be determined by the Enrolled Actuary for the Employee Pension Plan using interest and mortality assumptions consistent with those used in the calculation of the retirement factors then applicable for the Employee Pension Plan.

(4) A retired director may elect to continue to receive his or her monthly retirement benefit or to receive its actuarial equivalent in a single payment.

(g) No right or interest of a director or retired director under the Directors' Plan shall be subject to voluntary or involuntary alienation, assignment or transfer of any kind.

(h) The administration of the Directors' Plan shall be the responsibility of the Human Resources Committee of the Board of Directors, or such other person or entity as the Corporation shall designate. Decisions of such administrator of the Directors' Plan shall be final and binding upon the Corporation, and upon its directors and retired directors.

(i) The Directors' Plan shall be construed, regulated and administered for all purposes according to the laws of the State of Delaware and the United States.

(j) This Plan shall be effective as of August 21, 1985. Sections 2(b) and 2(a), as amended, shall be effective January 1, 1988.

Exhibit 10-1

GEICO CORPORATION & GEICO - 1988 BONUS PLAN FOR OFFICERS

BONUS POOL: Performance of the enterprise will be measured by our Board against the 1988 Business Plan, with focused attention on results compared with the selected key goals of:

(a) voluntary all lines underwriting ratio (natural) for GEICO/GEICO General auto of 97%, adjusted for six-month premiums.

(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 .5 points 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 voluntary written premium after making appropriate adjustments for rate inflation 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 2/3rds 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 and departmental accomplishments of the objectives in the 1988 Business Plan and the general contribution to 1988 financial results. Payment will be in a single lump cash payment.

The Non-Officer Line Executive Plan tracks the above with the basic formula producing approximately half as great a percentage for the pool.

GEICO
CORPORATION

GOVERNMENT EMPLOYEES COMPANIES

NATION-WIDE SERVICE

ANNUAL REPORT 1987

IF YOU VALUE YOUR [illegible]

These car [illegible] equipment in their [illegible] below each insignia. On pages 8 and 9 we discuss air bags and offer GEICO's position.

Mercedes-Benz (all models)

Volvo 760, 780 series, and 740 Turbo

Acura Legend LS

Dodge Daytona and LeBaron Coupe (spring, 1988)

BMW 6 and 7 series

Porsche 944 Turbo and 944S

These car manufacturers offer air bags as optional equipment in the 1988 model year cars named below each insignia. Air bags were also offered in the Ford/Mercury models for 1987.

Dodge Diplomat, Fifth Avenue and Plymouth Grand Fury

Ford Tempo and Mercury Topaz

Oldsmobile Delta 88

Volvo 740 GLE

Saab 9000

Porsche 944

Contents

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, is a multiple-line property and casualty insurer currently engaged in writing preferred-risk private passenger automobile insurance for government employees and homeowners insurance and other lines of insurance for all qualified applicants. GEICO General Insurance Company (GGIC), a subsidiary of Government Employees Insurance Company, began writing private passenger automobile insurance in 1987 for all other preferred-risk applicants. GEICO Indemnity Company (GI), also a subsidiary of Government Employees Insurance Company, writes standard-risk private passenger automobile and motorcycle insurance with emphasis on marketing to military personnel. Criterion Casualty Company (Criterion Casualty), a subsidiary of GI, writes non-standard risk private passenger automobile insurance. Resolute Reinsurance Company, a subsidiary of Resolute Group, Inc., in turn a subsidiary of the Corporation, wrote property and casualty reinsurance in the domestic and international markets until late 1987 when the Company temporarily suspended writing new and renewal reinsurance. Garden State Life Insurance Company (Garden State), a subsidiary of Government Employees Insurance Company, and GEICO Annuity and Insurance Company (GEICO Annuity), a subsidiary of Garden State, offer consumer-oriented life and health insurance products. Government Employees Financial Corporation (GEFCO), a subsidiary of Government Employees Insurance Company, engages in consumer and business lending and industrial banking. GEFCO was active in marketing timeshare properties but discontinued this operation in late 1987. GEICO Investment Services Company (GEIVEST), a subsidiary of the 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. The preferred-risk insurance companies, Government Employees Insurance Company and GGIC are referred to collectively as "GEICO."

FINANCIAL HIGHLIGHTS

(In thousands, except per share data)	1987	1986	1985	1984	1983
Premiums	**$ 1,435,528**	$ 1,294,688	$ 1,078,042	$ 874,896	$ 768,316
Net investment income (pretax)	**126,357**	118,301	118,312	108,186	96,478
Net investment income (aftertax)	**112,707**	106,260	101,638	96,786	87,665
Operating earnings	**150,183**	119,264	77,639	100,409	94,824
Net income	**177,914**	217,742	170,579	131,313	113,753
Weighted average shares (1)	**16,673**	17,261	18,430	19,660	21,172
Operating earnings per share (1)	**9.01**	6.91	4.21	5.11	4.48
Net income per share (1)	**10.67**	12.61	9.25	6.68	5.37
Dividends paid per common share	**1.36**	1.08	1.00	.88	.72
Assets	**2,845,805**	2,715,291	2,378,409	1,907,342	1,775,790
Shareholders' equity	**634,678**	623,997	515,636	420,401	405,439
Common shares outstanding	**16,199**	16,716	17,697	18,766	20,393
Book value per share	**39.18**	37.33	29.14	22.40	19.88
Return on equity (three-year rolling)	**37.7%**	39.4%	35.6%	28.5%	31.7%

(1) fully diluted

I hope you are pleased with the 1987 financial results. Operating earnings per share increased nicely to $9.01, up 30.4% from $6.91 for 1986. 1987 included a "fresh start" tax benefit of $.89 per share and a loss of approximately $.80 per share from reinsurance operations. Net income per share was $10.67, down from $12.61 a year ago as we rode the capital gains roller coaster. Though Lou Simpson realized net capital gains of $27.7 million in 1987, this was far less than the extraordinary $98.5 million realized in 1986. We invest for total return over the long run and cannot plan what the markets will do each year. Return on equity has averaged 37.7% over the past three years, which continues to indicate that GEICO is a great business.

Our consolidated natural underwriting ratio was 96.7% compared to 96.9% in 1986. For GEICO the natural underwriting ratio was 94.6% compared to 96.5% a year ago. Presidents Gene Meyung of GEICO and Ed Utley of GEICO Indemnity and their managers did just an outstanding job in a difficult environment in 1987.

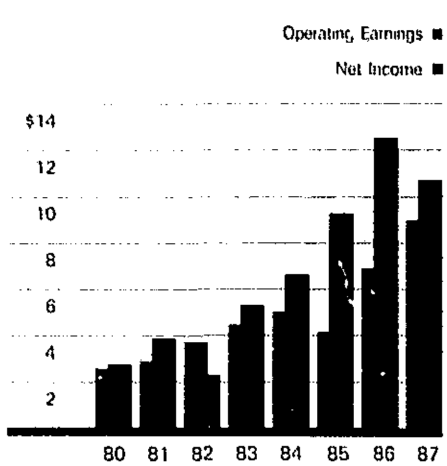
In this report "GEICO" now refers to our two preferred-risk automobile companies. Government Employees Insurance Company will henceforth write new auto insurance only for government employees and military personnel, just as it used to do. GEICO General Insurance Company will write new automobile insurance for all other preferred-risk customers. We believe we can offer better service to meet the needs of our government and military customers while offering excellent service to all our preferred-risk policyholders with this dual company approach.

Also, Government Employees Insurance Company is beginning to write its new auto business with six-month premiums. GGIC has always done so. This will allow us to manage our rate changes in the future more effectively, particularly during periods when rates must go up rapidly. Fortunately, rates are fairly stable for GEICO now, and we hope to complete conversion to six-month premiums with minimum inconvenience to our policyholders.

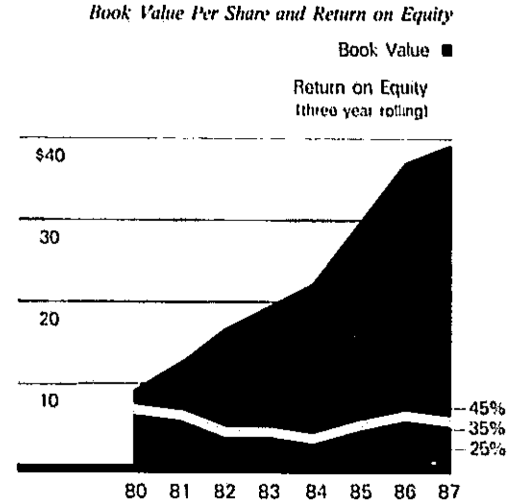
Being a preferred-risk company, we must search out those policyholders whose habits result in less-than-average losses. For auto insurance we look for those who are serious about not drinking and driving, wear their seatbelts at all times, drive at a respectable speed, respect other drivers' rights — and do not use radar detectors. The flap over our refusal to insure drivers who use radar detectors surprised us. Radar detectors are designed solely to break the law. They're used to speed on 65, 55, 45, 35 mph roads and through school safety zones. In Maryland, the state police report that approximately 3% of the cars have detectors but 30% of the speeders arrested have them. Our problem simply is this — speed causes accidents, and detectors are used for speeding. We'll resist strongly any restraint placed on our right to refuse to insure those using radar detectors.

An automobile can be a lethal weapon and we must take all reasonable precautions to protect ourselves and our loved ones. For example, we

Operating Earnings and Net Income Per Share



Book Value Per Share and Return on Equity



can consider an air bag for our next car though they are still difficult to find. Moderately priced cars in which they are available include the Ford Tempo, Mercury Lynx and Oldsmobile Delta 88. We want to insure more of these.

We're investing considerable energy in policyholder service in 1988. Our service improvements will cost a little more initially, but in the long run they will satisfy policyholders' needs and reduce their premiums. Our "Service" principle is first among equals of five operating principles:

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

Being the low-cost insurance provider comes from disciplined underwriting and from aggressive expense management each year as measured by our expense ratios. GEICO's expense ratio for general and loss adjustment expenses combined for 1987 is 25.0% compared to 23.5% in 1986. This result is higher than our plan and not satisfactory. We have been increasing our underwriting and claims management expense to reduce fraud and we also have been investing more in customer service. But we know we can do better in expense management.

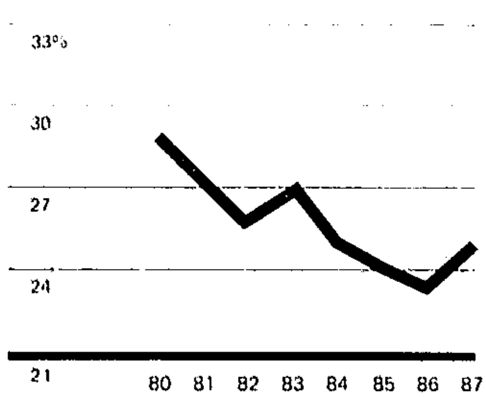
As we pay out more for insolvent company policyholders and for residual market policyholders, we must increase the premiums of our good-driving customers. These costs combined with economic inflation, judicial inflation (a result of increasing costs of court settlements and legal fees) and insurance fraud are causing a crisis for auto insurance in several states. Our industry challenge is to explain to the public what drives up costs. The industry outlook for maintaining adequate prices and profits for personal lines over the next several years is steadily diminishing.

Underwriting and claims fraud are high-level concerns. Our industry and your company devote much energy to rooting out fraud. It is estimated that at least 10% of the industry's personal lines claim payments are fraudulent. Our industry supports the National Auto Theft Bureau, the Insurance Crime Prevention Institute and state fraud bureaus. In addition, we have special investigation units devoted solely to uncovering fraud. Fraud prevention and auto safety were important elements in reducing loss costs in 1987. But the flip side of some of this activity is reduced new sales and policies in force.

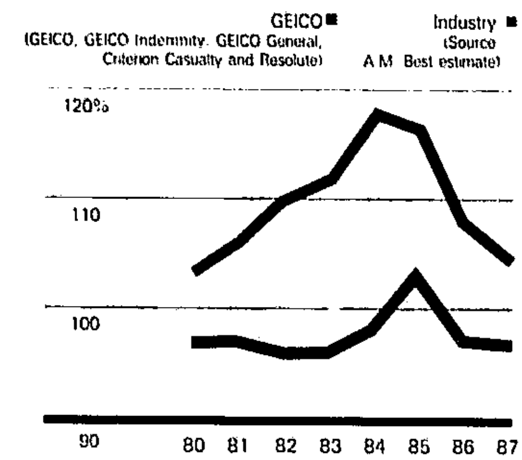
GEICO's 1987 earned premiums were up 14.7% as a result of increased auto policies in force, increasing premium rates, added coverages and policyholders adding more expensive cars. Policies in force increased 2.3%, reflecting slower than planned growth. Some of this shortfall occurred in states where price is inadequate or underwriting restrictions are unacceptable. This notwithstanding, we still must produce adequate new business and policies in force to meet our plan, and we did not do so.

Involuntary auto policies were up 7.3% above 1986. The underwriting loss from this business

GEICO Expense Ratios
(general and loss adjustment expenses combined)



Combined Loss and Expense Ratios
(after policyholder dividends)



— $11 million — must be paid for, of course, by our voluntary auto policyholders. The residual market problem is of crisis proportion in New Jersey and Massachusetts (where we do not do business) and in California and Pennsylvania. Insurance regulators and the insurance industry generally know what must be done. The legislatures do not understand, or do not have the will to make the necessary changes, although we are trying to improve their understanding. The premium-paying public fails to realize that premiums largely reflect claim payments. Over several years, loss costs have soared while overhead and profit increased slowly.

We are pleased with the financial results of our standard-risk auto insurance company, GI, with an underwriting gain over $2 million on earned premium of $110 million for 1987. This included its affiliate, Criterion Casualty, which writes nonstandard-risk auto insurance. These companies comprise approximately 9% of our auto earned premium.

GEFCO, our finance affiliate, had net income of only $53 thousand, down from $4.8 million in 1986. This was due to shutting down timeshare marketing operations, writing down real estate loan values in depressed areas and also reduced revenue due to competition.

We could not locate an acceptable buyer for Resolute Group, our property and casualty reinsurance affiliate. Therefore, in November we suspended writing new business and began cancelling and non-renewing all business. We will continue to seek an acceptable buyer. We believe all known and predictable losses are provided for and that Resolute will be able to meet its financial obligations. Resolute's operating loss for 1987 was $13.2 million.

Our life companies improved distribution of direct response term life insurance with new sales of $1.2 billion face amount compared to $1.1 billion in 1986. Sales of Medicare Supplement health insurance were $13.1 million. However, the future of this health insurance business is subject to the will of the Congress as Medicare legislation changes.

Our investment results for 1987 were disappointing, particularly equity results. However, we use a three-year time horizon in investing for total return and the results measured over three years are quite good. Lou Simpson's report follows this page. With 1987's reduction in equity values, GEICO's premium-to-surplus ratio increased to 2.6:1 from the year-end 1986 ratio of 2.0:1. This is acceptable as it still provides good financial protection to our policyholders.

On March 2, 1988, your Board of Directors was pleased to raise the quarterly cash dividend on the Common Stock to $.41 per share, up 20.6% over the 1987 rate. Also, we announced a tender offer, which is anticipated to be initiated on March 9 to purchase up to 1,000,000 shares of our Common Stock. Each shareholder will be mailed a copy of the Offer to Purchase and other documents related to the tender offer.

The financial outlook for 1988 for your companies is good — but it will be as part of an increasingly troubled personal lines environment in several key states. We'll stay close to our fundamentals and get closer to our roots with our dual company operation. Overall, I see better service for all policyholders and enhanced value of your enterprise.

Will B. Syn

William B. Snyder
Chairman
March 4, 1988

For the past several years I have included in the annual investment letter a cautionary note that the outstanding investment results GEICO had experienced could not continue indefinitely. In 1987, unfortunately, these warnings became a reality. Aftertax total return on your portfolio was 2.1%. Tax-exempts and preferreds earned a return of 4.6%, which was better than a comparable market portfolio, but equities pulled down overall results substantially with a loss of 5.2%. While stock returns are volatile and negative returns in some years are inevitable, our performance nonetheless stacked up poorly versus the 5.3% aftertax total gain in the benchmark Standard & Poor's 500 Index. On a more positive note, results for the three-year period ending on December 31, 1987, were quite good, as you can see from the chart on this page. We focus on rolling three-year periods to measure our common stock performance in order to emphasize a realistic, long-term equity investment strategy.

Realized capital gains (net of tax effect) were quite satisfactory at $27.7 million, as was aftertax net investment income at $112.7 million, a 6.1% gain over 1986. The unsatisfactory stock performance showed up in the unrealized gain in equity securities, which declined $72.3 million after deferred taxes.

During the year our major portfolio activity was the net sale of nearly $151 million in common stocks. Fortunately, we were able to sell a significant amount of stocks in July and August when we became uncomfortable with existing price levels. Unfortunately, the equities remaining in the portfolio did not emerge unscathed from the precipitous October decline. Stock sale proceeds were channeled into bonds and money market preferreds. Other major sales activity included sinking fund and convertible preferreds.

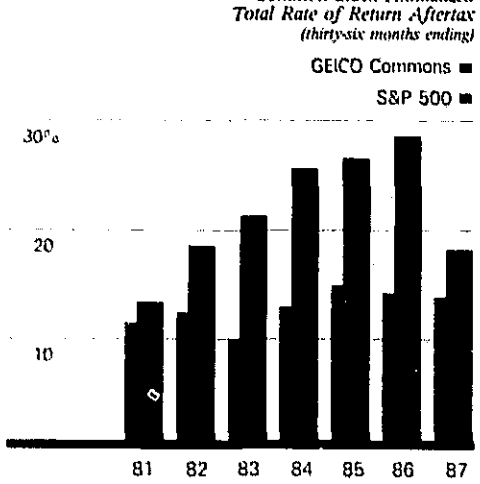
You might logically ask, what happened to equity performance last year, and what effect will the 1987 experience have on GEICO's future equity investment strategy? The first question could be answered by repeating the adage that, in equity investing, when you don't have any really good ideas (i.e., excellent companies at very attractive prices), doing nothing — or selling — is the best course of action. We probably tried too hard to invest in equities last year. In retrospect we paid too much for some investments in the heady first half of 1987, and were not aggressive enough in selling otherwise attractive equities that had risen to unrealistic levels. As to the future, we will try harder to practice what we have preached — to buy shares of excellent companies at reasonable prices. Our long-term results vindicate our approach, although we are keenly aware that the true test of any approach is future, not past, performance.

At present we are maintaining a cautious stance toward the financial markets. A number of crosscurrents are at work in the economy and the ultimate impact of these forces on both economic performance and the financial markets remains unclear at this time. Stocks do not seem cheap, even after the decline in interest rates to date in 1988. Thus we have no strong investment convictions for the present. In time, however, volatility and shifts in the stock and bond markets should present good opportunities. Your investment team will do its best to recognize them.

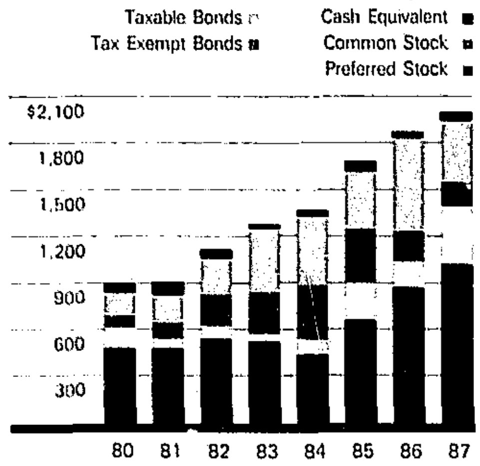
Louis A. Simpson

Louis A. Simpson
Vice Chairman
March 4, 1988

Common Stock Annualized Total Rate of Return Aftertax (thirty-six months ending)



Invested Assets (millions of dollars)



GEICO Corporation and Its Property and Casualty Affiliates Senior Officers

Edward H. Utley
President, GEICO Indemnity

James E. Reagan
Senior Vice President

W. Alvon Sparks, Jr.
Senior Vice President

Ross D. Pierce
Senior Vice President

Richard C. Lucas
Senior Vice President

Donald K. Smith
Senior Vice President

Alvin Kaltman
Group Vice President

Eugene J. Meyung
President, Government Employees Insurance Company

Olza M. Nicely
Executive Vice President

William B. Snyder
Chairman and Chief Executive Officer

Louis A. Simpson
Vice Chairman and Chief Investment Officer

Good service begins at the top, and the profit center managers and other senior officers pictured on these two pages have challenged themselves to substantially improve service to policyholders. "Be fanatics for good service" is the first among equals of GEICO's five operating principles.

In 1981 GEICO originated 24-hour telephone service, 365 days a year — for new sales, policyholder and claim service.

But being available for this first contact is only the first step of excellent service. Each transaction — a new policy, the change of car or driver, the reported claim — must be handled courteously, promptly and correctly.

Service is measured by surveys of current and past policyholders and claimants, focused interview panels, and reviews of complaint letters and time-in-process results. "In 1987 these told us we didn't do as well as we planned to do," says Chairman Bill Snyder.

In auto insurance approximately 54% reported receiving excellent service. An additional 34% said they got satisfactory service but 5% reported less than satisfactory service. Some 95% said they would recommend GEICO to others.

"We want to increase our excellent service reports to 90% or more and reduce poor service to zero — with 100% recommending us. You know the story — one dissatisfied customer tells many people," says Snyder. "We attract many new customers with a competitive price for a quality product. Excellent service will insure they stay with us."

The slogan "Make It Easy To Do Business With GEICO" sums up the corporate service philosophy. All departments attempt to Make It Easy, whether dealing with a paying customer or a state insurance department or preparing the more than 1,000 tax returns required by the federal, state, county and city jurisdictions where we do business each year.

This service culture begins with hiring practices and orientation. Associates who deal directly with the public are taught to understand the importance of customer satisfaction. In addition, GEICO has changed its performance appraisals for salary reviews and incentive compensation plans to emphasize the importance of "treating the customer as each wishes to be treated." Associates will be rewarded for service as well as productivity and profitability.

The Make It Easy credo is practiced daily. One associate might simply answer a policyholder's bevy of complex questions, while another might help calm a claimant after an accident and efficiently process the claim. Yet another might hand deliver a policy so that the homeowner can settle a home purchase without delay.

When hail the size of golfballs rained down on Waynesboro, Va., last summer causing extensive automobile damage, policyholders met GEICO claim associates who worked two extraordinarily long days settling all submitted claims.

Satisfied policyholders often write to report their pleasure with the company — and illustrate the importance of good customer service to its business health. Such was the case of a New York policyholder whose problem had been resolved amicably. "For years I have dealt with GEICO and I have never had any problems, but I am happy to know that if a situation does arise in the future, GEICO employs people such as Ann Loken. I shall continue to deal with GEICO and I have already recommended your services to several people."

"We won't be satisfied until 100% of our policyholders say they would recommend our services to friends, relatives and acquaintances," says Snyder.

Government Employees Insurance Company
Profit Center Managers

Marion E. Byrd *Regional Vice President, Macon, Georgia*

Donald D. Messmer *Regional Vice President, San Diego, California*

Richard C. Van Essendelft *Assistant Vice President, Residual Market*

Merrill D. Knight, III *Vice President, Property Insurance*

Robert M. Miller *Regional Vice President, Dallas, Texas*

Ross D. Pierce *Senior Vice President, Woodbury, New York*

Do seat belts and air bags save lives and reduce injuries in auto crashes?

In 1985 GEICO began providing air bag-equipped Ford Tempos to its claims adjusters who, following Company policy, also wear seat belts. Adjuster Frank Tate's seat belt and air bag both worked one night when his 1985 Tempo struck a stalled truck that was difficult to see. The emergency crew was amazed that he could have survived in the small remaining space of the crumpled car. The seat belt could not have protected him completely by itself, but his air bag instantly inflated and protected him from the collapsing metal. Thus Tate joins a small but growing group of drivers who can attest to the value of an air bag.

Air bags offer additional protection in front and front-angle crashes. Some 49% of all crashes, these are the deadliest kind.

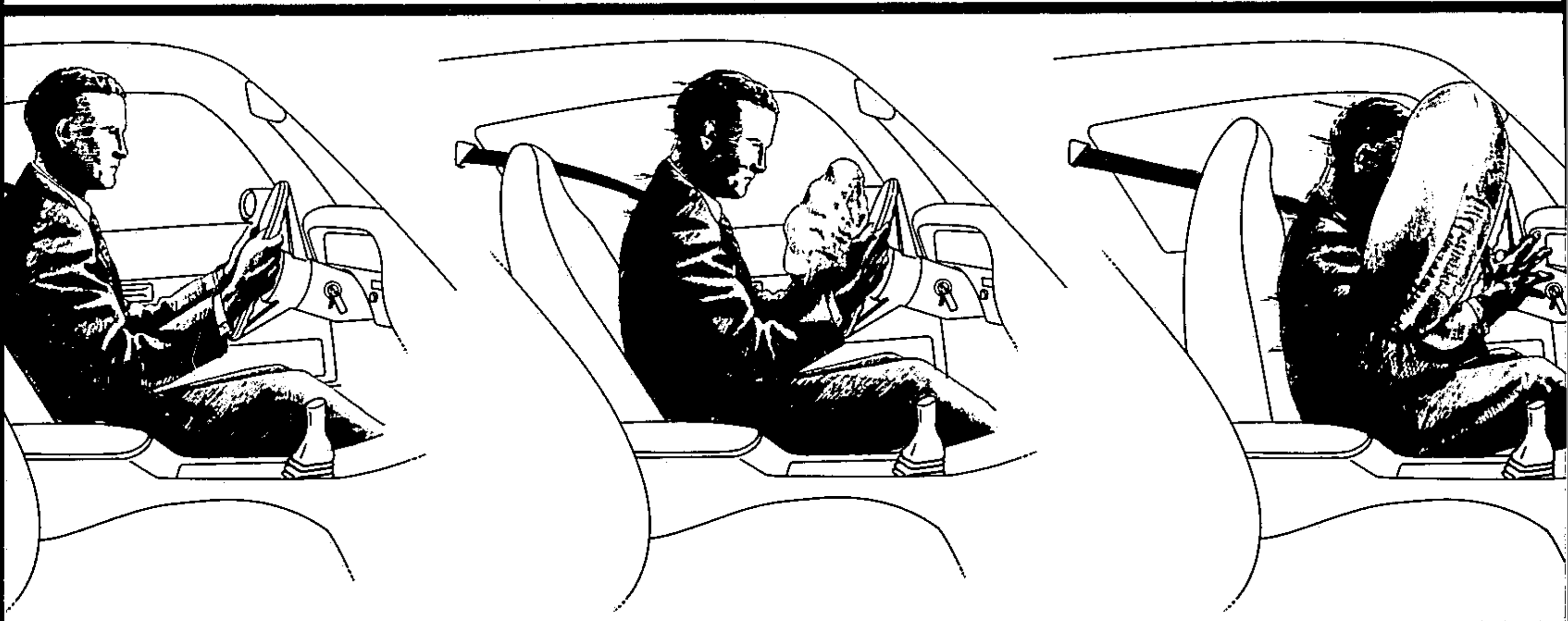
Seat belts offer protection in all kinds of crashes. Seat belts and air bags together offer you and your loved ones the best auto crash protection available today. If you purchase a new car, be sure to consider an air bag equipped model. Unfortunately, since only Mercedes Benz offers air bags in all its models, you must shop diligently to locate the standard or optional air bags of those auto manufacturers who offer them.

Though only driver-side air bags are available in today's new cars (except for a 1988 Porsche which we don't insure), plans are underway for passenger-side air bags. The sooner they are available, the better it will be for the driving public.

GEICO believes in air bags, seat belts and all the other automobile safety features. Each year there are over 46,000 motor-vehicle-related deaths and 500,000 plus serious auto-related injuries, such as paraplegia, quadriplegia and brain damage. We favor everything that can be done to reduce the pain, misery, death and $60 billion-plus annual cost of auto accidents. Too few people realize that auto accidents are America's number one public health problem.

Air bags are safe, dependable and automatic. Out of sight in the hub of the steering wheel, they inflate to keep the driver from slamming into the steering wheel, instrument panel, windshield and collapsing metal.

They inflate, protect and deflate in 0.12 of a second — so fast that most people don't know what happened, except that they



0.0
of a second — seat belt tightly fastened and air bag stored out of sight, ready to inflate in serious frontal crash.

0.02
of a second — on impact, the car stops. Seat belt restrains the body but head keeps moving forward. Air bag fills to cushion driver.

0.04
of a second — peak air bag inflation occurs to cushion driver, especiall[y] his head and face.

were not injured.

Extensive tests during the 1960s and 1970s — including controlled crashes and on-the-road use — have brought air bags to the advanced "second generation" devices now being installed as standard or optional equipment in some 1988 cars.

After years of negotiating, lobbying and legal challenges by the auto industry, insurance industry, and consumer groups, the Department of Transportation in 1984 ruled that all automobiles must be equipped with passive restraint systems by 1990. The federal mandate may be satisfied with automatic seat belts or air bags.

The ruling is progressive. For 1988 models, 25% — 2.5 million cars — must be equipped with automatic protection. This rises to 40% in 1989 and 100% in 1990. Presently some 250,000 cars have air bags in the United States.

Most manufacturers today satisfy the passive restraint requirement with automatic seat belts. Research has proven, however, that in severe frontal crashes the best protection is a combination of air bags and seat belts.

Air bags still seem mysterious and questions such as the following are frequently asked.

0.12
of a second — crash is over and air bag deflates.

Have air bags been adequately tested? Since the 1960s, the U.S. automobile industry has made air bags the most thoroughly tested (prior to widespread use) safety technology ever developed. The federal government and auto companies now say air bags are reliable and will function in virtually all crashes where they're needed.

Will an air bag inflate without a crash? BMW and other companies have tested them and tried to get them to work when they shouldn't. But the air bags wouldn't inflate. They are designed to work only in moderate and severe frontal crashes. They don't inflate in minor fender-benders or when cars go over bumps or potholes.

What about the sodium azide in air bags? Isn't it a dangerous explosive? Nothing in an air bag explodes. The bags inflate with nitrogen, which comprises 78% of the air we breathe. The solid chemical, sodium azide, generates the nitrogen in the process of burning rapidly. It is not dangerous in normal driving, in crashes, or in disposal.

Wouldn't it be cheaper and easier to require people to use seat belts instead of equipping every car with air bags? As of now, 30 states and the District of Columbia have seat belt laws, covering about 75% of the nation's population. This excellent progress is not the whole answer to occupant crash protection. Many people will not wear belts or wear them incorrectly. Lap/shoulder belts offer good protection in crashes at low and moderate speeds. But at higher speeds, in frontal crashes, people can be injured very seriously even if they're wearing belts properly. Their heads and faces are especially vulnerable. A safety belt plus an air bag provides much better protection — the belt helps hold the occupant in place while the bag cushions the head and face.

GEICO auto policyholders with air bag-equipped cars find their insurance less expensive. GEICO gives a 30% discount on medical payments and personal injury protection coverages. It is one of the many ways in which the company has helped promote the use of air bags over the years. We have long been involved in encouraging governmental regulations requiring passive restraints. The federal regulation struggle lasted for years, but the impact of these regulations will last even longer. A new era of auto safety for prudent auto buyers has begun!

PROPERTY AND CASUALTY INSURANCE

PRIVATE PASSENGER AUTOMOBILE INSURANCE

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

Eugene J. Meyung
President

Government Employees Insurance Company was founded in 1936 to provide private passenger automobile insurance to government employees and military personnel and then expanded its eligibility in the 1950s to cover people from other walks of life. In August 1987, Government Employees Insurance Company decided to return to its roots by issuing new automobile insurance only to government employees and military personnel. New, preferred-risk automobile customers outside the government and military will be insured in GEICO General Insurance Company, a subsidiary of Government Employees Insurance Company. This dual company organization makes it possible for our two preferred-risk companies to tailor their protection and service more closely to their policyholders' needs. In this report, the acronym "GEICO" is used when discussing the preferred-risk automobile insurance and the financial results of these two companies on a combined basis.

Government Employees Insurance Company operates in the District of Columbia and all states except New Jersey. In addition to insuring family automobiles, the Company also provides other types of personal lines coverages, including homeowners, personal umbrella liability and boatowners insurance.

While Government Employees Insurance Company remains the cornerstone of the property and casualty operation, GGIC was reactivated in 1987 and currently operates in 45 states, but is licensed to do business in all 50 states. Over the next few years we anticipate rapid growth in this Company.

For more than 50 years the GEICO tradition has been built on a direct-to-the-customer approach. By using direct response marketing techniques to insure drivers with good driving records, GEICO is able to deliver quality insurance protection and excellent service at a price advantage over most of their competitors. At the end of 1987 the Companies insured over 2.5 million family automobiles, which accounts for about 88% of total premium volume.

GEICO's automobile policy persistency continued to improve moderately in 1987. About 93.0% of GEICO's customers accepted our offer to renew their coverage compared to 91.9% in 1986 and 92.1% in 1985. With their seasoned driving records, these customers provide a sound base upon which to build a profitable book of business. We appreciate their continuing business and the Companies and their associates work diligently to give the customer reliable around-the-clock service. Exclusive of residual market business, such as assigned risk and other involuntarily written policies, automobile policies in force totaled 1.4 million on December 31, 1987, a 2.2% increase from year-end 1986.

Recognizing that policyholder goodwill and loyalty are invaluable marketing assets, GEICO in 1987 expanded the referral of eligible prospects by our policyholders. Promotion of this concept will increase in 1988. Although direct response methods continue to be our largest source of new business, General Field Representatives (GFRs), commissioned agents who work primarily with military and base-related personnel, produced 19% of GEICO's new automobile business in 1987 compared to 15% a year ago.

The marketing challenge in 1988 is to increase growth in key preferred-risk groups such as federal employees, military personnel and drivers age 50 and over. We plan more aggressive marketing programs targeted at these key and long-valued preferred-risk groups. In addition, our plans call for intensifying our effort to write more homeowners business as our competitive position improves. To support this effort, in late 1987 we introduced a dual policy discount to provide a premium advantage to customers insuring both their automobiles and homes with us.

Edward H. Utley
President

GEICO Indemnity Company, organized in 1961, writes automobile insurance for individuals not meeting GEICO's preferred-risk underwriting standards (we call this standard insurance). GI operates in the District of Columbia and all states except Massachusetts, New Jersey and South Carolina. New customers are acquired and service is provided primarily through GFRs with 110 offices in 31 states. GI writes only private passenger automobile and motorcycle insurance.

Criterion Casualty Company, a GI subsidiary, was formed in 1982 to offer non-standard risk automobile insurance to those not qualifying for preferred or standard-risk insurance, principally through GFRs. Criterion Casualty currently operates in 26 states but is licensed to do business in 33. With satisfactory underwriting results, this segment is now positioned for modest growth.

GI's underwriting gain, including Criterion Casualty, amounted to $2.3 million in 1987 and $3.8 million a year ago compared to a loss of $10.3 million in 1985. The number of policies in force declined 2.9% during 1987 primarily as a result of a cutback in the motorcycle line. GI's marketing effort is concentrated in those jurisdictions that provide the opportunity for an acceptable underwriting gain.

In 1987 the Corporation's automobile earned premiums, including service charges, totaled $1,263.4 million, up 14.2% from $1,106.5 million a year ago, which was a 19.5% increase from 1985. Voluntary auto earned premiums in all companies increased 12.8% while assigned risk policy premiums of $101.6 million rose 32.6%. During 1987 GEICO's preferred-risk voluntary rates countrywide increased 6.2% and involuntary rates rose 2.4%.

In 1987 the Corporation's automobile written premiums, including service charges, totaled $1,310.8 million, up 8.4% from $1,209.7 million a year ago, which was a 17.5% increase from 1985. Written premiums in 1987 were reduced approximately $50 million as the Corporation began changing its voluntary auto policy coverage period from a twelve-month term to a six-month term. GI converted practically all of its policies to a six-month term in 1987 and GEICO began converting its policies in late 1987. This conversion to six-month premiums will temporarily shrink written premiums and therefore distort both the general expense ratio and the underwriting ratio, but will not significantly affect earned premiums. GI's written premiums will return to a more normal level in 1988 since its conversion is complete, but GEICO's written premiums will be reduced substantially in 1988 as additional policies are converted to a six-month term.

The number of automobile claims reported to GEICO and GI rose 4.9% in 1987 following increases of 1.1% and 9.7% in 1986 and 1985, respectively. The increase in 1987 reflects more policies in force and more auto-related injuries.

In 1988 GEICO will continue its educational and promotional programs in such issues as air bags, rear seat shoulder harnesses, mandatory seat belt laws and the proper use of child safety seats. GEICO's Safe Rider Program, which provides discounted child safety seats to policyholders in selected states, has been extended through 1988. GEICO's anti-drunk driving efforts will continue through company-sponsored campaigns as well as support of local and national anti-drunk driving organizations. For GEICO's past activities in this area, Chairman William B. Snyder and GEICO were awarded the 1987 Education and Prevention Award by the National Commission Against Drunk Driving.

While the cost of settling claims continued to outpace the overall inflation rate, we have experienced a lower rate of increase for the third consecutive year. With higher medical costs and unpredictable jury awards and related settlements leading the way, personal injury claim costs are estimated to have increased approximately 6% in 1987 following increases of 9% in 1986 and 12% in 1985. Our estimates indicate that costs associated with repairing automobiles grew at an estimated annual rate of 6% compared to 7% in 1986 and 8% in 1985.

Overall, the Corporation's property and casualty operations showed further improvement in 1987. Property and casualty operations recorded an underwriting gain of $57.3 million in 1987 compared to $44.4 million in 1986 and a $31.3 million loss in 1985. The Statutory Underwriting Ratio reported for property and casualty operations in 1987 was 96.7% compared to 96.9% (after policyholder dividends) in 1986 and 102.9% in 1985. The 1987 ratio adjusted to eliminate the effect of converting to six-month premiums was 96.4%

HOMEOWNERS INSURANCE

Our homeowners insurance is marketed by Government Employees Insurance Company primarily through direct mail solicitation to existing automobile policyholders. In 1987 homeowners insurance produced a statutory underwriting gain of $6.9 million compared to a gain of $2.9 million a year earlier. Homeowners insurance benefited in 1987 from better-than-average experience with weather-related claims for the second consecutive year and a continued effort toward disciplined underwriting. In 1985 this line had an underwriting loss of $7.9 million due to significant hurricane losses.

Homeowners written premiums, including service charges, totaled $79.1 million in 1987, up 5.7% from $74.8 million in 1986, and accounted for 5.5% of the Corporation's property and casualty premiums. Such premiums in 1985 were $67.5 million. During 1987 premium rates increased an average of only .3% countrywide.

In general, we are pleased with our homeowners business and we are committed to expanding this line. In 1988 we will intensify our marketing program and sales effort in support of additional planned growth.

OTHER PROPERTY AND CASUALTY LINES

In addition to its automobile and homeowners lines, GEICO offers policies providing fire, boat, yacht and personal umbrella liability insurance. In 1987 these lines accounted for less than 1% of property and casualty premiums.

REINSURANCE

Resolute Reinsurance Company, the Corporation's wholly owned subsidiary, has written treaty and facultative reinsurance through brokers and intermediaries since its formation in New York in 1981. During 1987 the Corporation retained Salomon Brothers to investigate alternative sources of capital for Resolute, including the sale of all or part of our ownership. The Company also moderated its acceptance of new and renewal business and retained outside actuarial consultants to help reevaluate reserves for losses.

In November 1987, we concluded that a satisfactory sale was not likely to occur soon and Resolute notified the New York Insurance Department and its markets that the Company would temporarily suspend writing new and renewal reinsurance. We will continue our efforts to find a suitable buyer for the Company.

As one consequence, earned premium revenue was down 20.5% for the year, from $39.5 million in 1986 to $31.4 million in 1987. Reevaluation of loss reserves and unrecoverable reinsurance contributed to an operating loss for the year of $13.2 million aftertax. Resolute's loss reduced the Corporation's operating earnings by about $.80 per share for 1987 with $.40 per share in the fourth quarter. We do not expect operations in 1988 to result in further charges to the Corporation's earnings; however, the ultimate outcome remains uncertain.

LIFE AND HEALTH INSURANCE

Garden State Life Insurance Company
GEICO Annuity and Insurance Company

Herbert L. De Prenger
President

Life and health insurance operations are conducted through Garden State Life Insurance Company and GEICO Annuity and Insurance Company. Since 1983 the Companies have marketed individual term life insurance, primarily through direct mail solicitations. The face amount of new individual term life insurance written in 1987 was $1.2 billion, up from $1.1 billion in the prior year.

Garden State offers single premium annuities to its property and casualty company affiliates for the purpose of funding structured settlements of liability insurance claims. Annuity premiums from this source were $8.2 million in 1987 compared to $7.0 million a year ago.

In 1987 Garden State began offering Medicare Supplement insurance. This insurance is marketed through agents under an agreement with an independent health insurance marketing company and produced $13.1 million of premium in 1987. As reported a year ago, Garden State lost much of its group life and health insurance business when the independent marketing and administration company which was its largest source of group insurance business was acquired by another life insurance company. Consequently, group insurance premiums dropped to $16.6 million in 1987 from $50.3 million in 1986.

Total premiums were $45.8 million in 1987 compared to $63.6 million a year earlier. Operating earnings from life and health operations were $2.5 million in 1987, up from $2.0 million in the prior year.

SAVINGS AND THRIFT INSTRUMENTS

GEICO Investment Services Company

Richard A. Ollen
President

GEICO Investment Services Company is a registered investment adviser and broker-dealer formed by the Corporation primarily to develop and manage investment-oriented products and market them to the savings and thrift markets, both individual and corporate.

GEIVEST offers Government Securities Cash Fund, a no-load, open-end money market mutual fund. Perpetual Investment Advisory Service, Inc., a subsidiary of Perpetual Savings Bank, F.S.B., is the Cash Fund's money manager. During the Cash Fund's current fiscal year, net assets increased to $25.3 million, up from $16.4 million in 1986.

It also offers the GEICO Qualified Dividend Fund, a no-load, open-end mutual fund designed for the corporate market. On April 30, 1987, the Fund's name was changed from GEICO Adjustable Rate Preferred Fund and the universe of securities eligible to be held in the Fund's portfolio was broadened. It is marketed directly to corporations through media advertising and through distribution and service organization agreements with registered broker-dealers and banks. At year end the Fund's net assets totaled $48.8 million, down 38.4% from $79.3 million a year ago.

GEIVEST also serves as an investment adviser to The Growth Fund of Washington, Inc., 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. For 1987 this Fund's assets declined 4.0% to $48.2 million, from $50.1 million in 1986.

Government Employees Financial Corporation

John J. Krieger
President

Government Employees Financial Corporation, wholly owned since 1983 and headquartered in Denver, Colo., engages in consumer and business lending and industrial banking. The Company was active in marketing timeshare properties but discontinued this operation in December 1987.

In 1987 GEFCO recorded net income of $53 thousand, down substantially from the $4.8 million earned a year ago and $4.5 million in 1985. Losses associated with timeshare marketing, coupled with higher loan losses (primarily in the Colorado real estate market), were largely responsible for the poor financial results.

In late 1986 the scope of timeshare marketing operations was materially reduced. As a result, 1987 operating losses were reduced somewhat, but the results were still disappointing. Consequently, management decided to totally withdraw from this line of business. Operating losses and expenses associated with discontinuing these operations amounted to $1.3 million aftertax for the year.

In 1987 the Colorado economy continued to suffer from downturns in the energy and agricultural industries which, in turn, negatively affected real estate values. As a result, GEFCO increased its write-offs of Colorado real estate secured loans and certain real estate owned properties to estimated realizable values. The percentage of credit receivables written off, net of recoveries, increased to 2.8% from 1.0% in the prior year and .6% in 1985. We continue aggressive efforts to recover balances written off.

Consumer finance business in 1987 was most competitive and difficult. GEFCO had been successful in offering unsecured loans; however, changed tax laws caused a shift in borrowing patterns from unsecured loans to a greater demand for real estate secured loans. GEFCO has chosen, for competitive pricing reasons, to de-emphasize real estate lending and be a niche player in the purchase of mortgages secured by timeshare weeks and campground membership contracts.

GEIBank Industrial Bank ended the year with $62.5 million in deposits, down from $86 million in 1986 and $81.9 million in 1985. This reduction in deposit levels caused a decline in GEIBank's investment portfolio which materially reduced investment income for the year. However, more importantly, GEIBank became federally insured in early November. This should help future deposit growth at reasonable pricing which, in turn, would provide acceptable interest margins.

In the lending area, GEFCO plans greater diversification of its loan portfolio both geographically and by type of business. GEFCO is confident that its efforts will restore reasonable profitability in 1988.

COMMON STOCK MARKET PRICES AND DIVIDENDS

The Corporation's Common Stock is listed on both the New York Stock and Pacific Stock Exchanges, 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. Record holders of the Corporation's stock at January 31, 1988, numbered 3,707.

The following table shows the quarterly high and low prices for the stock as published 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 1987 and 1986.

	High	Low	Dividends Paid
1987			
Fourth Quarter	$127 1/4	$ 90 1/8	$.34
Third Quarter	135	119	.34
Second Quarter	136 3/4	116 3/4	.34
First Quarter	128	98 3/4	.34
1986			
Fourth Quarter	$104 3/4	$ 91 1/4	$.27
Third Quarter	105 1/2	87 3/4	.27
Second Quarter	94	86 1/4	.27
First Quarter	94 7/8	77 3/4	.27

GEICO Corporation
(In thousands, except per share data)

	1987	1986	1985	1984	1983	1982
OPERATING RESULTS						
Premiums	$1,435,528	$1,294,688	$1,078,042	$ 874,896	$ 768,316	$ 731,719
Net investment income	126,357	118,301	118,312	108,186	96,478	82,743
Equity in earnings of unconsolidated affiliates	10,112	11,070	7,465	6,785	4,147	2,008
Other revenue	8,164	5,804	15,589	5,104	3,762	935
Total revenue	1,580,161	1,429,863	1,219,408	994,971	872,703	817,405
Total benefits and expenses	1,429,978	1,310,599	1,141,769	894,562	777,879	739,922
Operating earnings	150,183	119,264	77,639	100,409	94,824	77,483
Realized investment gain (loss) net of tax effect	27,731	98,478	92,940	30,904	18,929	(28,635)
Utilization of operating loss carryforward	—	—	—	—	—	—
Net income	$ 177,914	$ 217,742	$ 170,579	$ 131,313	$ 113,753	$ 48,848
WEIGHTED AVERAGE SHARES OUTSTANDING						
Fully diluted	16,673	17,261	18,430	19,660	21,172	21,092
Primary	16,673	17,261	18,430	19,643	21,144	20,364
PER SHARE RESULTS						
Fully Diluted:						
Operating earnings	$ 9.01	$ 6.91	$ 4.21	$ 5.11	$ 4.48	$ 3.67
Net income	$ 10.67	$ 12.61	$ 9.25	$ 6.68	$ 5.37	$ 2.32
Primary:						
Operating earnings	$ 9.01	$ 6.91	$ 4.21	$ 5.11	$ 4.48	$ 3.80
Net income	$ 10.67	$ 12.61	$ 9.25	$ 6.68	$ 5.38	$ 2.39
Common Stock dividends	$ 1.36	$ 1.08	$ 1.00	$ .88	$ .72	$ .56
FINANCIAL CONDITION						
Assets	$2,845,805	$2,715,291	$2,378,409	$1,907,342	$1,775,790	$1,563,799
Long-term debt	169,307	168,843	184,305	187,115	153,890	144,472
Redeemable Preferred Stock	—	—	—	—	—	—
Common Shareholders' Equity	634,678	623,997	515,636	420,401	405,439	344,797
Common shares outstanding (fully converted)	16,199	16,716	17,697	18,766	20,393	20,459
Book value per share (fully converted)	$ 39.18	$ 37.33	$ 29.14	$ 22.40	$ 19.88	$ 16.85

Significant Statutory Indicators
(In thousands, except ratios)

	1987	1986	1985	1984	1983	1982
PROPERTY AND CASUALTY OPERATIONS*						
Surplus for protection of policyholders	$ 548,408	$ 671,414	$ 583,000	$ 521,804	$ 480,028	$ 414,837
Ratio of written premiums to surplus	2.6:1	2.0:1	2.0:1	1.8:1	1.6:1	1.8:1
Loss ratio	81.2%	81.4%	87.9%	82.1%	76.9%	80.0%
Expense ratio	15.5%	14.7%	15.0%	15.6%	16.7%	15.6%
Underwriting ratio	96.7%	96.1%	102.9%	97.7%	93.6%	95.6%
Underwriting ratio after policyholder dividends	96.7%	96.9%	102.9%	97.7%	95.7%	95.6%
Adjusted ratios:						
Expense ratio	15.2%					
Underwriting ratio	96.4%					

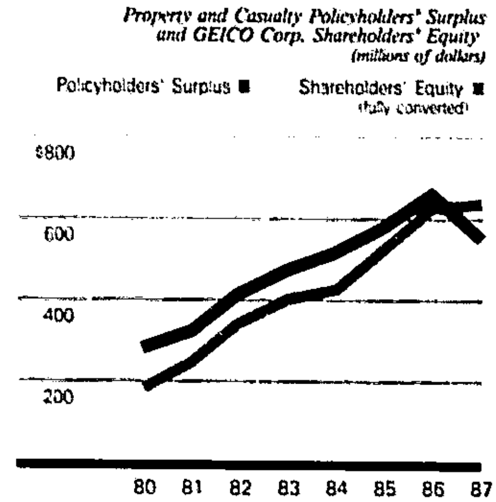
*Property and Casualty includes Government Employees Insurance Company, GEICO General, GEICO Indemnity, Criterion Casualty and Resolute.

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

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

Adjusted ratios are calculated to eliminate the effect of converting to six-month premiums in 1987.

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	$ 2.59	$ 2.14	$ 1.74	$ 1.10
$ 3.85	$ 2.64	$ 2.67	$ 2.49	$ 1.70
$ 3.11	$ 2.87	$ 3.24	$ 2.99	$ 1.78
$ 4.02	$ 2.92	$ 4.09	$ 4.42	$ 2.96
$ .48	$ .43	$ .36	$ .20	$ .03
$1,362,009	$1,274,796	$1,235,949	$1,187,585	$ 991,914
137,495	137,920	120,037	47,154	47,524
2,086	6,227	17,443	72,078	100,864
236,818	185,951	173,631	148,729	77,575
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 $1,435.5 million in 1987, up 10.9% from $1,294.7 million a year ago. Earned premiums were $1,078.0 million in 1985. The increase in 1987 was due primarily to improvement in automobile policy persistency and a higher average premium per automobile policy, reflecting rate increases implemented during the prior year and increased coverages on cars insured. For 1987 and 1986 voluntary automobile rates increased 6.2% and 10.3%, respectively. Premiums in 1987 reflect only a modest 1.9% increase in policies in force as the slowdown in sales to new customers continued due to more stringent underwriting.

The property and casualty growth in consolidated premiums was partially offset by a decrease in life insurance premiums to $45.8 million from $63.6 million in 1986 due to a reduction in group life and health insurance.

Earned premiums of Resolute Reinsurance Company decreased 20.5% to $31.4 million in 1987 compared to $39.5 million a year earlier as Resolute stopped accepting new business and began reducing in force business in late 1987.

Net Investment Income — Consolidated pretax net investment income gained 6.8% to $126.4 million in 1987 compared to $118.3 million in both 1986 and 1985, reflecting the investment of additional cash flow, higher yields on fixed maturities and a shift from lower yielding common stocks to higher yielding U.S. Government securities and money market preferred stocks during 1987. Aftertax net investment income was up 6.1% to $112.7 million compared to $106.3 million a year ago which was a 4.5% increase over 1985. The aftertax percentage increase in 1987 was lower than the pretax increase due to shifting assets from tax-preferenced equity securities to short and intermediate-term taxable investments during the year.

Equity in Earnings of Affiliates — Earnings of unconsolidated affiliates, which are reflected in the consolidated financial statements using the equity method of accounting, totaled $10.1 million for the year compared to $11.1 million in 1986 and $7.5 million in 1985. Increased earnings from Bond Investors Group, Inc. and AVEMCO in 1987 were more than offset by a drop in GEFCO's earnings caused, in part, by lower yields on finance receivables, increased provision for losses and continued losses from timeshare sales activity.

Other Revenue — Other revenue totaled $8.2 million in 1987 and $5.8 million in 1986, down from $15.6 million in 1985. Other revenue in 1985 included the sale of a computer software limited partnership and higher revenue from oil and gas joint ventures.

BENEFITS AND EXPENSES

Losses, life benefits and loss adjustment expenses (LAE) totaled $1,132.0 million, up 10.5% from $1,024.3 million in 1986 and $910.5 million in 1985. The loss ratio for property and casualty insurance, which measures the portion of earned premium paid or reserved for losses and related expenses for handling claims, was 81.2% in 1987 compared to 81.4% a year ago and 87.9% in 1985. The improved loss ratio for 1987 and 1986 mainly reflects a stabilization of nationwide accident frequencies with respect to material damage coverages, smaller increases in the costs of property damage and bodily injury claims compared to prior years, prompt recognition of the need for rate increases at the end of 1984, a dedication by management to disciplined underwriting and generally good weather. Also, the use of aftermarket sheet metal parts and the reduced percentage of new business in our total mix of business have reduced claims costs. The loss ratio was adversely affected by Resolute's reinsurance operations in 1987. Life benefits in 1987 and 1986 were $34.7 million and $48.3 million, respectively.

Policy acquisition and other operating expenses rose 10.9% to $267.2 million in 1987. Underwriting control programs and increased contributions to associate benefit programs in 1987 resulted in higher operating expenses. As shown by the Significant Statutory Indicators (page 16), the ratio of general expenses to written premiums was 15.5%. As described in the Private Passenger Automobile Insurance section of Business Segments, GEICO plans to implement a six-month premium for its voluntary auto business. After adjustment for the effect of six-month premiums in 1987, the general expense ratio was 15.2%. In 1986 and 1985 the ratios were 14.7% and 15.0%, respectively.

The Companies amortize deferred policy acquisition costs for GAAP over the policy contract period as the related written premium is earned. Shifting to a shorter premium term means acquisition costs such as advertising and salaries for sales and underwriting will be expensed over six months instead of twelve months. Accelerating the amortization of these acquisition costs will result in a decrease in the Companies' asset and produce lower GAAP earnings during the transition period.

In 1986 the Corporation adopted Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions." This resulted in pension income of $3 million and $3.5 million in 1987 and 1986, respectively, compared to pension expense of $2.3 million in 1985. The reduction in pension expense reflects the amortization of the initial excess of plan assets over projected benefit obligations over approximately eleven years.

In 1986 dividends to policyholders of $10 million were accrued to be paid in some states where underwriting experience was more favorable than anticipated. Of this amount $8.3 million was paid during 1987 and the remainder will be paid in 1988.

Interest expense decreased to $16.5 million in 1987 compared to $18.1 million a year earlier and $21.9 million in 1985, reflecting debenture repurchases of $25.6 million in 1986 and $14 million in 1985.

INCOME TAXES

Operating earnings before taxes rose sharply to $164.5 million in 1987 compared to $136.5 million in 1986 and $68.1 million in 1985. Federal income taxes of $14.3 million in 1987 reflect higher pretax earnings offset by a decrease in the corporate tax rate on ordinary income from 46% to 40% and a $14.9 million tax benefit arising from the "fresh start" adjustment to initially discount loss and loss adjustment expense reserves at January 1, 1987, as required by the Tax Reform Act of 1986. Under accounting rules currently used by the Corporation, the "fresh start" adjustment will also benefit future periods but to a decreasing extent. The corporate tax rate is scheduled to decrease to 34% for 1988 and later. Federal income tax expense increased to $17.2 million in 1986 compared to a benefit of $9.5 million in 1985, due to a significant improvement in the underwriting gain from insurance operations.

The Tax Reform Act of 1986 included provisions to significantly increase current taxes payable for property and casualty insurance companies by accelerating the reporting of taxable income and by prorating investment income to indirectly tax 15% of the tax-exempt interest and dividend received deduction on securities purchased after August 7, 1986. The provisions which accelerate taxable income include discounting reserves for tax purposes, disallowing 20% of the increase in unearned premiums as a tax deduction and reporting 20% of the reserve for unearned premiums at December 31, 1986, as taxable income, ratably over six years beginning in 1987. The increase in current taxes due to these timing differences, whereby income is reported sooner for tax purposes than for financial statement purposes, is offset by a deferred tax benefit with no impact on the total tax provision for financial statement purposes. Current tax expense on operating earnings rose sharply to $42.7 million compared to tax benefits of $1.5 million in 1986 and $13.6 million in 1985, reflecting the new provisions of the Tax Reform Act of 1986 and higher pretax earnings.

OPERATING EARNINGS

Consolidated operating earnings totaled $150.2 million, up 25.9% from $119.3 million in 1986 which was up 53.6% from $77.6 million in 1985. Operating earnings per share increased 30.4% in 1987 to $9.01, following a 64.1% increase to $6.91 in 1986. Per share earnings in 1987 included a special tax benefit of $.89 per share as a result of the "fresh start" provision of the Tax Reform Act of 1986. The number of shares of Common Stock outstanding was reduced in both 1987 and 1986 through the repurchase of shares, as explained in the Capital

Structure section of this report. The weighted average shares outstanding were 16,672,605 in 1987 compared to 17,260,930 in 1986 and 18,429,798 in 1985.

NET INCOME

Net income totaled $177.9 million ($10.67 per share) compared to $217.7 million ($12.61 per share) in 1986 and $170.6 million ($9.25 per share) in 1985. Net income in 1987 reflected a net aftertax realized gain of $27.7 million ($1.66 per share) compared to 1986 and 1985 gains of $98.5 million ($5.70 per share) and $92.9 million ($5.04 per share), respectively. The aftertax realized gains reflected an increase in the long-term capital gains tax rate from 28% in 1985 and 1986 to 34% in 1987. The change in net unrealized appreciation of equity securities, which is reflected directly in shareholders' equity but not in net income, was a decrease of $72.3 million in 1987 due primarily to the decline in the equity markets during the fourth quarter.

CAPITAL STRUCTURE

At December 31, 1987, the Corporation's capital structure consisted of 16,198,651 common shares outstanding, reduced through repurchases from the 18,765,641 shares outstanding on December 31, 1984. The repurchased shares are held in the Corporation's Treasury.

Through open market and private transactions the Corporation acquired a net 1,088,468 shares for $74.8 million in 1985; 1,045,400 shares for $94.8 million in 1986 and 546,634 shares for $62.8 million in 1987. Under the current repurchase authorization 1,407,966 shares remained unpurchased at December 31, 1987.

In 1985 and 1986 as interest rates declined the Corporation repurchased $13.8 million of its 11% Debentures for $12.7 million, $18.3 million of its 13 3/4% Debentures for $19.1 million and its $7.5 million 15% Debenture for $8.0 million.

In 1987 the $11.9 million of debt under Resolute's revolving line of credit was paid in full.

The GEICO Companies Employee Stock Ownership Plan and Trust (the Trust) purchases shares of the Corporation's stock with borrowed funds as authorized by the Board of Directors. The repayment of such loans, including interest, is guaranteed by the Corporation. In turn, the Corporation makes voluntary contributions to the Trust which are used to pay the interest and to reduce the principal. As repayments are made, a prorated number of shares are released to the accounts of all participating associates.

The Trust borrowed $18 million, $11 million and $11.3 million in 1987, 1986 and 1985, respectively. In the same period the Corporation accrued contributions of $18.6 million, enabling the Trust to make interest payments and repay $15.0 million of the loan principal. At December 31, 1987, the loan balance was $43.0 million. Subsequent to year end, an additional $7.0 million was borrowed for share purchases. The obligations of the Trust are included in the Corporation's debt and a like amount deducted from shareholders' equity.

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 lines of business other than automobile 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, as well as 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 date.

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 weaknesses 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 primarily because GAAP reserves are reduced for anticipated salvage and subrogation recoveries. Reductions of $45.7 million, $38.3 million and $33.2 million for anticipated recoveries at December 31, 1987, 1986 and 1985, respectively, are reflected below. GAAP reserves at December 31, 1987, 1986 and 1985 also exclude $85.0 million, $60.4 million and $13.6 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 about the claims becomes known and reserve estimates are appropriately adjusted upward or downward. Because of the estimation elements encompassed in the reserving 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 differences between estimates of reserves as of the original year's end and the re-estimated liability at each subsequent year's end, based on actual payments in full or partial settlement of claims plus re-estimates of the reserves required

Reconciliation of Claim Reserves
(In millions)

	1987	1986	1985
Reserves for loss and LAE at January 1	**$ 831.5**	$ 698.6	$ 580.2
Incurred loss and LAE			
Provision for current accident year claims	**1,094.3**	980.5	893.2
Increase (decrease) in provision for prior accident years claims	**3.0**	(4.4)	(16.6)
Total loss and LAE incurred	**1,097.3**	976.1	876.6
Payments for loss and LAE			
Payments on current accident year claims	**(558.6)**	(513.5)	(483.9)
Payments on prior accident years claims	**(376.8)**	(329.7)	(274.3)
Total payments for loss and LAE	**(935.4)**	(843.2)	(758.2)
Reserves for loss and LAE at December 31	**$ 993.4**	$ 831.5	$ 698.6

for claims still open or claims still 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 1977 through 1987, the cumulative amounts paid with respect to the reserves for each subsequent year, the re-estimated liability at the end of each year, and the resulting development of the original reserve estimates for 1977 through 1986 as evaluated through December 31, 1987.

The Corporation strives to maintain adequate loss reserves. In 1987 Resolute Reinsurance Company increased its estimate of losses incurred for 1986 and prior by approximately $22 million. The upward development of Resolute's reserves for 1984 through 1986 more than offset the downward development of GEICO and GI's combined reserves. Management believes that its aggregate provision for loss and loss adjustment expenses at December 31, 1987, 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,	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Reserves for Loss and LAE	$426.0	$482.2	$468.9	$470.7	$477.8	$518.1	$526.3	$580.2	$698.6	$831.5	$993.4
Cumulative Payments as of:											
One year later	170.3	216.1	211.0	214.2	207.6	229.2	236.7	274.3	329.7	376.8	
Two years later	281.5	319.0	306.5	301.1	295.8	320.9	338.7	393.3	478.5		
Three years later	349.0	378.0	355.5	347.0	343.8	371.2	396.8	461.7			
Four years later	383.8	405.3	380.6	372.4	368.5	400.3	429.2				
Five years later	399.2	418.7	394.6	385.1	381.8	415.9					
Six years later	406.4	426.3	400.6	392.8	388.8						
Seven years later	410.8	429.5	405.0	396.4							
Eight years later	413.0	431.0	406.6								
Nine years later	414.3	432.4									
Ten years later	415.3										
Reserves Reestimated as of:											
End of year	426.0	482.2	468.9	470.7	477.8	518.1	526.3	580.2	698.6	831.5	993.4
One year later	431.6	470.2	455.1	453.5	447.4	470.6	481.6	563.6	694.2	834.5	
Two years later	434.1	464.8	444.6	430.4	422.8	451.1	480.3	562.5	707.8		
Three years later	435.8	458.2	430.7	414.9	413.9	445.5	479.7	580.7			
Four years later	430.1	450.8	419.4	412.1	406.3	445.5	493.3				
Five years later	428.5	441.7	419.0	406.4	407.4	454.5					
Six years later	421.1	442.5	414.2	407.8	410.0						
Seven years later	422.1	439.4	415.6	409.8							
Eight years later	420.6	439.4	416.0								
Nine years later	421.1	439.5									
Ten years later	420.9										
Upward (Downward) Development	$ (5.1)	$ (42.7)	$ (52.9)	$ (60.9)	$ (67.8)	$ (63.6)	$ (33.0)	$ .5	$ 9.2	$ 3.0	—

Upward development of reserves for 1984 through 1986 is due to increased estimates of Resolute's losses incurred as described above.

LIQUIDITY

CASH FLOW

The Corporation and its subsidiaries generated a positive cash flow of $913.4 million from operations in the three years 1985 through 1987. During the three-year period the Corporation paid $232.4 million net to repurchase its Common Stock and $54.1 million to reduce the Corporation's outstanding debt. In the same period the Corporation paid $59.2 million in dividends to its shareholders and generated $562.2 million of net cash flow available for investments.

The Tax Reform Act of 1986 included provisions which significantly increased the amount of federal income taxes paid by property and casualty insurance companies beginning in 1987 and thereafter. The Corporation's current tax expense on operating earnings in 1987 was $42.7 million compared to tax benefits of $1.5 million in 1986 and $13.6 million in 1985, reflecting the new provisions of the Tax Reform Act of 1986 and higher pretax earnings.

The Corporation receives dividends from Government Employees Insurance Company, its principal subsidiary, which funds parent company operations, in part. The regulatory restrictions on such dividends are described in Note "C" to the financial statements.

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

INVESTMENTS

Pretax net investment income increased 6.8% to $126.4 million in 1987 from $118.3 million in 1986 and 1985. Investment income growth over the past three years was moderated due to the use of $272.2 million to repurchase the Corporation's Common Stock and Debentures, funds which would otherwise have been available for investment.

Net new investments of $188 million were made in the consolidated portfolio in 1987. Net purchases made included $151 million of tax-exempt bonds and $199 million of U.S. Government/Agency and corporate bonds, plus $85 million of money market preferred stocks. Net sales included $151 million of common stocks and $121 million of convertible and sinking fund preferreds. During the year the Corporation realized a net aftertax gain of $27.7 million from the sale of investments.

Net unrealized appreciation of equity securities, after deferred taxes, as reflected in shareholders' equity, was $34.2 million compared to $106.4 million a year earlier, reflecting realized gains from the sale of common stocks during 1987 as well as the sharp drop in stock prices in the fourth quarter of 1987. At year-end the market value of fixed maturity investments was $1,514 million or 2% above statement carrying value.

The common stock portfolio, adjusted for purchases and sales, had an aftertax loss of 5.2% in 1987 compared to a total return of 28.6% in 1986. The comparable returns for the S&P 500 were 5.3% and 14.3%. The largest industry positions in the common stock portfolio at year-end were in energy (22.6%), insurance (14.8%), electric utilities (10.4%) and telephone utilities (9.5%).

The GEICO Corporation Investment Summary on the following page shows the year-end consolidated investment portfolio for 1987, 1986 and 1985. 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, 1987, the Corporation and its subsidiaries held $68.9 million in cash and cash equivalents. In addition, approximately $250.2 million of the bond portfolio will mature in 1988.

FINANCIAL ACCOUNTING STANDARDS BOARD STATEMENTS

The Financial Accounting Standards Board has issued several statements discussed on page 41 which, when adopted in the future, are expected to affect the Corporation's financial statements.

GEICO Corporation Investment Summary

(In millions)	1987 Carrying Value	1987 % Portfolio	1986 Carrying Value	1985 Carrying Value
Short-term investments	$ 51.5	2.5%	$ 32.5	$ 61.3
Fixed maturities				
U.S. Government bonds	286.8	14.2	129.8	206.0
Corporate bonds	84.9	4.2	41.2	30.2
Tax-exempt bonds	1,032.5	51.1	885.6	664.2
Bonds	1,404.2	69.5	1,056.6	900.4
Redeemable preferred stocks	67.8	3.4	164.3	237.8
Other fixed maturities	12.8	.6	6.0	6.0
	1,484.8	73.5	1,226.9	1,144.2
Equity securities				
Preferred stocks	81.6	4.1	27.4	93.3
Common stocks	402.7	19.9	608.8	384.7
	484.3	24.0	636.2	478.0
Totals	$ 2,020.6	100.0%	$ 1,895.6	$ 1,683.5

GEICO Corporation Bond Maturity Table

(In millions) Maturity	1987 Amortized Value	1987 % Portfolio	1987 Market Value	1986 Amortized Value	1986 % Portfolio	1986 Market Value
Less than one year	$ 250.2	17.8%	$ 250.3	$ 93.5	8.9%	$ 93.7
1-5 years	231.0	16.4	231.9	183.3	17.3	189.9
6-10 years	605.0	43.1	617.4	449.4	42.5	481.4
11-15 years	179.0	12.8	182.6	172.3	16.3	186.4
16-20 years	81.9	5.8	85.6	96.3	9.1	104.4
Greater than 20 years	35.8	2.6	36.1	37.7	3.6	39.4
Mortgage pools (1)	21.3	1.5	21.0	24.1	2.3	25.6
	$ 1,404.2	100.0%	$ 1,424.9	$ 1,056.6	100.0%	$ 1,120.8

(1) Mortgage pools have regular periodic principal repayments over the life of the issue.

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, 1987 and 1986, 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, 1987. 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, 1987 and 1986, 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, 1987, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Whinney

Washington, D.C.
February 17, 1988

GEICO CORPORATION CONSOLIDATED BALANCE SHEET

December 31, in thousands of dollars

ASSETS	1987	1986
Investments—Note E:		
Fixed maturities, at amortized cost (market $1,513,965 and $1,310,035)	$ 1,484,810	$ 1,226,852
Equity securities, at market (cost $443,405 and $488,328)	484,291	636,257
Short-term investments	51,455	32,459
Total Investments	2,020,556	1,895,568
Cash	17,419	13,093
Investment in affiliates—Note A	102,618	97,917
Accrued investment income	35,050	29,342
Premiums receivable	439,891	423,546
Amounts receivable from sales of securities	26,758	70,014
Deferred policy acquisition costs—Note D	94,883	78,579
Property and equipment, at cost less accumulated depreciation of $53,962 and $49,083—Note H	59,149	59,471
Other assets	49,481	47,761
Total Assets	**$ 2,845,805**	**$ 2,715,291**

See Notes to Consolidated Financial Statements

LIABILITIES AND SHAREHOLDERS' EQUITY

	1987	1986
Liabilities		
Policy liabilities:		
Property and casualty loss reserves	$ 855,903	$ 722,782
Life benefit reserves	51,935	35,858
Loss adjustment expense reserves	137,459	108,729
Unearned premiums	787,013	741,346
Dividends to policyholders	1,658	10,000
	1,833,968	1,618,715
Amounts payable on purchase of securities	11,020	17,368
Other liabilities	169,501	168,769
Income taxes—Note F	27,331	117,599
Debt—Note H	169,307	168,843
Total Liabilities	2,211,127	2,091,294
Shareholders' Equity—Note I		
Common Stock—$1 par value, 60,000,000 shares authorized, 32,149,560 and 32,120,296 shares issued and 16,198,651 and 16,716,021 shares outstanding	32,149	32,120
Paid-in surplus	191,302	188,478
Unrealized appreciation of equity securities	34,158	106,423
Retained earnings—Note F	964,366	808,549
Treasury Stock, at cost (15,950,909 and 15,404,275 shares)	(544,340)	(481,584)
Guaranteed bank loans of Employee Stock Ownership Trust—Notes G and H	(42,957)	(29,989)
Total Shareholders' Equity	634,678	623,997
Total Liabilities and Shareholders' Equity	$ 2,845,805	$ 2,715,291

GEICO CORPORATION CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, in thousands of dollars except per share results	1987	1986	1985
Revenue			
Premiums	$ 1,435,528	$ 1,294,688	$ 1,078,042
Net investment income	126,357	118,301	118,312
Equity in earnings of unconsolidated affiliates	10,112	11,070	7,465
Other revenue	8,164	5,804	15,589
Total Revenue	1,580,161	1,429,863	1,219,408
Benefits and Expenses			
Losses, life benefits, and loss adjustment expenses	1,131,982	1,024,333	910,527
Policy acquisition expenses—Note D	125,739	107,596	92,099
Other operating expenses	141,434	133,341	126,724
Provision for dividends to policyholders	—	10,000	—
Interest expense—Note H	16,512	18,113	21,911
Total Benefits and Expenses	1,415,667	1,293,383	1,151,261
Operating Earnings Before Income Taxes	164,494	136,480	68,147
Income tax expense (benefit)—Note F	14,311	17,216	(9,492)
Operating Earnings	150,183	119,264	77,639
Realized gains on investments, net of tax—Note E	27,731	98,478	92,940
Net Income	$ 177,914	$ 217,742	$ 170,579
Per Share Results—Note J:			
Operating Earnings	$ 9.01	$ 6.91	$4.21
Net Income	$10.67	$12.61	$9.25

See Notes to Consolidated Financial Statements

GEICO CORPORATION CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

For the year ended December 31, in thousands of dollars	1987	1986	1985
Common Stock:			
Balance, beginning of year	$ 32,120	$ 32,056	$ 32,036
Exercise of stock options	10	8	20
Payment of performance shares	19	56	—
Balance, end of year	32,149	32,120	32,056
Paid-in surplus:			
Balance, beginning of year	188,478	183,425	182,752
Proceeds over par value of stock issued upon:			
Exercise of stock options	482	299	673
Payment of performance shares	2,342	4,754	—
Balance, end of year	191,302	188,478	183,425
Unrealized appreciation of equity securities:			
Balance, beginning of year	106,423	97,608	70,341
Increase (decrease) in unrealized appreciation, net of deferred taxes—Note E	(72,265)	8,815	27,267
Balance, end of year	34,158	106,423	97,608
Retained earnings:			
Balance, beginning of year	808,549	609,273	456,931
Net income	177,914	217,742	170,579
Dividends ($1.36, $1.08 and $1.00 per share)	(22,447)	(18,466)	(18,237)
Tax benefit of dividends to Employee Stock Ownership Trust	350	—	—
Balance, end of year	964,366	808,549	609,273
Treasury Stock, at cost:			
Balance, beginning of year	(481,584)	(386,737)	(311,970)
Purchase of 653,079; 1,157,478 and 1,281,866 shares of Common Stock	(73,756)	(104,847)	(86,244)
Reissuance of 106,445; 112,078 and 193,398 shares of Common Stock	11,000	10,000	11,477
Balance, end of year	(544,340)	(481,584)	(386,737)
Guaranteed bank loans of Employee Stock Ownership Trust:			
Balance, beginning of year	(29,989)	(19,989)	(9,689)
Borrowings	(17,957)	(11,000)	(11,300)
Repayments	4,989	1,000	1,000
Balance, end of year	(42,957)	(29,989)	(19,989)
Total Shareholders' Equity	$634,678	$623,997	$515,636

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	1987	1986	1985
Operating Activities:			
Operating earnings	$ 150,183	$ 119,264	$ 77,639
Charges (credits) to earnings not involving funds:			
Net premiums receivable	(16,345)	(62,440)	(80,136)
Deferred policy acquisition costs	(16,304)	(15,502)	(13,453)
Loss, life benefit and loss adjustment expense reserves	177,928	141,696	127,160
Unearned premiums	45,667	100,922	130,914
Dividends to policyholders	(8,342)	10,000	(2,168)
Income taxes	(50,337)	19,443	12,515
Equity in undistributed earnings of affiliates	(7,194)	(9,146)	(4,744)
Provision for depreciation	10,988	10,113	8,214
Accrual of discount and amortization of premiums on investments	(2,390)	(3,318)	(5,136)
Reinsurance balances and other	(5,534)	26,096	47,183
Cash provided from operating activities	278,320	337,128	297,988
Dividends Paid to Shareholders	(22,447)	(18,466)	(18,237)
Financing Activities:			
Issuance of debt	300	900	1,600
Repayment of debt	(12,804)	(739)	(677)
Repurchase of debentures	—	(26,964)	(12,878)
Proceeds from exercise of stock options	492	307	693
Purchase of Common Stock (Treasury)	(73,756)	(104,847)	(86,244)
Reissuance of Common Stock (Treasury)	11,000	10,000	11,477
Other	345	(21)	(4,031)
Net cash flow from financing activities	(74,423)	(121,364)	(90,060)
Decrease (increase) in cash	(4,326)	2,619	(4,549)
Net cash flow available for investment	$ 177,124	$ 199,917	$ 185,142
Investment of Cash Flow:			
Purchase of investments	$1,177,559	$1,404,507	$1,166,645
Change in payable on security purchases	6,348	65,035	(61,816)
Sale of investments, net of related taxes	(973,983)	(1,310,571)	(997,385)
Change in receivable from security sales	(43,256)	28,361	37,892
Investment in affiliates and subsidiaries	(59)	3,909	21,609
Purchase of property and equipment, net	10,634	8,666	16,887
Other	(119)	10	1,310
Net investment of cash flow	$ 177,124	$ 199,917	$ 185,142

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 34% owned general aviation insurance and finance company, and Bond Investors Group, Inc. (BIG), a 20% owned municipal bond guarantee insurance company, 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), GEICO Indemnity Company, Criterion Casualty Company, and GEICO General Insurance Company.

Condensed Balance Sheets
(In thousands)

	December 31, 1987	December 31, 1986
Assets		
Investments		
Short-term investments	$ 41,257	$ 16,123
Fixed maturities	1,307,245	1,070,733
Equity securities	447,178	597,453
Affiliates	122,635	134,269
Cash	11,144	9,405
Property and equipment, net	50,975	52,342
Premiums receivable, net	426,996	406,937
Deferred policy acquisition costs	68,832	63,964
Other assets	79,157	98,478
	$ 2,555,419	$ 2,449,704
Liabilities and Shareholder's Equity		
Reserves for losses and loss adjustment expenses	$ 937,058	$ 795,423
Unearned premiums	776,703	729,484
Other liabilities	188,542	279,119
Shareholder's equity	653,116	645,678
	$ 2,555,419	$ 2,[illegible]04

Condensed Income Statements
(In thousands)

	Year Ended December 31, 1987	1986	1985
Premiums	$ 1,358,321	$ 1,191,601	$ 999,998
Net investment income	105,362	98,347	99,601
Equity in earnings of:			
GEFCO	240	5,028	4,661
AVEMCO	4,888	3,325	2,439
BIG	4,003	2,473	702
Other affiliates	2,496	2,211	1,611
Total Revenue	1,475,310	1,302,985	1,109,012
Losses and loss adjustment expenses	1,053,412	944,386	850,649
Other expenses	222,678	199,858	170,911
Interest expense	3,803	3,966	4,812
Income tax expense (benefit)	26,863	25,800	(3,119)
Total Benefits and Expenses	1,306,756	1,174,010	1,023,253
Operating Earnings	168,554	128,975	85,759
Realized gains	42,774	93,300	86,923
Net Income	$ 211,328	$ 222,275	$ 172,682

PARENT COMPANY OPERATIONS

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

(In thousands)	1987	1986	1985
Net Income—GEICO	$ 211,328	$ 222,275	$ 172,682
Parent company operations:			
Investment income	5,441	6,244	7,193
Operating expenses, net	(5,039)	(9,714)	(6,610)
Interest expense	(11,655)	(13,200)	(16,268)
Tax benefit	5,052	9,279	6,273
Realized gains	228	4,414	4,385
Equity in income of affiliates	(27,441)	(1,556)	2,924
Total parent company operations	(33,414)	(4,533)	(2,103)
Net Income—GEICO Corporation	$ 177,914	$ 217,742	$ 170,579

RESOLUTE GROUP, INC.

Resolute Group, Inc., a consolidated reinsurance subsidiary, stopped accepting new business in late 1987 and has begun to reduce its inforce business. Summary financial data are as follows:

(In millions)	1987	1986	1985
Investments	$ 64.2	$ 60.1	$ 45.1
Total assets	84.9	89.4	76.1
Loss and loss adjustment expense reserves	56.3	36.1	23.0
Shareholder's equity	9.0	9.4	9.7
Premiums earned	31.4	39.5	28.2
Underwriting loss	(24.9)	(3.0)	(9.7)
Net investment income	4.2	4.2	3.7
Net income (loss)	(13.2)	.9	(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)	1987	1986	1985
Investments	$ 83.5	$ 66.8	$ 57.1
Total assets	118.7	94.3	79.4
Shareholder's equity	46.3	34.5	32.1
Premiums	45.8	63.6	49.8
Net investment income	7.0	6.8	5.5
Net income	2.4	2.5	1.7

PLAZA RESOURCES COMPANY

Plaza Resources Company (Plaza), a wholly owned subsidiary, participates in a variety of ventures and investments. Investments include a real estate financing loan due in 1991 and partnership interests in two real estate projects which are developing and selling timeshare vacation units jointly with GEFCO.

Plaza has also invested in oil and gas exploration joint ventures which are being accounted for by the successful efforts method. Plaza's share of the estimated remaining oil and gas reserves in the commercially producing fields is approximately 20,000 barrels of oil and 1.0 billion cubic feet of natural gas as of December 31, 1987.

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.

Summary financial data for Plaza are as follows:

(In millions) **Condensed Balance Sheets**	December 31, 1987	1986
Investments in:		
Real estate financing loan	$ 12.8	$ 6.0
Real estate development partnerships	5.7	5.2
Producing oil and gas fields	1.9	2.0
Other oil and gas fields	.1	.4
Other assets and liabilities, net	.3	1.3
Shareholder's equity	$ 20.8	$ 14.9

Condensed Income Statements	Year Ended December 31, 1987	1986	1985
Interest income	$ .2	$ .7	$ —
Real estate development income	.5	—	1.1
Oil and gas revenue	.2	1.4	4.0
Sale of computer software interest	—	—	5.9
Oil and gas costs expensed	(.4)	(3.5)	(2.9)
Other	(.8)	(.3)	—
Income tax benefit (expense)	—	.7	(2.7)
Net income (loss)	$ (.3)	$ (1.0)	$ 5.4

GEFCO

Summary financial data for GEFCO, a 100% owned consumer finance company, are as follows:

(In millions)	December 31,	
Condensed Balance Sheets	**1987**	1986
Cash and investments	**$ 27.2**	$ 51.3
Net finance receivables	**183.0**	171.1
Other assets	**12.4**	13.5
Total assets	**$ 222.6**	$ 235.9
Notes and debentures payable	**$ 97.1**	$ 87.3
Liability for savings deposits	**62.5**	86.0
Other liabilities	**15.7**	13.2
Total liabilities	**175.3**	186.5
Redeemable preferred stock	**.7**	.8
Common shareholder's equity	**46.6**	48.6
Total liabilities and equity	**$ 222.6**	$ 235.9

	Year Ended December 31,		
Condensed Income Statements	**1987**	1986	1985
Interest on finance receivables	**$ 27.1**	$ 27.1	$ 25.1
Investment and other income	**5.8**	10.2	8.4
Total revenue	**32.9**	37.3	33.5
Interest and capital financing expenses	**17.8**	18.8	17.5
Other operating expenses	**13.4**	9.3	8.7
Income taxes	**.3**	2.7	1.7
Discontinued operations, net of tax	**1.3**	1.7	1.1
Net income	**$ .1**	$ 4.8	$ 4.5

GEICO received dividends of $2,095,000 in 1987, $1,206,000 in 1986, and $2,117,000 in 1985 from GEFCO. GEICO Corporation's consolidated balance sheet includes investments in GEFCO's bonds of $7,563,545 and $8,425,745 at December 31, 1987 and 1986, respectively.

AVEMCO

Summary financial data for AVEMCO, a 34% owned aviation insurance and finance company, are as follows:

(In millions)	**1987**	1986	1985
Total assets	**$ 194.5**	$ 174.5	$ 121.4
Shareholders' equity	**68.4**	63.1	51.7
Revenue	**116.2**	95.2	59.4
Net income	**19.7**	12.2	7.6

In November 1987, GEICO Indemnity sold its investment in AVEMCO to the Corporation. The Corporation received dividends of $211,000 in 1987 from AVEMCO.

GEICO Indemnity received dividends of $612,000 in 1987, $718,000 in 1986, and $604,000 in 1985 from AVEMCO. At December 31, 1987, the total market value of AVEMCO shares held by the Corporation was $59.3 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 has since invested an additional $10.0 million to maintain a 20% ownership interest. GEICO's equity in BIG's net income approximated $4.3 million in 1987, $2.5 million in 1986, and $.7 million in 1985.

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, 1987, before deferred tax effects, consisted of gross gains of $68.8 million and gross losses of $27.9 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 as the related written premiums are earned. The costs of acquiring life insurance are being amortized based on actual company experience over the premium paying period.

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 $45.7 million and $38.3 million at December 31, 1987 and 1986, 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, 1987 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 $10.0 million were charged to operations in 1986 based upon amounts expected to be paid.

PROPERTY AND EQUIPMENT

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

GOODWILL

The excess of the purchase price over the fair value of the net assets acquired on purchased subsidiaries and affiliates has been recorded as goodwill and is being amortized on a straight-line basis over forty years or less. At December 31, 1987, goodwill on consolidated subsidiaries of $2.5 million is included in other assets and net negative goodwill on unconsolidated affiliates of $.9 million is reflected in investment in affiliates.

NEW ACCOUNTING STANDARDS

In late 1987, the Financial Accounting Standards Board issued new standards on accounting for income taxes, consolidation principles, reporting realized gains and losses on sale of investments and the statement of cash flows. Implementation of the new standard on accounting for income taxes, which is required for 1989 with earlier adoption permitted, will require an adjustment of deferred taxes to the liability method. Implementation of the new consolidation standard, which is required for 1988 with prior periods restated, will require consolidation of GEFCO. Implementation of the new standard on reporting realized gains and losses, which is required for 1989 with prior periods restated, will require reporting realized investment gains and losses on a pretax basis with revenues, investment income and expenses in arriving at income before tax. Implementation of the new standard on the statement of cash flows is required for 1988 with prior periods restated and should not have a significant effect on the Corporation's financial statements. The Corporation anticipates adopting these statements in the year required.

NOTE C: STATUTORY RESULTS

Consolidated net income for all property and casualty insurance subsidiaries was $140.8 million in 1987, $207.8 million in 1986, and $165.4 million in 1985 as determined under statutory practices. Consolidated shareholder's equity under statutory practices for these subsidiaries was $548.4 million and $671.4 million at December 31, 1987 and 1986, respectively.

Consolidated life insurance subsidiaries reported net losses of $9.5 million in 1987, $2.4 million in 1986, and $1.4 million in 1985 as determined under statutory practices. Consolidated shareholder's equity under statutory practices for these subsidiaries was $15.9 million and $16.2 million at December 31, 1987 and 1986, 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 $653.1 million at December 31, 1987, of which approximately $134.4 million is available for payment of dividends in 1988 and other amounts may be available in the form of loans or cash advances. During 1987 the Corporation received $133.5 million in dividends from these subisidiaries.

NOTE D: POLICY ACQUISITION COSTS

Policy acquisition costs information is summarized as follows:

(In thousands)	1987	1986	1985
Policy acquisition costs incurred:			
Commission and brokerage	$ 35,602	$ 28,496	$ 26,995
Premium taxes	32,688	29,241	23,944
Salaries, direct mail selling and other	73,753	65,361	54,613
	$ 142,043	$ 123,098	$ 105,552
Policy acquisition costs expensed	$ 125,739	$ 107,596	$ 92,099

NOTE E: INVESTMENT OPERATIONS

INVESTMENT INCOME

The sources of investment income are summarized as follows:

(In thousands)	1987	1986	1985
Fixed maturities	$ 98,904	$ 91,553	$ 72,468
Equity securities	21,699	20,815	33,708
Short-term investments	11,981	10,321	16,305
Other	726	1,193	577
Total investment income	133,310	123,882	123,058
Investment expenses	6,953	5,581	4,746
Net investment income	$ 126,357	$ 118,301	$ 118,312

There were no investments in fixed maturities which were non-income producing for the twelve month period ended December 31, 1987.

REALIZED GAINS (LOSSES)

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

(In thousands)	1987	1986	1985
Fixed maturities	$ 1,432	$ 14,449	$ 17,248
Equity securities	39,874	131,629	125,319
Equity in affiliates' realized gains (losses) and other	713	651	(18)
	42,019	146,729	142,549
Income taxes	(14,288)	(48,251)	(49,609)
Realized gains, net of taxes	$ 27,731	$ 98,478	$ 92,940

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)	1987	1986	1985
Increase (decrease) in unrealized appreciation	$ (107,043)	$ 11,637	$ 36,725
Equity in affiliates' unrealized appreciation (depreciation)	(3,113)	414	1,446
Deferred income taxes	37,891	(3,236)	(10,904)
Increase (decrease) in unrealized appreciation, net of deferred taxes	$ (72,265)	$ 8,815	$ 27,267

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)	1987	1986	1985
Market value	$ 1,513,965	$ 1,310,035	$ 1,164,350
Amortized cost	1,484,810	1,226,852	1,144,227
Unrealized appreciation at December 31	$ 29,155	$ 83,183	$ 20,123
Unrealized appreciation (depreciation) during the year	$ (54,028)	$ 63,060	$ 43,588

NOTE F: INCOME TAXES

TAX PROVISION

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

(In thousands)	1987	1986	1985
Tax expense (benefit) on:			
Tax basis income (loss)	$ 42,712	$ (1,494)	$ (13,642)
Timing differences	(28,401)	18,710	4,150
Income tax provision	$ 14,311	$ 17,216	$ (9,492)

The current tax benefits in 1986 and 1985 were utilized primarily against current tax expense on short-term realized 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 of 40% in 1987 and 46% in 1986 and 1985 is as follows:

(In thousands)	1987	1986	1985
Income tax provision at the prevailing rate of pretax income	$ 65,798	$ 62,781	$ 31,348
Effect of:			
Tax-exempt interest income	(26,773)	(23,899)	(13,394)
Dividends received deduction	(11,923)	(18,015)	(24,141)
Proration of investment income	1,022	—	—
Fresh start adjustment	(14,907)	—	—
Affiliates' undistributed earnings	958	(2,211)	(1,569)
Capital gains rate differential	(284)	(847)	(1,974)
Investment tax credit	208	(92)	(1,594)
Other items	212	(501)	1,832
Income tax provision	$ 14,311	$ 17,216	$ (9,492)

The tax provision for 1987 was reduced by $14.9 million for the benefit of the "fresh start" adjustment to initially discount reserves at January 1, 1987 as required by the Tax Reform Act of 1986. Under the accounting rules currently used by the Corporation future earnings will also benefit, but to a decreasing extent.

Investment tax credits are accounted for by the flow-through method. The Tax Reform Act of 1986 eliminated investment tax credits effective January 1, 1986, except for amounts qualifying under transition rules.

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)	1987	1986	1985
Deferral of policy acquisition costs	$ 6,621	$ 6,698	$ 6,038
Unearned premiums	(13,538)	—	—
Discounting of reserves	(25,085)	—	—
Deferred compensation	(2,189)	(1,445)	(4,272)
Tax benefit transfer leases	(1,115)	4,833	5,043
Other policy liabilities	5,264	5,200	(4,380)
Pension cost	1,224	1,638	(948)
Affiliates' undistributed earnings	3,840	1,997	613
Benefit of life companies' net operating loss	(3,154)	—	—
Other	(269)	(211)	2,056
Deferred tax provision	$ (28,401)	$ 18,710	$ 4,150

During 1982 the Corporation invested $16.3 million in "safe harbor" tax benefit transfer leases resulting in $1.1 million in current income taxes payable for 1987 and reductions of $4.8 million and $5.0 million in current income taxes payable for 1986 and 1985, respectively. The change in current taxes is offset by a change 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, 1987	1986
Current tax payable (recoverable)	$ (18,096)	$ 4,510
Deferred tax payable	39,323	69,094
Deferred tax related to unrealized appreciation on equity securities	6,104	43,995
Income tax liability	$ 27,331	$ 117,599

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.

At December 31, 1987 the life insurance subsidiaries, which currently file a separate U.S. federal income tax return, had a tax basis net operating loss carryforward of $7.9 million which expires in 2002.

TAXATION OF LIFE INSURANCE SUBSIDIARIES

Prior to the Tax Reform Act of 1984, a portion of the life insurance subsidiaries' statutory income was not subject to current income taxation, but was accumulated in an account designated "Policyholders' Surplus Account." The aggregate balance of $3.7 million in this account 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

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. The Trust may borrow money 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 $10,865,000, $5,402,000 and $2,371,000 to expense for amounts contributed to the Trust, for 1987, 1986 and 1985, respectively. The obligations of the Trust, $43.0 million and $30.0 million at December 31, 1987 and 1986 respectively, are included in the Corporation's long-term debt and a like amount deducted from shareholders' equity.

PROFIT SHARING PLAN

The Corporation also has a Profit Sharing Plan covering substantially all employees. Employer contributions of a discretionary amount are declared by the Board of Directors based on profits. Employer contributions of $3,945,000, $4,673,000, and $3,558,000 were charged to expense in 1987, 1986 and 1985, respectively.

PENSION PLAN

The Corporation and its subsidiaries have a noncontributory defined benefit pension plan covering most full-time employees. The plan provides for payment based on salary and years of service. Annual contributions to the plan are based on amounts determined by consulting actuaries. Plan assets at December 31, 1987 consist primarily of common stocks and U.S. Government obligations.

In 1986 the Corporation adopted Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions." The effect of adopting Statement No. 87 was to reduce 1986 pension expense by $4,478,000. Pension expense for prior years has not been restated. Pension expense for 1985, as determined under the provisions of previous accounting principles, was $2,285,000. Pension expense (income) as determined under Statement No. 87 for 1987 and 1986 included the following:

(In thousands)	1987	1986
Service cost—benefits earned during the year	$ 2,653	$ 2,211
Interest cost on projected benefit obligation	5,284	4,694
Actual return on plan assets	(1,090)	(17,430)
Amortization of net asset existing at January 1, 1986	(3,335)	(3,335)
Other amortization and deferral	(6,522)	10,315
Net pension expense (income)	$ (3,010)	$ (3,545)

The funded status of the plan was as follows:

	December 31,	
(In thousands)	1987	1986
Actuarial present value of benefit obligations:		
Vested	$ 45,299	$ 47,143
Non-vested	2,626	2,652
Accumulated benefit obligation	47,925	49,795
Effect of projected future salary increases	17,963	19,147
Projected benefit obligation	65,888	68,942
Plan assets at market value	104,775	105,648
Plan assets in excess of projected benefit obligation	38,887	36,706
Unrecognized net gain	(7,343)	(5,017)
Unrecognized prior service costs	894	983
Unrecognized net asset at January 1, 1986 being recognized over eleven years	(30,192)	(33,527)
Pension asset (liability)	$ 2,246	$ (855)

The projected benefit obligation was determined using an assumed discount rate of 8.25% for 1987, 7.5% for 1986 and 8% for 1985, assumed long term rate of return on plan assets of 8% and assumed salary increases of 6.5%.

NOTE H: DEBT

Debt consists of the following:

	December 31,	
(In thousands)	1987	1986
GEICO Corporation unsecured debt—		
13½% Debentures, principal due in annual installments from 1989 to 1994	$ 25,000	$ 25,000
11% Debentures due 1999, annual sinking fund requirement 1990-1999 of 10% of principal amount outstanding January 1990 (net of Debentures held in treasury)	59,454	59,454
Resolute revolving credit agreement	—	11,600
Secured debt of real estate subsidiaries—		
GEICO Properties, Inc.:		
8¼% notes, due in equal quarterly installments of $339 including interest, until June 2004	12,150	12,484
8½% note, due in equal quarterly installments of $196 including interest, until May 2004	6,934	7,120
GEICO Washington Properties, Inc.:		
9⅜% note, due in equal monthly installments of $203 including interest, until June 2010	22,812	23,096
Guaranteed bank loans of Employee Stock Ownership Trust	42,957	29,989
Other	—	100
	$ 169,307	$ 168,843

During 1986 the Corporation redeemed its $7.5 million, 15% Debenture at a redemption price of 107% and the remaining $18.1 million of its 13¾% Debentures at a redemption price of 104.5%. During 1985 the Corporation acquired $13.8 million of its 11% Debentures, which are held in treasury and may be used to satisfy future annual sinking fund requirements.

During 1987 Resolute repaid $11.9 million of debt outstanding under a revolving credit and term loan agreement and terminated the agreement.

The aggregate maturities of long-term debt (assuming the application of Debentures held in treasury to the earliest sinking fund requirements) for the years 1988 through 1992 are: $3,377,586; $7,917,517; $8,743,897; $12,122,491 and $18,729,555, respectively.

Property with a cost of $41,584,062 has been pledged as security for the notes of the real estate subsidiaries and long-term leases have been assigned as additional collateral. The note agreements provide that in the event of default the entire unpaid principal and interest become due and payable.

The Corporation has a revolving credit and term loan agreement under which the Corporation and/or GEFCO may borrow up to $50,000,000. 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. At December 31, 1987 GEFCO has borrowed $15,000,000 under this agreement. Amounts borrowed by GEFCO under this agreement are guaranteed by the Corporation.

NOTE I: SHAREHOLDERS' EQUITY

SHARE ACQUISITIONS

The Corporation purchased 653,079, 1,157,478, and 1,281,866 shares of Common Stock in 1987, 1986 and 1985, respectively, for an aggregate cost of $73,755,079, $104,847,873, and $86,243,807.

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. As of December 31, 1987 and February 17, 1988, 1,407,966 and 1,397,466 shares, respectively, remain under the current repurchase authorization.

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 excercisable in installments beginning one year from the date of grant and expire not more than ten years and one 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. Charges of $3,608,571, $3,204,594, and $605,931 were made against 1987, 1986, and 1985 earnings, respectively, for the SARs.

Activity under the 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, 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
Exercised	—	6.56 to 23.50	(8,450)
Balance at December 31, 1986..	—	6.56 to 23.50	30,122
Exercised	—	6.56 to 23.50	(9,432)
Balance at December 31, 1987..	—	$11.88 to $ 23.50	20,690
1985 Stock Option Plan:			
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
Authorized	500,000	—	
Granted	(280,800)	87.13 to 98.75	280,800
Exercised	—	59.38 to 76.38	(17,467)
Forfeited	1,740	69.00 to 87.13	(1,740)
Balance at December 31, 1986..	299,441	59.38 to 98.75	433,092
Granted	(14,600)	101.56 to 121.25	14,600
Exercised	—	69.00 to 87.13	(3,180)
Forfeited	1,100	69.00 to 121.25	(1,100)
Balance at December 31, 1987..	285,941	$59.38 to $121.25	443,412

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, 1987, 86,311 performance share awards were outstanding and 191,572 shares remained available for future awards. Payment for 33,130 performance shares, consisting of 19,112 shares of Common Stock, 9,785 deferred shares and $523,040 in cash was made in 1987. Payment for 112,113 performance shares, consisting of 55,939 shares of Common Stock, 46,857 deferred shares and $801,262 in cash was made in 1986. Charges of $3,270,678, $4,759,542, and $6,050,630 were made against 1987, 1986 and 1985 earnings, respectively, under the plan. A total of 1,027,926 authorized shares have been reserved for stock options, performance share awards, and stock appreciation rights.

NOTE J: EARNINGS PER SHARE

The computation of earnings per share is based on the weighted average number of common shares assumed outstanding of 16,672,605 in 1987, 17,260,930 in 1986, and 18,429,798 in 1985.

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 and catastrophe 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, 1987	December 31, 1986	
Policy Liabilities			
Loss and loss adjustment expense reserves	$ 72,658	$ 68,796	
Unearned premium reserve	15,983	18,280	
	1987	**1986**	**1985**
Premiums written	$ 28,982	$ 48,126	$ 37,900
Premiums earned	31,278	45,033	32,680
Loss and loss adjustment expense incurred	27,707	41,892	31,928

NOTE L: COMMITMENTS AND CONTINGENCIES

Rental expense for all leases was $12.0 million in 1987, $11.7 million in 1986, and $9.0 million in 1985.

The Corporation and its subsidiaries have entered into noncancellable leases expiring at various dates through 1993 for both real estate and equipment, all of which are operating leases. The future minimum rental commitments as of December 31, 1987 for noncancellable leases with a remaining term of at least one year are as follows:

(In thousands)	Total	Building Space	Equipment
1988	$ 5,891	$ 2,383	$ 3,508
1989	6,228	2,777	3,451
1990	5,159	2,280	2,879
1991	4,385	2,243	2,142
1992	2,346	1,862	484
1993	1,391	1,391	—
	$ 25,400	$ 12,936	$ 12,464

The Corporation is committed to guarantee up to $50.0 million of GEFCO commercial paper for which the Corporation receives an annual fee of $62,500 plus ⅛ of 1% on the average daily amount of commercial paper outstanding. At December 31, 1987, $32.7 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 as a result of any such actions 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. Premium revenue is recognized pro rata over the length of the guarantee period. Loss reserves include estimated case basis reserves when there is a default, or knowledge of a potential default, and provisions based on expected ultimate loss ratios. A summary of the financial guarantees outstanding is as follows:

(In thousands)	December 31, 1987	December 31, 1986
Dollar value of financial guarantees	$92,501	$100,057
Unearned premiums	3,837	4,539
Loss reserves	10,265	5,858
	1987	**1986**
Premiums earned	$ 1,288	$ 636
Losses incurred	7,096	4,850

In 1986, GEICO retroceded its obligations for municipal bond insurance for a premium of $13.8 million which reduced the amount of financial guarantees outstanding. Amounts related to reinsuring this business are included in Note K—Reinsurance.

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.

QUARTERLY HIGHLIGHTS OF OPERATING RESULTS (UNAUDITED)

(In millions, except per share results)

	1987				1986			
	Three Months Ended				Three Months Ended			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Revenue								
Premiums	$ 378.7	$ 369.6	$ 353.0	$ 334.3	$ 343.9	$ 331.1	$ 315.9	$ 303.7
Net investment income	32.5	32.1	30.7	31.0	29.5	30.3	28.4	30.0
Affiliates and other	3.4	5.1	5.0	4.8	5.4	4.8	4.3	2.5
Total Revenue	414.6	406.8	388.7	370.1	378.8	366.2	348.6	336.2
Benefits and Expenses								
Losses, life benefits, and loss adjustment expenses	295.7	283.3	280.2	272.8	268.4	252.3	260.1	243.5
Operating expenses	70.2	66.7	63.9	66.4	63.8	60.1	56.2	60.8
Provision for dividends to policyholders	—	—	—	—	2.5	7.5	—	—
Interest expense	2.8	2.8	5.0	6.0	4.2	4.3	4.6	5.0
Income tax expense (benefit)	7.7	9.4	2.1	(5.0)	6.6	7.4	1.6	1.6
Total Benefits and Expenses	376.4	362.2	351.2	340.2	345.5	331.6	322.5	310.9
Operating Earnings	38.2	44.6	37.5	29.9	33.3	34.6	26.1	25.3
Realized gains on investments	(25.5)	16.4	19.5	17.3	34.0	17.0	31.9	15.6
Net Income	$ 12.7	$ 61.0	$ 57.0	$ 47.2	$ 67.3	$ 51.6	$ 58.0	$ 40.9
Per Share Results:								
Operating earnings	$ 2.33	$ 2.67	$ 2.23	$ 1.78	$ 1.98	$ 2.03	$ 1.50	$ 1.43
Net income	$ .77	$ 3.65	$ 3.40	$ 2.81	$ 4.00	$ 3.02	$ 3.34	$ 2.31

ACCOUNTING FOR INCOME TAXES — STATEMENT NO. 96

This Statement requires a change from the "deferred" method of accounting for deferred taxes to the "liability" method. The "liability" method will result in adjustment of deferred tax accounts reported on the Corporation's balance sheet to reflect the most recently enacted tax rates at which the deferred amounts will eventually be paid or recovered. It also appears that recognition of the "fresh start" benefit for property and casualty companies would be accelerated using the "liability" method.

The Statement also includes restrictions on recognizing deferred tax debits as assets or amounts of deferred tax debits which can be offset against deferred tax liabilities on the balance sheet. The creation of timing differences for unearned premiums and discounted reserves under the Tax Reform Act of 1986 has increased the Corporation's current taxes payable and is generating deferred tax debits which are reducing the deferred tax liabilities on the balance sheet. Pursuant to the Statement, these deferred tax debits on the balance sheet and the corresponding deferred tax credit on the income statement can only be recognized to the extent that the debit could be realized as a net operating loss carryback or carryforward from the period that the debit timing difference reverses. Consequently, when deferred tax debits arise which cannot be recognized as assets or offset against deferred tax liabilities, operating earnings and shareholders' equity would be reduced.

Implementation of this Statement is required in 1989, with earlier adoption permitted. Financial statements for prior periods may be restated and the cumulative effects for years not restated will be presented as a separate line item in the Statement of Income.

CONSOLIDATION OF ALL MAJORITY-OWNED SUBSIDIARIES — STATEMENT NO. 94

This Statement, which amends accounting rules governing consolidated financial statements, requires consolidation of all majority-owned subsidiaries unless control is temporary. Nonconsolidation is no longer allowed for subsidiaries in industries, such as finance and real estate, which are substantially different from the parent's operations.

The Corporation currently accounts for its investment in GEFCO, a wholly owned subsidiary, using the equity method. This Statement will require consolidation with GEFCO which will add substantial amounts of assets and debt to the Corporation's consolidated balance sheet but will have no impact on reported earnings or shareholders' equity.

This Statement must be adopted for the Corporation's financial statements for the year ending December 31, 1988, but application to interim financial statements in the year of adoption is not required. Upon implementation, financial statements for prior periods would be restated.

ACCOUNTING AND REPORTING FOR CERTAIN LONG DURATION CONTRACTS AND FOR REALIZED GAINS AND LOSSES ON SALE OF INVESTMENTS — STATEMENT NO. 97

This Statement defines accounting methods for certain long-duration life insurance and annuity products. The required accounting for universal life policies and related interest sensitive and flexible life and annuity products will be the "retrospective deposit" method. Since the Corporation already uses this method for its structured settlement annuity reserves, this provision is not expected to have a significant effect on earnings.

The Statement also requires all insurance companies, including property and casualty companies, to use a one-step statement of income presentation whereby realized investment gains and losses are reported on a pretax basis with revenues, investment income and expenses in arriving at income before tax. This presentation would replace the two-step statement of income approach previously required for the insurance industry which presents operating earnings aftertax separately from realized investment gains or losses aftertax in arriving at net income.

Implementation of this Statement is required for the Corporation's 1989 financial statements and restatement of prior years' financial statements is required unless not practicable.

STATEMENT OF CASH FLOWS — STATEMENT NO. 95

This Statement requires the presentation of a statement of cash flows instead of the statement of changes in financial position. Since the Corporation's current statement of changes in financial position is in a cash flow format, only minor modifications will be required.

This Statement is effective for the Corporation's 1988 financial statements and restatement of prior years' financial statements is required.

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

Norma E. Brown
Major General, U.S. Air Force, Retired

Samuel C. Butler
Partner, Cravath, Swaine & Moore

James E. Cheek
President, Howard University

Thomas G. Pownall
Chairman of the Board and Chief Executive Officer, Martin Marietta Corporation

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

W. Reid Thompson
Chairman of the Board and Chief Executive Officer, Potomac Electric Power Company

Honorary Directors

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

David Lloyd Kreeger
Honorary Chairman of the Board, GEICO Corporation

W. Reid Thompson, chairman and chief executive officer of the Potomac Electric Power Company (PEPCO), Washington, D.C., was elected a member of the GEICO Corporation's Board of Directors in 1987. A graduate of the University of North Carolina and Harvard Law School, Mr. Thompson has served on a number of boards in the financial and retailing industries, including those of the Riggs National Corporation, Garfinckel's, Brooks Brothers and Miller and Rhodes, Inc. In addition, he is present chairman of the Federal City Council and a director of the Metropolitan Washington Board of Trade, the American Council for Capital Formation and the National Symphony Orchestra.

Maj. General Norma E. Brown, USAF (Ret.), was elected to the GEICO Corporation's Board of Directors in 1987. She brings to the board over 30 years of leadership experience. The first woman officer to command an Air Force wing, Gen. Brown served in the military from 1951 through 1982. Her primary responsibilities included personnel and manpower jobs at all levels.

In addition, she was appointed by the Department of Defense to serve on the Defense Advisory Committee on Women in the Services and she served for two years as chairman of the NATO Personnel Utilization Committee. A graduate of Florida State University, Gen. Brown has also served on the boards of the Uniformed Services Benefit Association and the Armed Services YMCA.

H. Edward Wrapp, former professor of business policy and associate dean of management programs at the University of Chicago's Graduate School of Business, retired from the GEICO Corporation's Board of Directors after ten years of service.

Dr. Wrapp brought to the board's audit committee, executive committee and human resources committee more than 35 years of teaching and consulting experience in the areas of business policy, corporate strategy and management performance. He once wrote, "An organization is doomed to mediocrity unless it is guided by good general managers in key positions." By promoting that theme, Dr. Wrapp helped GEICO become one of the most profitable property and casualty insurance companies in the nation. His expertise and dedication are greatly appreciated.

Daniel J. Callahan Jr. died February 18, 1988, at the age of 83. A retired senior vice president of Riggs National Bank, he was named a director of GEICO Corporation in 1948 and became an honorary director in 1975.

Alvin E. Kraus died September 2, 1987, at the age of 75. He had joined GEICO in 1939, been named a director of GEICO Corporation in 1976 and an honorary director in 1983, and served as chairman and president of Criterion Insurance Company.

Richard G. Rosenthal, a member of the GEICO Corporation's Board of Directors since 1982, died when his private plane crashed in April 1987. He was 45 years old.

Committees of the Board

GEICO Corporation's Board of Directors consists of 10 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

Samuel C. Butler, *Chairman*

Thomas E. Bolger	John C. Steggles
Joseph J. Sisco	W. Reid Thompson

In addition to recommending the appointment of the Corporation's Independent Accountants, the Audit Committee, which is comprised 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*

Thomas E. Bolger	Joseph J. Sisco
Louis A. Simpson	William B. Snyder

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*

Norma E. Brown	Thomas G. Pownall
Samuel C. Butler	Joseph J. Sisco
James E. Cheek	William B. Snyder

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	John C. Steggles
Thomas G. Pownall	W. Reid Thompson

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 associates 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*

Norma E. Brown	William B. Snyder
James E. Cheek	John C. Steggles
Louis A. Simpson	

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

SENIOR OFFICERS OF GEICO CORPORATION AND ITS AFFILIATES

Government Employees Insurance Company

William B. Snyder
Chairman and Chief Executive Officer

Eugene J. Meyung
President

Olza M. Nicely
Executive Vice President

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

Alvin Kaltman
Group Vice President

Vice Presidents
Martin Adler, *Actuary*
August P. Alegi*
Ralph L. Belford, III
Marion E. Byrd
Noel A. Chandonnet
Charles R. Davies*
Herbert L. De Prenger
James G. Goss*
Donald D. Hansen
James M. Hitt
James F. Holleran
Herbert M. Holtzman, Jr.
Billy N. Joyner*
Merrill D. Knight, III
Donald D. Messmer
Robert M. Miller
William E. Roberts
Thomas M. Wells,* *Controller*
Patrick E. Wilson

Treasurer
Charles G. Schara*

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.

GEICO Indemnity Company and Criterion Casualty Company

William B. Snyder
Chairman

Edward H. Utley
President

GEICO General Insurance Company

William B. Snyder
Chairman

James E. Reagan
President

Government Employees Financial Corporation

Louis A. Simpson
Chairman

John J. Krieger
President and Chief Executive Officer

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

Annual Meeting

The Annual Meeting of [illegible] Corporation will be held on May [illegible] 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 96206
Washington, D.C. 20090—6206

Manufacturers Hanover
Trust Company
Shareholder Relations
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 and Pacific Stock Exchanges. The Common Stock trades under the symbol "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. Ernst & Whinney has been appointed by the Board of Directors, subject to ratification by the shareholders, to examine the Corporation's 1988 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 30, 1988, without charge to shareholders, upon written request directed to:

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

Exhibit 22

ORGANIZATION

	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 Ins. Underwriters, Inc.	Wholly owned	Del.
GEICO Financial Services, GmbH	Wholly owned	Fed. Rep. 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, Inc.	Wholly owned	Del.
GEICO Products, Inc.	Wholly owned	Md.
GEICO Properties, Inc.	Wholly owned	Del.
GEICO Washington Properties, Inc.	Wholly owned	Del.
GOVERNMENT EMPLOYEES INSURANCE COMPANY (GEICO)*		
GEICO Indemnity Co.	Wholly owned	Md.
Government Employees Financial Corp.	Wholly owned	Co.
GEICO General Insurance Co.	Wholly owned	Iowa
Garden State Life Insurance Co.	Wholly owned	N.J.
Insurance Counselors, Inc.	Wholly owned	Md.
Plaza Financial Services Co.	Wholly owned	Del.
RESOLUTE GROUP, INC.		
Resolute Reinsurance Co.	Wholly owned	N.Y.
Resolute Management Corp.	Wholly owned	N.Y.
GEICO INDEMNITY (formerly Criterion)		
Criterion Casualty Co.	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 CORP. (GEFCO)		
GEICO Financial Services, Inc.	Wholly owned	Del.
GEICO FINANCIAL SERVICES, INC.		
GEICO Financial Services Co.	Wholly owned	Md.
GEIBank Industrial Bank	Wholly owned	Co.
Travel Resorts International	Wholly owned	Ca.
TRI Properties, Inc.	Wholly owned	Ca.
Willow Valley Associates, Ltd.	Wholly owned	N.C.
PLAZA RESOURCES COMPANY		
Safe Driver Motor Club, Inc.	Wholly owned	Del.
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 Qualified Dividend Fund is a separate series of GEICO Tax Advantaged Series Trust which is an unincorporated business trust organized under Massachusetts law. The Growth Fund of Washington, Inc. is a Maryland corporation. Each of the foregoing Funds is a registered investment company under the Investment Company Act of 1940, as amended. It is the Companies' opinion that the Trusts and the Funds are independent entities and should not be deemed affiliated or controlled entities. GEICO Investment Services Company is the Investment Manager and/or Administrator for the Funds.

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

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 and in Registration Statement No. 3-7412 dated August 12, 1986 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, 1987.

Ernst & Whinney

ERNST & WHINNEY

Washington, D.C.
March 30, 1988

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 1987	3: On losses incurred during 1986	4: On losses incurred prior to 1986	5 Salvage and subrogation received in the current year: On losses incurred during 1987	6: On losses incurred during 1986	7: On losses incurred prior to 1986	8 Total (Col. 2+3+4−5−6−7) and disbursements per Col. 6, Part 3	9 Losses paid during 1986 on losses incurred prior to 1986 (Col 3+4 Sch. O, 1986)	10 Losses unpaid December 31 of current year: On losses incurred during 1987	11: On losses incurred during 1986	12: On losses incurred prior to 1986	13: Total per Col 5, Part 3A (Col 10+11+12)	14 Development: On losses incurred prior to 1987 (Col 3+4+11+12)	15: On losses incurred prior to 1986 (Col. 4+9+12)	16 Estimated liability on unpaid losses: Dec. 31, 1986 per Col. 5 Part 3A 1986	17: Dec. 31, 1985 per Col. 5 Part 3A 1985	18 Change in such estimated liability: December 31 1986 (Col 14 less Col 16)	19: December 31 1985 (Col 15 less Col 17)	
1. Fire	807	825	264				1,976	1,198	1,395	982	1,444	3,821	3,525	2,906	2,197	2,422	1,328	484	1
2. Allied lines	2,006	641	95				2,834	390	899	290	432	1,621	1,458	917	1,535	506	(77)	411	2
9. Inland marine	1,050	279	70				1,400	361	753	88	112	953	549	543	711	551	(162)	(8)	9
10. Financial guaranty	780	781	763				2,344	582	3,419	3,413	3,411	10,243	8,368	4,756	5,828	2,051	2,540	2,705	10
12. Earthquake	8	5					13		11	326		337	331		97	8	234	(8)	12
13. Group accident and health	714	1,081	367				2,162	415	624	416	346	1,386	2,210	1,128	1,342	1,384	868	(256)	13
14. Credit accident and health (group and individual)**																			14
15. Other accident and health	17	23	17				57	142	7	4	3	14	47	162	49	176	(2)	(14)	15
21. Auto phys. damage	283,900	35,053	900	20,530	20,320	5,977	273,117	37,884	43,704	1,361	1,708	46,773	38,858	40,300	41,939	42,438	(2,981)	(2,130)	21
23. Fidelity	113	115	116				342	72	419	418	558	1,395	1,207	747	371	375	836	372	23
24. Surety	546	546	563				1,655	70	1,057	1,008	1,345	3,410	3,462	1,978	525	576	2,937	1,402	24
25. Glass																			25
26. Burglary and theft	29	44	74				147	20	53	43	90	186	251	184	40	21	211	163	26
28. Credit	110	165	275				550	425	21	17	37	75	494	737	551	431	(57)	306	28
29. International	400	1,120	2,143				3,708	2,697	2,326	2,326	3,962	8,614	9,550	8,802	7,470	4,044	2,080	4,758	29
30. Reinsurance	1,884	2,587	3,064				7,535	5,107	30,217	51,092	24,608	105,917	81,951	33,379	75,727	25,808	6,224	7,571	30
31. Aggregate write-ins for other lines of business																			31
32. TOTALS	292,515	43,271	9,339	20,530	20,320	5,977	298,298	49,143	84,095	61,705	38,057	184,747	152,462	96,558	138,380	88,791	14,162	15,748	32

DETAILS OF WRITE-INS AGGREGATED AT ITEM 31 OF PART 1 FOR OTHER LINES OF BUSINESS

3101																			3101
3102																			3102
3103																			3103
3104																			3104
3105																			3105
3198 Summary of remaining write-ins for item 31 from page 63																			3198
3199 TOTALS (items 3101 thru 3105 plus 3198) (Part 1, Line 31)																			3199

(a) Reinsurance as used in Columns 2, 3 and 4 include (1) received in cash, and (2) recoverable (charged during year of statement) if carried as a ledger asset. ** Business not exceeding 120 months duration.

Exhibit 29

SCHEDULE O — PART 2 — LOSS EXPENSE DEVELOPMENT

(000 OMITTED)

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	
	Allocated loss expense payments during the year			Unallocated loss expense payments during the year (a)				Loss expenses paid during 1986 on losses incurred prior to 1986 (Col. 3+4+6+7, Schedule O, Part 2, 1986)	Unpaid loss adjustment expenses December 31 of current year				Development		Estimated liability on unpaid loss adjustment expenses		Change in each estimated liability		
	On losses incurred during 1987	On losses incurred during 1986	On losses incurred prior to 1986	On losses incurred during 1987	On losses incurred during 1986	On losses incurred prior to 1986	Total (Col. 2+3+4+5+6+7) net disbursements		On losses incurred during 1987	On losses incurred during 1986	On losses incurred prior to 1986	Total per Col. 8, Part 3A (Col. 10+11+12)	On losses incurred prior to 1987 (Col. 3+4+6+7+11+12)	On losses incurred prior to 1986 (Col. 4+7+9+12)	Dec. 31, 1986 per Col. 8 Part 3A, 1986	Dec. 31, 1985 per Col. 8 Part 3A, 1985	December 31 1986 (Col. 14 less Col. 16)	December 31 1985 (Col. 15 less Col. 17)	
1. Fire	41	43	23	87	26	2	222	82	110	32	43	185	160	158	141	90	33	54	1
2. Allied lines	25	17	7	100	17	1	167	54	86	11	25	122	78	87	64	64	14	24	2
9. Inland marine	12	15	5	125	21	2	180	67	75	5	5	85	53	79	58	52	(4)	28	9
10. Financial guaranty	9	9	9	33	8	6	74	6	161	161	161	483	354	182	15		355	191	10
12. Earthquake	3	11	(5)	28	8		38	4	1	55		56	62	(1)	10		52	(11)	12
13. Group accident and health	9	15	4	30	12	3	71		14	9	6	31	49	15	15		40	19	13
14. Credit accident and health (group and individual)**																			14
15. Other accident and health				1			1	1						1	1	1	1	1	15
21. Auto phys. damage	1,424	310	156	29,082	3,987	254	35,223	4,191	4,230	185	200	4,633	5,182	4,810	3,183	3,504	1,918	1,306	21
23. Fidelity	1	1	1	5	1	1	10	7	15	15	20	50	30	29	8		42	31	23
24. Surety	7	7	7	25	6	5	55	5	12	12	15	39	52	30	7		54	35	24
25. Glass																			25
26. Burglary and theft		1	1	1		1	4						3	2	1		2	2	26
28. Credit	1	2	5	5	2	2	15	8	1	1	2	4	12	16	21	1	(5)	18	28
29. International	6	14	26	21	12	18	97	79	60	68	116	252	254	230	75		210	260	29
30. Reinsurance	9	22	33	30	20	22	136	92	90	90	263	442	450	418	443	21	45	414	30
31. Aggregate write-ins for other lines of business																			31
32. TOTALS	1,547	485	270	29,571	4,115	317	36,303	4,505	4,886	645	867	6,398	6,677	6,049	4,041	3,741	2,636	2,308	32

DETAILS OF WRITE-INS AGGREGATED AT ITEM 31 OF PART 2 FOR OTHER LINES OF BUSINESS

3101																			3101
3102																			3102
3103																			3103
3104																			3104
3105																			3105
3198 Summary of remaining write-ins for Item 31 from page 60																			3198
3199 TOTALS (Items 3101 thru 3105 plus 3198) (Part 2, Item 31)																			3199

(a) See Schedule P—Part 1F footnote (g) for method of distribution

** Business not exceeding 120 months duration

CONSOLIDATED ANNUAL STATEMENT FOR THE YEAR 1987 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 1978	[illegible]	298,775	38,285	7,648	2.58	48,178	16.12	354,885	91.82	XXX	1		354,886	91.82	1
2. 1978	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	XXX	149	22	[illegible]	[illegible]	2
3. 1979	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	XXX	[illegible]	[illegible]	[illegible]	[illegible]	3
4. 1980	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	XXX	[illegible]	[illegible]	[illegible]	[illegible]	4
5. 1981	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	XXX	[illegible]	44	[illegible]	[illegible]	5
6. 1982	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	XXX	[illegible]	[illegible]	[illegible]	[illegible]	6
7. 1983	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.17	[illegible]	[illegible]	XXX	[illegible]	[illegible]	[illegible]	[illegible]	7
8. 1984	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.17	[illegible]	[illegible]	XXX	[illegible]	[illegible]	[illegible]	[illegible]	8
9. 1985	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.14	[illegible]	[illegible]	XXX	[illegible]	[illegible]	[illegible]	[illegible]	9
10. 1986	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	XXX	[illegible]	[illegible]	[illegible]	[illegible]	10
11. 1987	[illegible]	282,515	20,531	1,567	0.53	[illegible]	10.11	[illegible]	[illegible]	XXX	[illegible]	4,356	415,383	81.54	11
12. TOTALS	3,463,305	2,446,863	288,302	28,842	1.17	275,342	11.46	2,785,247	78.11	XXX	184,749	6,368	2,896,364	83.63	12

(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 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 losses, whether the payments are allocated to specific claims or are unallocated. Are they so reported in this statement? Answer:
(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 distributions should be limited to 10% of premiums earned and the balance distributed in accordance with (3). Are they so reported in this statement? Answer: ....

SCHEDULE O — PART 4 — REINSURANCE

(000 OMITTED)

	Accident Year Incurred Loss and Loss Expense: 1 Prior to 1978	2 1978	3 1979	4 1980	5 1981	6 1982	7 1983	8 1984	9 1985	10 1986	11 1987	
A. Years in which Loss and Loss Adjustment Expense were incurred						1,350	4,257	7,961	17,980	54,655	32,829	A
B. Loss & Loss Adjustment Expense Incurred as of December 31:												B
1. Prior to 1978		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1
2. 1978			XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2
3. 1979				XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3
4. 1980					XXX	XXX	XXX	XXX	XXX	XXX	XXX	4
5. 1981						XXX	XXX	XXX	XXX	XXX	XXX	5
6. 1982						1,350	XXX	XXX	XXX	XXX	XXX	6
7. 1983						1,418	4,257	XXX	XXX	XXX	XXX	7
8. 1984						[illegible]	2,736	7,961	XXX	XXX	XXX	8
9. 1985						1,215	[illegible]	[illegible]	17,980	XXX	XXX	9
10. 1986						[illegible]	[illegible]	[illegible]	[illegible]	54,655	XXX	10
11. 1987						1,569	[illegible]	[illegible]	[illegible]	[illegible]	32,829	11
C. Developed Deficiency (Redundancy) as of December 31, 1987						219	(2,346)	2,773	2,290	(3,879)	XXX	C
D. Losses & Loss Expense Paid as of December 31:												D
1. Prior to 1978		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1
2. 1978			XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2
3. 1979				XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3
4. 1980					XXX	XXX	XXX	XXX	XXX	XXX	XXX	4
5. 1981						XXX	XXX	XXX	XXX	XXX	XXX	5
6. 1982						267	XXX	XXX	XXX	XXX	XXX	6
7. 1983						[illegible]	415	XXX	XXX	XXX	XXX	7
8. 1984						[illegible]	[illegible]	1,182	XXX	XXX	XXX	8
9. 1985						[illegible]	[illegible]	[illegible]	1,156	XXX	XXX	9
10. 1986						[illegible]	[illegible]	[illegible]	[illegible]	1,990	XXX	10
11. 1987						1,325	4,154	5,480	5,171	4,619	1,725	11

SCHEDULE O — PART 5
INCURRED BUT NOT REPORTED LOSSES

(000'S OMITTED)

	1 Years in Which Losses were Incurred	2 Incurred But Not Reported Losses Unpaid Included in Column 9 of Schedule O—Part 3	3 One Year Development of 1986 Losses Included in Columns 3 and 9 of Schedule O—Part 3
1.	Prior to 1978		5
2.	1978	140	1
3.	1979	100	
4.	1980	150	16
5.	1981	241	1
6.	1982	1,000	16
7	1983	1,910	16
8.	1984	7,700	15
9.	1985	16,341	62
10.	1986	56,302	6,162
11	1987	51,036	
12.	TOTALS	135,120	6,294

CONSOLIDATED ANNUAL STATEMENT FOR THE YEAR 1987 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	(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 Number of Claims Outstanding	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 1977	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	169	3,456,447	577,305	2,731,565,011	[illegible]	1
2	1977	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2
3	1978	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3
4	1979	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4
5	1980	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5
6	1981	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6
7	1982	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7
8	1983	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8
9	1984	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9
10	1985	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10
11	1986	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11
12	1987	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12
13	TOTALS	8,781,929,800	5,900,563,075	384,331,835	6.9	802,002,525	11.9	6,885,976,632	75.4	91,050	801,076,637	131,082,206	7,550,943,475	X X X	13

SCHEDULE P — PART 1A— AUTO LIABILITY+

	1	2	3	4	4a	5	5a	6	7	8	9	10	11	12	
1	Prior to 1977	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	161	3,285,702	541,012	2,585,407,454	[illegible]	1
2	1977	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2
3	1978	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3
4	1979	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4
5	1980	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5
6	1981	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6
7	1982	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7
8	1983	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8
9	1984	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9
10	1985	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10
11	1986	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11
12	1987	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12
13	TOTALS	8,010,204,447	5,110,853,050	350,253,320	7.0	800,904,301	11.9	6,085,020,750	76.0	80,126	745,642,490	118,901,157	6,940,364,406	86.7	13

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

1987 1986 1985 Total Calculation Method — 75.00 % 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	
1	Prior to 1977	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	7,032	4,277	2,418,431	[illegible]	1
2	1977	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2
3	1978	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3
4	1979	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4
5	1980	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5
6	1981	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6
7	1982	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7
8	1983	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8
9	1984	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9
10	1985	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10
11	1986	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11
12	1987	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12
13	TOTALS	15,900,900	5,432,942	2,329,554	42.9	1,080,177	19.9	8,842,672	56.3	127	12,450,010	5,143,643	26,436,333	134.3	13

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

1987 1986 1985 Total Calculation Method — 75.00 % of Column 2, less Column 11, if negative enter zero. See Note a

See Schedule P—Part 1F for footnotes

CONSOLIDATED ANNUAL STATEMENT FOR THE YEAR 1987 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	(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 Number of Claims Outstanding	9 (f) Losses Unpaid	10 (d) Loss Expense Unpaid	11 Total Losses and Loss Expenses Incurred (6+9+10)	12 Ratio 11/2 %	
1 Prior to 1977														1
2 1977														2
3 1978														3
4 1979														4
5 1980														5
6 1981														6
7 1982														7
8 1983														8
9 1984														9
10 1985														10
11 1986														11
12 1987														12
13 TOTALS													XXX	13

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

1987 1986 1985 Total Calculation Method — % of Column 2, less Column 11, if negative enter zero. See Note e

SCHEDULE P — PART 1D — WORKERS' COMPENSATION

1	2	3	4	4a	5	5a	6	7	8	9	10	11	12	
1 Prior to 1977														1
2 1977	11,500	2,058	913	34.3	387	18.8	3,858	33.5				3,858	33.3	2
3 1978	[illegible]	545	1,314	[illegible]	[illegible]	[illegible]	1,787	[illegible]				1,787	[illegible]	3
4 1979	[illegible]	21			[illegible]	1280.5	[illegible]	[illegible]				[illegible]	[illegible]	4
5 1980	[illegible]				[illegible]		[illegible]	[illegible]				[illegible]	[illegible]	5
6 1981	[illegible]	4,[illegible]			[illegible]	2.7	4,111	[illegible]				4,111	[illegible]	6
7 1982	[illegible]	12,[illegible]	446	3.5	[illegible]	[illegible]	[illegible]	[illegible]				[illegible]	[illegible]	7
8 1983	[illegible]	(1,[illegible])			[illegible]	([illegible])	(1,427)	([illegible])				(1,427)	([illegible])	8
9 1984	[illegible]	7,[illegible]	207	2.7	[illegible]	[illegible]	[illegible]	[illegible]				[illegible]	[illegible]	9
10 1985	[illegible]				[illegible]		[illegible]	[illegible]	1	6,525	2,972	[illegible]	[illegible]	10
11 1986	[illegible]	1,226			[illegible]	44.4	1,771	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	11
12 1987	[illegible]				[illegible]		[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	12
13 TOTALS	1,279,340	26,902	2,880	10.7	2,342	8.7	32,215	2.5	1	65,250	31,750	129,215	10.2	13

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

1987 $87,000 1986 $86,170 * 1985 $86,067 Total $270,647 Calculation Method — 65.00 % of Column 2, less Column 11, if negative enter zero. See Note e

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	
1 Prior to 1977	105,500,234	128,916,611	7,506,545	6.3	14,[illegible]	12.4	143,468,982	[illegible]	7	105,700	32,475	143,[illegible],146	[illegible]	1
2 1977	[illegible]	13,[illegible],363	1,085,241	[illegible]	2,513,[illegible]	[illegible]	16,[illegible]	[illegible]	2	17,756	3,079	16,[illegible]	[illegible]	2
3 1978	[illegible]	[illegible]	[illegible],412	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10	[illegible]	46,214	[illegible]	[illegible]	3
4 1979	[illegible]	[illegible]	[illegible]	4.5	[illegible]	[illegible]	[illegible]	[illegible]	8	[illegible]	58,444	[illegible]	[illegible]	4
5 1980	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	19	[illegible]	[illegible]	[illegible]	[illegible]	5
6 1981	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16	[illegible]	[illegible]	[illegible]	[illegible]	6
7 1982	[illegible]	[illegible]	[illegible]	[illegible]	4,[illegible]	14.4	[illegible]	[illegible]	33	1,[illegible]	[illegible]	[illegible]	[illegible]	7
8 1983	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	42	[illegible]	[illegible]	[illegible]	[illegible]	8
9 1984	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	60	[illegible]	[illegible]	[illegible]	[illegible]	9
10 1985	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	132	[illegible]	[illegible]	[illegible]	[illegible]	10
11 1986	[illegible]	[illegible]	[illegible]	3.5	[illegible]	10.4	[illegible]	[illegible]	220	[illegible]	1,161,464	[illegible]	[illegible]	11
12 1987	82,006,606	29,395,160	719,263	2.4	3,447,250	11.7	33,556,682	40.9	2,035	22,536,931	3,725,772	59,815,305	72.9	12
13 TOTALS	735,234,363	435,440,090	23,735,274	5.5	52,105,625	12.0	511,280,985	69.5	2,596	45,716,879	7,015,656	564,013,521	76.7	13

CONSOLIDATED ANNUAL STATEMENT FOR THE YEAR 1987 OF THE GOVERNMENT EMPLOYEES INSURANCE COMPANY

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

1	(h) Incurred But Not Reported Losses Unpaid Included in Column 8 of:					(i) One Year Development of IBNR Losses Included in Column 5 and 9 of:					
Years in Which Losses Were Incurred	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 1977	1,750,987										1
2. 1977	806,805					25,545					2
3. 1978	100,250				92,777	40,883					3
4. 1979	353,604	42,401			113,291	285,083				357,844	4
5. 1980	470,954	125,904			183,546	327,715	1,051,500			24,648	5
6. 1981	377,948	317,796			153,430	219,254	3,110,000			84,957	6
7. 1982	1,624,904	813,257			743,000	412,043	167,300			100,705	7
8. 1983	1,784,005	1,140,300			1,345,036	1,032,582	195,000			127,000	8
9. 1984	2,570,052	637,757			2,000,150	2,876,540	40,000			157,076	9
10. 1985	7,000,521	200,815		6,325	3,715,000	9,764,749	60,000			201,034	10
11. 1986	27,040,619	302,700		19,575	4,464,647	72,530,357	4,004			1,068,313	11
12. 1987	115,537,648	842,000		30,150	10,806,864	XXX	XXX	XXX	XXX	XXX	12
13. TOTALS	180,042,208	4,570,295		65,250	22,829,408	87,341,400	4,457,001			2,192,998	13

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 those 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 maximum rate of interest used in determining present values of future workers' compensation payments as reflected in Part 1D X
Do any of the Schedule P—Parts 1A, 1B, 1C and/or 1E include reserves which are reported gross of any discount(s) to present values of future payments in Schedule P but which are reported net of such discount(s) on page 3? Answer: NO ....
If yes, which of the above Parts? Answer: ....
Are the required Schedule P, Parts 4 filed herewith? Answer: ....

(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 each year in excess of 10% of the premiums earned for each 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: YES ....

(h) Totals on Line 13 to agree with the reserve shown on Page 10, Column 4a + 4b — 4c of this statement. The IBNR reserve estimates in Column 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.

INTERROGATORIES

PART 1B
State the amount of current year premium earned on claims-made policies
Is this amount more than $100,000 and greater than 15% of current year premium earned as shown in Column 2? Yes [ ] No [X]
If yes, you must submit a Supplemental Schedule P-Part 5; see instructions

PART 1C
State the amount of current year premium earned on claims-made policies
Is this amount more than $100,000 and greater than 15% of current year premium earned as shown in Column 2? Yes [ ] No [X]
If yes, you must submit a Supplemental Schedule P-Part 5; see instructions

PART 1E
State the amount of current year premium earned on claims-made policies
Is this amount more than $100,000 and greater than 15% of current year premium earned as shown in Column 2? Yes [ ] No [X]
If yes, you must submit a Supplemental Schedule P-Part 5; see instructions

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 Ratio Reported					
	2 1982	3 1983	4 1984	5 1985	6 1986	7 1987	8 1982	9 1983	10 1984	11 1985	12 1986	13 1987
1. Prior to 1982	4,294,841	4,270,384	4,260,383	4,252,223	4,253,953	4,256,840	XXX	XXX	XXX	XXX	XXX	XXX
2. 1982	485,283	386,332	375,590	377,110	375,780	379,680	80.5	85.8	83.4	83.7	83.4	84.3
3. Cumulative Total	4,680,204	4,656,716	4,635,973	4,629,333	4,629,333	4,635,490	XXX	XXX	XXX	XXX	XXX	XXX
4. 1983	XXXX	427,413	408,417	410,953	408,856	408,833	XXX	88.3	84.6	84.9	84.7	84.7
5. Cumulative Total	XXXX	5,084,129	5,045,300	5,040,286	5,038,188	5,045,332	XXX	XXX	XXX	XXX	XXX	XXX
6. 1984	XXXX	XXXX	491,853	481,087	480,123	478,135	XXX	XXX	91.9	90.0	89.7	89.4
7. Cumulative Total	XXXX	XXXX	5,537,343	5,521,373	5,519,112	5,523,467	XXX	XXX	XXX	XXX	XXX	XXX
8. 1985	XXXX	XXXX	XXXX	603,244	602,457	595,806	XXX	XXX	XXX	96.2	96.1	95.0
9. Cumulative Total	XXXX	XXXX	XXXX	6,125,217	6,121,560	6,119,273	XXX	XXX	XXX	XXX	XXX	XXX
10. 1986	XXXX	XXXX	XXXX	XXXX	660,443	658,486	XXX	XXX	XXX	XXX	88.3	86.9
11. Cumulative Total	XXXX	XXXX	XXXX	XXXX	6,780,012	6,777,750	XXX	XXX	XXX	XXX	XXX	XXX
12. 1987	XXXX	XXXX	XXXX	XXXX	XXXX	761,185	XXX	XXX	XXX	XXX	XXX	87.5

SCHEDULE P — PART 2A — AUTO LIABILITY

1. Prior to 1982	4,015,677	3,988,088	3,981,745	3,975,182	3,973,377	3,972,586	XXX	XXX	XXX	XXX	XXX	XXX
2. 1982	363,652	347,765	338,023	339,505	338,082	336,718	91.2	87.2	84.8	85.2	84.8	84.5
3. Cumulative Total	4,379,329	4,330,453	4,319,768	4,312,687	4,311,463	4,309,304	XXX	XXX	XXX	XXX	XXX	XXX
4. 1983	XXXX	398,131	370,114	371,108	368,436	367,280	XXX	90.6	86.4	86.6	86.2	85.7
5. Cumulative Total	XXXX	4,728,584	4,689,882	4,683,857	4,680,905	4,676,583	XXX	XXX	XXX	XXX	XXX	XXX
6. 1984	XXXX	XXXX	447,068	437,754	434,967	430,788	XXX	XXX	93.8	91.9	91.5	90.4
7. Cumulative Total	XXXX	XXXX	5,136,951	5,121,611	5,115,872	5,107,382	XXX	XXX	XXX	XXX	XXX	XXX
8. 1985	XXXX	XXXX	XXXX	543,183	542,085	535,971	XXX	XXX	XXX	97.8	96.8	95.7
9. Cumulative Total	XXXX	XXXX	XXXX	5,664,804	5,657,937	5,643,353	XXX	XXX	XXX	XXX	XXX	XXX
10. 1986	XXXX	XXXX	XXXX	XXXX	612,582	605,908	XXX	XXX	XXX	XXX	90.3	89.3
11. Cumulative Total	XXXX	XXXX	XXXX	XXXX	6,270,430	6,249,295	XXX	XXX	XXX	XXX	XXX	XXX
12. 1987	XXXX	XXXX	XXXX	XXXX	XXXX	600,872	XXX	XXX	XXX	XXX	XXX	88.9

SCHEDULE P — PART 2B — OTHER LIABILITY

1. Prior to 1982	5,830	6,833	5,888	6,220	6,087	5,275	XXX	XXX	XXX	XXX	XXX	XXX
2. 1982	1,274	1,640	1,480	1,452	1,881	6,502	100.8	129.8	116.2	115.3	133.8	514.6
3. Cumulative Total	7,113	8,473	7,324	7,682	8,378	14,777	XXX	XXX	XXX	XXX	XXX	XXX
4. 1983	XXXX	1,430	1,587	1,568	1,875	3,432	XXX	138.3	158.3	151.5	177.6	325.1
5. Cumulative Total	XXXX	9,912	8,911	9,251	10,253	18,208	XXX	XXX	XXX	XXX	XXX	XXX
6. 1984	XXXX	XXXX	1,240	870	1,877	2,988	XXX	XXX	128.8	84.2	181.7	289.4
7. Cumulative Total	XXXX	XXXX	10,150	10,121	12,130	21,198	XXX	XXX	XXX	XXX	XXX	XXX
8. 1985	XXXX	XXXX	XXXX	553	872	1,619	XXX	XXX	XXX	118.3	186.5	346.3
9. Cumulative Total	XXXX	XXXX	XXXX	10,674	13,002	22,817	XXX	XXX	XXX	XXX	XXX	XXX
10. 1986	XXXX	XXXX	XXXX	XXXX	688	1,383	XXX	XXX	XXX	XXX	75.8	157.8
11. Cumulative Total	XXXX	XXXX	XXXX	XXXX	13,670	24,200	XXX	XXX	XXX	XXX	XXX	XXX
12. 1987	XXXX	XXXX	XXXX	XXXX	XXXX	2,238	XXX	XXX	XXX	XXX	XXX	144.4

SCHEDULE P — PART 2C—MEDICAL MALPRACTICE

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 1982	3 1983	4 1984	5 1985	6 1986	7 1987	8 1982	9 1983	10 1984	11 1985	12 1986	13 1987
1 Prior to 1982							XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2. 1982												
3 Cumulative Total							XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
4. 1983	XXXX						XXXX					
5 Cumulative Total	XXXX						XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
6. 1984	XXXX	XXXX					XXXX	XXXX				
7 Cumulative Total	XXXX	XXXX					XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
8. 1985	XXXX	XXXX	XXXX				XXXX	XXXX	XXXX			
9 Cumulative Total	XXXX	XXXX	XXXX				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
10. 1986	XXXX	XXXX	XXXX	XXXX			XXXX	XXXX	XXXX	XXXX		
11 Cumulative Total	XXXX	XXXX	XXXX	XXXX			XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
12. 1987	XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX	XXXX	XXXX	XXXX	

SCHEDULE P— PART 2D — WORKERS' COMPENSATION

1 Prior to 1982	11	10	10	10	10	10	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2. 1982	34	13	14	14	14	14	33.3	12.7	13.7	13.7	13.7	13.3
3 Cumulative Total	45	23	24	24	24	24	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
4. 1983	XXXX	14	(1)	(1)	(1)	(1)	XXXX	10.6	-1.3	-1.3	-1.3	-1.9
5 Cumulative Total	XXXX	37	23	23	23	22	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
6. 1984	XXXX	XXXX	23	8	17	8	XXXX	XXXX	20.9	7.3	15.1	7.2
7 Cumulative Total	XXXX	XXXX	46	31	40	30	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
8. 1985	XXXX	XXXX	XXXX-	15	73	10	XXXX	XXXX	XXXX	9.3	45.1	5.1
9 Cumulative Total	XXXX	XXXX	XXXX	46	113	40	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
10. 1986	XXXX	XXXX	XXXX	XXXX	52	32	XXXX	XXXX	XXXX	XXXX	20.8	12.9
11 Cumulative Total	XXXX	XXXX	XXXX	XXXX	165	72	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
12. 1987	XXXX	XXXX	XXXX	XXXX	XXXX	57	XXXX	XXXX	XXXX	XXXX	XXXX	24.8

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 1982	273,414	272,873	272,782	272,801	273,470	274,771	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2. 1982	38,303	36,894	36,075	36,150	35,985	36,624	78.1	73.3	71.7	71.9	71.5	72.8
3 Cumulative Total	311,717	309,767	308,857	[illegible]	309,402	311,395	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
4. 1983	XXXX	37,829	37,717	38,196	38,346	38,113	XXXX	68.6	69.4	70.3	70.6	72.8
5 Cumulative Total	XXXX	347,598	346,574	347,196	347,888	[illegible]	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
6. 1984	XXXX	XXXX	43,633	43,885	43,282	44,340	XXXX	XXXX	78.1	75.1	75.5	77.4
7 Cumulative Total	XXXX	XXXX	390,207	390,210	391,070	394,888	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
8. 1985	XXXX	XXXX	XXXX	50,485	50,440	50,287	XXXX	XXXX	XXXX	89.4	89.4	87.5
9 Cumulative Total	XXXX	XXXX	XXXX	449,085	450,510	453,884	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
10. 1986	XXXX	XXXX	XXXX	XXXX	55,102	51,131	XXXX	XXXX	XXXX	XXXX	71.1	65.9
11 Cumulative Total	XXXX	XXXX	XXXX	XXXX	505,670	504,190	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
12. 1987	XXXX	XXXX	XXXX	XXXX	XXXX	50,819	XXXX	XXXX	XXXX	XXXX	XXXX	72.9

SCHEDULE P — PART 3 — SUMMARY

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

	Dollars (000 omitted)							Percentages						
	1 1981	2 1982	3 1983	4 1984	5 1985	6 1986	7 1987	8 1981	9 1982	10 1983	11 1984	12 1985	13 1986	14 1987
	Summary Data from Schedule P — Part 1-Summary													
1 Premiums Earned	418,357	450,382	483,021	535,028	627,214	757,400	889,019	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2 Loss & Loss Exp. Inc'd	349,406	379,850	409,833	478,135	585,308	658,406	781,185	83.5	84.3	84.7	89.4	95.0	86.9	87.5
	Loss & Loss Expense through 1 year													
3 Paid	148,841	156,880	166,307	184,540	230,882	237,573	258,918	35.6	34.8	34.4	34.5	36.8	31.4	29.0
4 Reserve (2) — (3)	200,645	222,980	243,538	293,588	354,924	420,913	502,287	48.0	49.5	50.3	54.9	58.2	55.6	57.7
	Loss & Loss Expense through 2 years													
5 Paid	254,102	269,381	293,108	335,144	413,232	437,017	XX	60.7	59.8	60.6	62.6	65.9	57.8	XX
6 Reserve (2) — (5)	95,304	110,468	116,725	142,982	182,574	220,588	XX	22.8	24.5	24.1	26.7	29.1	29.1	XX
	Loss & Loss Expense through 3 years													
7 Paid	297,701	314,321	344,083	395,153	491,076	XX	XX	71.2	69.8	71.1	73.9	78.4	XX	XX
8 Reserve (2) — (7)	51,705	65,530	65,750	82,983	104,131	XX	XX	12.4	14.6	13.6	15.5	16.6	XX	XX
	Loss & Loss Expense through 4 years													
9 Paid	240,780	340,020	372,615	430,005	XX	XX	XX	57.6	75.5	77.0	80.4	XX	XX	XX
10 Reserve (2) — (9)	108,630	39,831	37,218	48,040	XX	XX	XX	26.0	8.8	7.7	9.0	XX	XX	XX
	Loss & Loss Expense through 5 years													
11 Paid	332,706	355,914	388,410	XX	XX	XX	XX	79.5	79.0	80.3	XX	XX	XX	XX
12 Reserve (2) — (11)	16,700	23,945	21,423	XX	XX	XX	XX	4.0	5.3	4.4	XX	XX	XX	XX

SCHEDULE P — PART 3A — AUTO LIABILITY

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

	Dollars (000 omitted)							Percentages						
	1 1981	2 1982	3 1983	4 1984	5 1985	6 1986	7 1987	8 1981	9 1982	10 1983	11 1984	12 1985	13 1986	14 1987
	Summary Data from Schedule P — Part 1A													
1 Premiums Earned	377,305	398,702	428,457	478,583	560,075	678,632	785,875	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2 Loss & Loss Exp. Inc'd	312,704	336,719	367,280	430,700	535,071	605,940	698,072	82.9	84.5	85.7	90.4	95.7	89.3	88.9
	Loss & Loss Expense through 1 year													
3 Paid	126,333	134,111	144,700	159,337	185,380	208,251	224,901	33.5	33.6	33.8	33.4	34.9	30.7	28.6
4 Reserve (2) — (3)	186,451	202,608	222,580	271,452	349,592	397,089	474,080	49.4	50.8	51.9	57.0	60.8	58.6	60.3
	Loss & Loss Expense through 2 years													
5 Paid	223,155	238,172	259,916	298,585	364,094	395,576	XX	59.1	59.7	60.7	62.7	65.1	58.3	XX
6 Reserve (2) — (5)	89,629	98,547	107,375	132,104	171,277	210,364	XX	23.8	24.7	25.1	27.7	30.6	31.0	XX
	Loss & Loss Expense through 3 years													
7 Paid	265,723	281,300	308,527	356,108	438,770	XX	XX	70.4	70.6	72.0	74.7	78.5	XX	XX
8 Reserve (2) — (7)	47,081	55,419	58,782	74,025	96,201	XX	XX	12.5	13.9	13.7	15.7	17.2	XX	XX
	Loss & Loss Expense through 4 years													
9 Paid	208,108	308,208	335,972	389,143	XX	XX	XX	55.2	78.0	78.4	81.7	XX	XX	XX
10 Reserve (2) — (9)	104,010	30,511	31,317	41,646	XX	XX	XX	27.7	7.7	7.3	8.7	XX	XX	XX
	Loss & Loss Expense through 5 years													
11 Paid	299,676	320,788	350,788	XX	XX	XX	XX	79.4	80.5	81.9	XX	XX	XX	XX
12 Reserve (2) — (11)	13,108	15,931	16,521	XX	XX	XX	XX	3.5	4.0	3.9	XX	XX	XX	XX

SCHEDULE P — PART 3B — OTHER LIABILITY

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

	Dollars (000 omitted)							Percentages						
	1 1981	2 1982	3 1983	4 1984	5 1985	6 1986	7 1987	8 1981	9 1982	10 1983	11 1984	12 1985	13 1986	14 1987
	Summary Data from Schedule P — Part 1B													
1 Premiums Earned	1,337	1,264	1,056	1,033	467	881	1,548	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2 Loss & Loss Exp. Inc'd	2,682	6,502	3,432	2,990	1,619	1,383	2,236	200.6	514.6	325.1	289.4	346.3	157.0	144.4
	Loss & Loss Expense through 1 year													
3 Paid	26	60	72	87	56	75	370	1.9	4.7	6.0	8.4	12.0	8.5	23.9
4 Reserve (2) — (3)	2,776	6,442	3,360	2,903	1,563	1,308	1,866	198.7	509.9	318.3	281.0	334.3	148.5	120.5
	Loss & Loss Expense through 2 years													
5 Paid	105	144	267	167	163	377	XX	7.5	11.4	25.3	16.2	34.9	42.0	XX
6 Reserve (2) — (5)	2,697	6,358	3,165	2,823	1,456	1,006	XX	193.1	503.2	290.8	273.3	311.4	114.3	XX
	Loss & Loss Expense through 3 years													
7 Paid	123	329	349	233	885	XX	XX	8.8	26.0	33.1	22.6	189.3	XX	XX
8 Reserve (2) — (7)	2,679	6,173	3,083	2,757	734	XX	XX	191.8	486.6	292.1	266.9	156.9	XX	XX
	Loss & Loss Expense through 4 years													
9 Paid	231	368	470	868	XX	XX	XX	16.5	29.1	44.5	84.0	XX	XX	XX
10 Reserve (2) — (9)	2,571	6,134	2,962	2,122	XX	XX	XX	184.1	485.5	280.6	205.4	XX	XX	XX
	Loss & Loss Expense through 5 years													
11 Paid	254	450	700	XX	XX	XX	XX	18.2	35.6	73.9	XX	XX	XX	XX
12 Reserve (2) — (11)	2,548	6,052	2,652	XX	XX	XX	XX	182.4	479.0	251.2	XX	XX	XX	XX

SCHEDULE P — PART 3C — MEDICAL MALPRACTICE

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

	Dollars (000 omitted)							Percentages						
	1 1981	2 1982	3 1983	4 1984	5 1985	6 1986	7 1987	8 1981	9 1982	10 1983	11 1984	12 1985	13 1986	14 1987
	Summary Data from Schedule P — Part 1C													
1 Premium Earned 2 Loss & Loss Exp. Inc'd								100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Loss & Loss Expense through 1 Year													
3 Paid 4 Reserve (2) — (3)														
	Loss & Loss Expense through 2 Years													
5 Paid 6 Reserve (2) — (5)							XX XX							XX XX
	Loss & Loss Expense through 3 Years													
7 Paid 8 Reserve (2) — (7)						XX XX	XX XX						XX XX	XX XX
	Loss & Loss Expense through 4 Years													
9 Paid 10 Reserve (2) — (9)					XX XX	XX XX	XX XX					XX XX	XX XX	XX XX
	Loss & Loss Expense through 5 Years													
11 Paid 12 Reserve (2) — (11)				XX XX	XX XX	XX XX	XX XX				XX XX	XX XX	XX XX	XX XX

SCHEDULE P — PART 3D — WORKERS' COMPENSATION

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

	Dollars (000 omitted)							Percentages						
	1 1981	2 1982	3 1983	4 1984	5 1985	6 1986	7 1987	8 1981	9 1982	10 1983	11 1984	12 1985	13 1986	14 1987
	Summary Data from Schedule P — Part 1D													
1 Premium Earned 2 Loss & Loss Exp. Inc'd	99 4	102 14	75 (1)	110 8	102 10	251 32	238 57	100.0 4.2	100.0 13.3	100.0 (1.3)	100.0 7.2	100.0 5.9	100.0 12.9	100.0 24.0
	Loss & Loss Expense through 1 Year													
3 Paid 4 Reserve (2) — (3)	 4	1 13	(1)	8	 10	 32	0 57	 4.2	1.0 12.3	(1.3)	7.3	 5.9	 12.9	0.1 23.9
	Loss & Loss Expense through 2 Years													
5 Paid 6 Reserve (2) — (5)	 4	4 10	(1)	8	 10	2 31	XX XX	 4.2	3.9 9.4	(1.3)	7.3	 5.9	0.7 12.2	
	Loss & Loss Expense through 3 Years													
7 Paid 8 Reserve (2) — (7)	1 3	14	(1)	8	0 9	XX XX	XX XX	1.0 3.1	13.7	(1.3)	7.3	0.0 5.9	XX XX	XX XX
	Loss & Loss Expense through 4 Years													
9 Paid 10 Reserve (2) — (9)	4 0	14	(1)	8	XX XX	XX XX	XX XX	4.0 0.1	13.7	(1.3)	7.2	XX XX	XX XX	XX XX
	Loss & Loss Expense through 5 Years													
11 Paid 12 Reserve (2) — (11)	4 0	13 1	(1) 0	XX XX	XX XX	XX XX	XX XX	4.0 0.1	12.7 0.0	(1.3) 0.6	XX XX	XX XX	XX XX	XX XX

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

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

	Dollars (000 omitted)							Percentages						
	1 1981	2 1982	3 1983	4 1984	5 1985	6 1986	7 1987	8 1981	9 1982	10 1983	11 1984	12 1985	13 1986	14 1987
	Summary Data from Schedule P — Part 1E													
1 Premium Earned 2 Loss & Loss Exp. Inc'd.	39,498 33,896	50,314 36,634	54,334 39,113	57,301 44,340	86,511 58,387	77,637 51,131	82,057 59,819	100.0 85.0	100.0 72.8	100.0 72.0	100.0 77.4	100.0 67.5	100.0 65.9	100.0 72.9
	Loss & Loss Expense through 1 Year													
3 Paid 4 Reserve (2) — (3)	22,482 11,414	22,897 13,927	21,527 17,586	25,116 19,233	35,457 22,770	29,247 21,884	33,357 26,363	56.9 28.9	45.1 27.7	39.6 32.4	43.8 33.6	53.3 34.2	37.7 28.2	40.9 32.0
	Loss & Loss Expense through 2 Years													
5 Paid 6 Reserve (2) — (5)	30,842 3,054	31,071 5,563	32,938 6,187	36,374 7,975	40,375 9,832	41,983 9,108	XX XX	78.1 7.7	61.8 11.0	60.6 11.4	63.5 13.9	72.7 14.8	54.1 11.8	XX XX
	Loss & Loss Expense through 3 Years													
7 Paid 8 Reserve (2) — (7)	31,054 2,042	32,670 3,946	35,200 3,905	38,346 5,003	51,021 7,186	XX XX	XX XX	80.7 5.2	64.9 7.8	64.8 7.2	67.6 9.8	76.7 10.8	XX XX	XX XX
	Loss & Loss Expense through 4 Years													
9 Paid 10 Reserve (2) — (9)	32,385 1,511	33,430 3,186	36,174 2,930	40,078 6,272	XX XX	XX XX	XX XX	82.0 3.8	66.5 6.3	66.6 5.4	69.9 7.5	XX XX	XX XX	XX XX
	Loss & Loss Expense through 5 Years													
11 Paid 12 Reserve (2) — (11)	32,852 1,044	34,083 1,981	36,864 2,349	XX XX	XX XX	XX XX	XX XX	83.2 2.6	68.9 3.9	67.8 4.1	XX XX	XX XX	XX XX	XX XX

END