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GEICO CORP
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DISCLOSURE INCORPORATED BETHESDA MD 20816

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10-K
FOR 12/31/88

Quick Reference Chart to Contents of SEC Filings

REPORT CONTENTS	10-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-SAR
Auditor														
☐ Name	A	A	■				F	A	A		A	A	■	A
☐ Opinion	A	A	■						A			A		A
☐ Changes				A			■							
Compensation Plans														
☐ Equity	■		■				F	F	A		F		■	■
☐ Monetary	■		■				A	F	A		F		■	■
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☐ Organization and Change	F	F		A	■	F	■	A		F	A	■		
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☐ Identification	F	A				F	A	A	A		A	F		
☐ Background	■	■	■	■	■	■	A	A	■		A	■		
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☐ Annual Audited	A	A							A		A	A		A
☐ Interim Audited		A					■	■			■			
☐ Interim Unaudited	■		A	■		F		F			F			
Foreign Operations	A						■	A	A		A	■	F	
Labor Contracts	■	■		■					F		F			
Legal Agreements	F	■		■					F		F			
Legal Counsel				■			■	A			A		■	
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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			
Underwriting				■				A			A			
Unregistered Securities	■			■			■	■			A			
Block Movements	■			F			■		A				■	

Legend A - *always included* - *included - if occurred 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 ☐ Bethesda, MD 20816 ☐ 301/951-1300

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IN

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, 1

Commission File No. 1-8012

GEICO CORPORATION

PROCESSED BY DISCLOSURE INCORPORATED
RECEIVED
APR 10 1989

Delaware	35801
(Jurisdiction of Incorporation)	(IRS Employer Identification No.)

GEICO Plaza, Washington, D. C. 20076

Registrant's telephone number: (301) 986-3000

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

Title of each class	Name of each exchange on which registered
Common Stock	New York Stock Exchange 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, 1989........................ $1,867,639,564.50(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, 1989
Common Stock, $1.00 par value	15,326,356 Shares

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the GEICO Corporation Annual Report to Shareholders for the fiscal year ended December 31, 1988 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 17, 1989 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 $124.50 per share of Common Stock on the Composite Tape for New York Stock Exchange listed stocks for March 21, 1989. The amount excludes the market value of 325,235 shares of Common Stock beneficially owned by the Registrant's directors and executive officers (including 11,625 shares of Common Stock as to which said directors and/or executive officers disclaim beneficial ownership) and includes the market value of 6,850,000 shares of Common Stock beneficially owned by Berkshire Hathaway Inc.

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 writes consumer-oriented life and health insurance products. It also writes structured settlement annuity policies for its 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.

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.

Congress is 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 provides a limited exemption to the "business of insurance" from federal anti-trust laws. 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. In addition, the attorneys general of several states have coordinated the filing of lawsuits against a number of insurance companies alleging anti-trust violations by engaging in certain nonexempt activities. The Corporation has not been named as a defendant in any of these of these suits, which focus primarily on the availability of commercial coverage. The ultimate outcome of any of these suits and their effect, if any, on the Corporation, cannot be determined. The Congress and certain state legislatures are also 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.

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. Also, GEICO now writes 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 1987 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 which were paid in 1987 and 1988.

The latest available statistics as published in the National Underwriter reveal that, based upon 1987 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, 1988 the Corporation and its subsidiaries had 5,755 full-time employees and 1,073 part-time employees. A number of benefits are provided or made available for full-time employees including profit sharing, pension, employee stock ownership and stock bonus plans and various insurance programs.

PRINCIPAL BUSINESS SEGMENTS

Property and casualty insurance is the Corporation's principal business segment, although other insurance and financial service products are offered.

The information concerning the Corporation's personal lines property and casualty insurance business and its other business segments required by the remainder of this Item I, which is contained in its 1988 Annual Report to Shareholders under the caption "Business Segments" on pages 8 through 12 and Note P of the "Notes to Consolidated Financial Statements" contained on Page 39, 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. In February 1989, the Corporation purchased a 258,000 square foot office building with a 176,000 square foot parking garage in Dallas, Texas, part of which is used as a Regional Office.

GEICO also leases office space and drive-in claims facilities in various cities in the United States. The Corporation has announced plans, pending local governmental approval, to double the office space at GEICO Plaza over the next twenty years in order to accommodate its 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 17, 1989, 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 is there any arrangement or understanding between any such officer and any other person pursuant to which any such officer was elected.

Marion E. Byrd, 52, 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.

Noel A. Chandonnet, 55, has been a Vice President of GEICO since July 1984. He also is, or has served as, a director and/or an officer of several subsidiaries of the Corporation and GEICO.

Alvin Kaltman, 51, 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 was a director of GEICO from December 1986 to May 1988. He also is, or has served as, a director or officer of several subsidiaries of the Corporation and GEICO.

Merrill D. Knight, III, 58, 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, 62, has been a Senior Vice President of GEICO since July 1978 and a director of GEICO since October 1979. Mr. Lucas served as a Senior Vice President of the Corporation from January 1980 to May 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% equity investment.

Donald D. Messmer, Jr., 62, 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, 63, 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. 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, 46, 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, 45, 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. Mr. Nicely also is, or has served as, a director and/or an officer of several subsidiaries of the Corporation and GEICO.

James E. Reagan, 64, has been a Senior Vice President of GEICO since August 1979 and has been a director since 1981. 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, 52, 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, 56, 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 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, 59, 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. 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, of GEICO Tax Advantaged Series Trust since May 1984, has been a director of The Growth Fund of Washington, Inc. since July 1985, and has been a director of AVEMCO Corporation since April 1988.

W. Alvon Sparks, Jr., 53, was elected a Senior Vice President of the Corporation and GEICO in September 1982 and a director of GEICO in May 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, 59, 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 Equity and Related Stockholder Matters.

In response to this Item the material under the caption "Common Stock Market Prices and Dividends" (page 13) and the final paragraph of Note C (page 33) of the "Notes to Consolidated Financial Statements" in the Corporation's 1988 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 14 and 15) in the Corporation's 1988 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 16 through 22 and page 41) in the Corporation's 1988 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 1988 Annual Report to Shareholders (pages 23 through 39) and the Quarterly Highlights of Operating Results (page 40) are incorporated herein by reference.

Item 9. Changes In and Disagreements with Accountants 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, 1988, are incorporated by reference in Item 8:

Consolidated Balance Sheet - December 31, 1988 and 1987

Consolidated Statement of Income - Years Ended December 31, 1988, 1987 and 1986

Consolidated Statement of Shareholders' Equity - Years Ended December 31, 1988, 1987 and 1986

Consolidated Statement of Cash Flows - Years Ended December 31, 1988, 1987 and 1986

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 V - Supplementary Insurance Information	Page nos. 23-24.
Schedule VI - Reinsurance	Page no. 25.
Schedule VIII - Valuation and Qualifying Accounts	Page no. 26.
Schedule IX - Short-Term Borrowings	Page no. 27.
Schedule X - Supplemental Information Concerning Property/Casualty Insurance Operations.	Page nos. 28-29.

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. 30.
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	Form of Pension Plan for Non-Employee Directors, as amended.	Page no. 47.
10-b	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-c	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-d	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-e	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-f	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-g	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-h	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-i	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-j	Statement of 1989 Incentive Bonus Program.	Page no. 68.
10-k	Statement of 1988 Incentive Bonus Program.	Exhibit 10-l to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1987.
10-l	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-m	Performance Share Plan, as amended.	Exhibit 10-k to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1983.
13	Annual Report to Shareholders for the year ended December 31, 1988.	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, 1988.
22	Subsidiaries of GEICO Corporation.	Page No. 69.
24	Consent of Accountants.	Page No. 70.
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, 1988.	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, 1988.

(b) Reports on Form 8-K

GEICO Corporation filed a report on Form 8-K on November 21, 1988 pursuant to Item 5 thereof.

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 31, 1989

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

March 31, 1989

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 31, 1989 Date
Louis A. Simpson Vice Chairman of the Board and Director	March 31, 1989 Date
Thomas E. Bolger Director	March 31, 1989 Date
Norma E. Brown Director	March 31, 1989 Date
Samuel C. Butler Director	March 31, 1989 Date
James E. Cheek Director	March 31, 1989 Date
Thomas G. Pownall Director	March 31, 1989 Date
William J. Ruane Director	March 31, 1989 Date
Joseph J. Sisco Director	March 31, 1989 Date
John C. Steggles Director	March 31, 1989 Date
W. Reid Thompson Director	March 31, 1989 Date

ANNUAL REPORT ON FORM 10-K

ITEM 14(d)

FINANCIAL STATEMENT SCHEDULES

YEAR ENDED DECEMBER 31, 1988

GEICO CORPORATION

WASHINGTON, D. C.

Ernst & Whinney

1225 Connecticut Ave., N.W.
Washington, D.C. 20036
202/862-6000

REPORT OF INDEPENDENT AUDITORS

To The Shareholders
GEICO Corporation

We have audited 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, 1988. These financial statements and related schedules are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements and related schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and related schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and related schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of GEICO Corporation and subsidiaries at December 31, 1988 and 1987, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1988, in conformity with generally accepted accounting principles. Further, it is our opinion that the schedules referred to above present fairly, in all material respects, the information set forth therein in compliance with the applicable accounting regulation of the Securities and Exchange Commission.

Ernst & Whinney
ERNST & WHINNEY

Washington, D.C.
February 17, 1989

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

GEICO CORPORATION
DECEMBER 31, 1988
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	$ 297,844	$ 294,466	$ 297,844
States, municipalities and political subdivisions	1,259,853	1,271,102	1,259,853
Public utilities	36,539	36,864	36,539
All other corporate bonds	23,410	23,335	23,410
Redeemable preferred stocks	39,255	44,524	39,255
Other fixed maturities	13,865	13,865	13,865
Total fixed maturities	1,670,766	$1,684,156	1,670,766
Equity securities:			
Common stocks:			
Public utilities	28,666	$ 40,322	40,322
Banks, trusts and insurance companies	60,003	65,627	65,627
Industrial, miscellaneous and all other	274,143	301,121	301,121
Call options	32,552	48,226	48,226
Nonredeemable preferred stocks	31,650	31,290	31,290
Total equity securities	427,014	$ 486,586	486,586
Short-term investments	75,152		75,152
Total investments	$2,172,932		$2,232,504

(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, 1988	December 31, 1987*
ASSETS		
Short-term investments	$ 5,722	$ 6,474
Fixed maturities, at amortized cost (market $29,471 and $13,443)	29,759	13,689
Equity securities, at market (cost $15,872 and $37,097)	18,281	36,857
Investment in consolidated subsidiaries (1)	799,712	674,923
Investment in AVEMCO	55,896	50,663
Cash	437	657
Bonds and notes receivable from subsidiaries (1)	7,442	7,222
Income tax receivable	-	7,143
Accrued investment income	650	567
Amounts due from subsidiaries (1)	594	94
Property and equipment, at cost less accumulated depreciation of $1,595 and $1,207	2,998	3,349
Other assets	423	384
Total Assets	$ 921,914	$802,022
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Accrued expenses and other liabilities	$ 42,977	$ 39,907
Amounts payable on purchase of securities	25	26
Income tax payable	7,068	-
Debt	164,454	127,411
Total Liabilities	214,524	167,344
Shareholders' Equity:		
Common Stock	32,161	32,149
Paid-in surplus	192,017	191,302
Unrealized appreciation of equity securities	46,530	34,158
Retained earnings	1,128,170	964,366
Treasury Stock, at cost	(641,488)	(544,340)
Guaranteed bank loans of Employee Stock Ownership Trust	(50,000)	(42,957)
Total Shareholders' Equity	707,390	634,678
Total Liabilities and Shareholders' Equity	$ 921,914	$802,022

(1) Eliminated in consolidation.

See accompanying note to condensed financial statements.

* Restated as described in Note A of the Annual Report to Shareholders.

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

	For The Year Ended December 31, 1988	1987*	1986*
Revenue:			
Dividends from consolidated subsidiaries (1)	$ 93,300	$135,020	$143,600
Dividends from AVEMCO	982	211	-
Interest from subsidiaries (1)	667	1,007	654
Management fees from subsidiaries (1)	10,544	9,825	8,280
Other investment income	3,635	4,434	5,591
Other revenue (expense)	174	919	(433)
Total Revenue	109,302	151,416	157,692
Expenses:			
General and administrative	17,828	15,782	17,561
Interest paid to GEICO (1)	-	-	15
Other interest	14,820	11,655	13,186
Total Expenses	32,648	27,437	30,762
Income before income tax benefit, equity in undistributed income and realized gains	76,654	123,979	126,930
Income tax benefit from operations	4,245	5,052	9,279
Income before equity in undistributed income and realized gains	80,899	129,031	136,209
Equity in undistributed operating income (losses) of consolidated subsidiaries (1)	48,333	20,430	(16,945)
Equity in undistributed operating income of AVEMCO	5,211	722	-
Operating Earnings	134,443	150,183	119,264
Realized gains on sale of investments	7,722	232	4,414
Equity in realized gains on sale of investments by consolidated subsidiaries (1)	46,898	27,491	94,064
Equity in realized gains (losses) on sale of investments by AVEMCO	(25)	8	-
Net Income	$189,038	$177,914	$217,742

(1) Eliminated in consolidation.

See accompanying note to condensed financial statements.

* Restated as described in Note A of the Annual Report to Shareholders.

SCHEDULE III - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
GEICC CORPORATION
(PARENT COMPANY)
STATEMENT OF CASH FLOWS
In Thousands

	For The Year Ended December 31, 1988	1987*	1986*
OPERATING ACTIVITIES			
Operating earnings	$134,443	$150,183	$ 119,264
Adjustments to reconcile operating earnings to net cash provided by operating activities:			
Equity in undistributed operating (income) losses of consolidated subsidiaries (1)	(48,333)	(20,430)	16,945
Equity in undistributed operating (income) of AVEMCO	(5,211)	(722)	-
Income taxes	14,071	1,264	(1,157)
Change in amounts due from subsidiaries (1)	(500)	201	74
Other	5,129	8,308	11,546
Net cash provided by operating activities	99,599	138,804	146,672
INVESTING ACTIVITIES			
Purchase of investments	(22,347)	(56,839)	(197,124)
Change in payable on security purchases	(1)	(1,322)	1,288
Sale of investments, net of related taxes	34,890	69,746	202,957
Change in receivable from security sales	-	3,679	(3,434)
Net investment in subsidiaries (1)	(18,050)	(72,018)	(11,439)
Decrease (increase) in notes receivable from subsidiaries (1)	(220)	1,655	(70)
Purchase of property and equipment, net	(139)	(1,173)	405
Other	-	1,895	-
Net cash used by investing activities	(5,867)	(54,377)	(7,417)
FINANCING ACTIVITIES			
Issuance of debt	60,000	-	-
Repayment and repurchase of debt	(30,000)	-	(26,964)
Proceeds from exercise of stock options	636	492	307
Purchase of Common Stock (Treasury)	(99,353)	(73,756)	(104,847)
Reissuance of Common Stock (Treasury)	-	11,000	10,000
Dividends paid to shareholders	(25,711)	(22,447)	(18,466)
Other	476	345	(21)
Net cash used by financing activities	(93,952)	(84,366)	(139,991)
Change in cash	(220)	61	(736)
Cash at beginning of year	657	596	1,332
Cash at end of year	$ 437	$ 657	$ 596

(1) Eliminated in consolidation.
See accompanying note to condensed financial statements.

* Restated as described in Note A of the Annual Report to Shareholders.

SCHEDULE III - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

GEICO CORPORATION
(PARENT COMPANY)

NOTE TO CONDENSED FINANCIAL STATEMENTS

December 31, 1988

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 V--SUPPLEMENTARY INSURANCE INFORMATION

GEICO CORPORATION AND SUBSIDIARIES
(Thousands of Dollars)

Column A	Column B	Column C	Column D	Column E	Column F
Segment	Deferred Policy Acquisition Costs	Future Policy Benefits, Losses, Claims and Loss Expenses	Unearned Premiums	Other Policy Claims and Benefits Payable	Premium Revenue
Year Ended December 31, 1988					
Property and casualty insurance	$54,063	$1,058,024	$566,262	-	$1,492,361
Reinsurance	-	59,363	3,809	-	7,436
Life and health insurance	29,989	67,200	-	-	57,086
Total insurance segment	$84,052	$1,184,587	$570,071	-	$1,556,883
Year Ended December 31, 1987					
Property and casualty insurance	$68,832	$ 937,058	$776,703	$1,658	$1,358,320
Reinsurance	-	56,304	10,310	-	31,361
Life and health insurance	26,051	51,935	-	-	45,847
Total insurance segment	$94,883	$1,045,297	$787,013	$1,658	$1,435,528
Year Ended December 31, 1986					
Property and casualty insurance					$1,191,601
Reinsurance					39,469
Life and health insurance					63,618
Total insurance segment					$1,294,688

SCHEDULE V--SUPPLEMENTARY INSURANCE INFORMATION

GEICO CORPORATION AND SUBSIDIARIES
(Thousands of Dollars)

Column G	Column H	Column I	Column J	Column K
Net Investment Income	Benefits, Claims, Losses and Settlement Expense	Amortization of Deferred Policy Acquisition Costs	Other Operating Expenses	Premiums Written
$119,885	$1,187,092	$138,145	$109,580	$1,281,920
4,347	29,399	3,956	2,647	935
8,667	44,255	7,952	15,523	N/A
$132,899	$1,260,746	$150,053	$127,750	$1,282,855
$105,362	$1,053,484	$115,191	$107,414	$1,405,539
4,203	43,822	9,723	2,757	29,809
7,060	34,676	825	13,718	N/A
$116,625	$1,131,982	$125,739	$123,889	$1,435,348
$ 98,348	$ 944,344	$ 98,093	$101,808	$1,292,537
4,216	31,723	9,334	1,370	39,456
6,819	48,266	169	18,647	N/A
$109,383	$1,024,333	$107,596	$121,825	$1,331,993

SCHEDULE VI - REINSURANCE

GEICO CORPORATION AND SUBSIDIARIES
THREE YEARS ENDED DECEMBER 31, 1988
In Thousands

	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percentage of amount assumed to net
Year ended December 31, 1988:					
Life insurance in force	$4,118,419	$783,333	$ -	$3,335,086	-
Premiums earned:					
*Accident and health insurance	$ 44,976	$ 10,812	$ 1,412	$ 35,576	4%
Property and liability insurance	1,487,803	34,800	45,924	1,498,927	3%
Life insurance	24,031	2,011	360	22,380	2%
Total premiums earned	$1,556,810	$ 47,623	$ 47,696	$1,556,883	
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	

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

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS

GEICO CORPORATION AND SUBSIDIARIES
(Thousands of Dollars)

Column A	Column B	Column C Additions		Column D	Column E
		(1)	(2)		
Description	Balance at Beginning of Year	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Year
Reserves and allowances deducted from asset accounts:					
Year ended December 31, 1988:					
Allowance for loan losses	$6,408	$3,675	-	$3,074 (2)	$7,009
Allowance for uncollectable premiums	1,870	3,324	-	3,324 (2)	1,870
Year ended December 31, 1987:					
Allowance for loan losses	$6,389	$4,749	$254 (1)	$4,984 (2)	$6,408
Allowance for uncollectable premiums	1,670	2,509	-	2,309 (2)	1,870
Year ended December 31, 1986:					
Allowance for loan losses	$6,085	$1,187	$777 (1)	$1,660 (2)	$6,389
Allowance for uncollectable premiums	1,570	3,590	-	3,490 (2)	1,670

(1) Applicable to Installment Notes Purchased
(2) Uncollectible Accounts Written Off, Net of Recoveries

SCHEDULE IX - SHORT-TERM BORROWINGS

GEICO CORPORATION AND SUBSIDIARIES
(Thousands of Dollars)

Column A Category of Aggregate Short-Term Borrowings	Column B Balance at End of Year	Column C Weighted Average Interest Rate	Column D Maximum Amount Outstanding During the Year	Column E (3) Average Amount Outstanding During the Year	Column F (4) Weighted Average Interest Rate During the Year
Year Ended December 31, 1988:					
Notes payable to banks (1)	$ 850	10.5%	$ 4,000	$ 409	9.3%
Commercial paper (2)	22,750	9.3	35,300	22,284	7.7
Year Ended December 31, 1987:					
Notes payable to banks (1)	$ -	- %	$ 1,700	$ 207	8.6%
Commercial paper (2)	32,650	8.0	39,000	30,384	6.9
Year Ended December 31, 1986:					
Notes payable to banks (1)	$ 750	7.5%	$ 2,000	$ 361	8.4%
Commercial paper (2)	30,940	6.4	40,355	30,619	6.8

(1) Bank lines of credit are subject to periodic review and adjustment, including discontinuance by the lending institutions or the Corporation. Most banks require that borrowings be fully liquidated for at least one month during any twelve month borrowing cycle. See Note G to consolidated financial statements.

(2) Commercial paper matures within 270 days from date of issue with no provision for the extension of its maturity.

(3) The average amount outstanding during the year was computed by dividing the total of average monthly outstanding principal balances by 12.

(4) The weighted average interest rate during the year was computed by dividing the actual interest expense by average short-term debt outstanding.

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 Expense	Discount, if any, Deducted in Column C	Unearned Premiums	Earned Premiums
Consolidated property and casualty subsidiaries					
Year ended December 31, 1988	$54,063	$1,117,387	-	$570,071	$1,499,797
Year ended December 31, 1987	$68,832	$ 993,362	-	$787,013	$1,389,681
Year ended December 31, 1986					$1,231,070

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
$124,232	$1,200,815	$15,676	$142,101	$1,092,466	$1,282,855
$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

Exhibit 3-c

BYLAWS Rev. 5/18/88

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 or beneficial owner 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 or beneficial owner of stock of the Corporation entitled to vote at such meeting or to execute such a consent and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice or to execute such a consent to elect such person or persons as directors; (c) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (d) such other information regarding each nominee proposed by such stockholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated, or intended to be nominated, by the Board of Directors; and (e) the consent of each nominee to serve as a director of the Corporation if so elected. The chairman of any meeting of stockholders to elect directors and the Board of Directors may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

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

SECTION 4. Resignation, Removal and Vacancies. Any director may resign at any time by giving 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 supervision and management of the property, affairs and business of the Corporation;

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

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

(iv) with the President, he shall submit an annual report of the operations of the Corporation for the year to the 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-a

Rev. 12/9/88

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 60 and 64 inclusive with 15 years of service or more shall receive, beginning at age 65, 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, provided that he or she is then living.

(d) Upon attaining age 65, 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 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.

(e) 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.

(f) At the time of his or her retirement, a non-employee director eligible for benefits under Section 2(e) 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 substantially 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(c) and 2(d), as amended, shall be effective January 1, 1989.

GOVERNMENT EMPLOYEES COMPANIES
FACTORS TO BE APPLIED TO EMPLOYEE'S RETIREMENT INCOME TO DETERMINE
INCOME UNDER CONTINGENT ANNUITANT OPTION IF 100% OF SUCH INCOME
IS CONTINUED TO CONTINGENT ANNUITANT
PENSIONER'S RETIREMENT AGE

Age of Beneficiary	46	47	48	49	50	51	52	53	54	55
26	.869	.860	.851	.842	.832	.822	.811	.800	.790	.778
27	.871	.863	.854	.844	.834	.824	.814	.803	.792	.781
28	.874	.865	.856	.846	.837	.827	.817	.806	.794	.783
29	.876	.868	.858	.849	.839	.829	.819	.808	.797	.785
30	.878	.870	.861	.852	.842	.832	.821	.811	.800	.788
31	.881	.873	.863	.854	.845	.835	.824	.814	.803	.791
32	.883	.875	.866	.857	.848	.838	.827	.816	.806	.795
33	.886	.878	.868	.860	.850	.841	.830	.819	.808	.797
34	.889	.881	.871	.862	.853	.844	.833	.823	.812	.800
35	.891	.883	.874	.865	.856	.847	.837	.826	.815	.804
36	.894	.886	.877	.868	.859	.850	.840	.830	.819	.807
37	.897	.889	.880	.871	.862	.853	.843	.833	.822	.811
38	.900	.892	.883	.875	.866	.856	.846	.836	.826	.814
39	.902	.895	.886	.878	.869	.860	.850	.840	.829	.818
40	.905	.898	.890	.881	.872	.863	.854	.843	.833	.822
41	.908	.901	.893	.885	.876	.867	.857	.847	.837	.826
42	.911	.904	.896	.888	.880	.871	.861	.851	.841	.830

1971 TPFC FORECAST MORTALITY - 6% INTEREST
UNISEX TABLE: 35%-M; 65%-F

GOVERNMENT EMPLOYEES COMPANIES
FACTORS TO BE APPLIED TO EMPLOYEE'S RETIREMENT INCOME TO DETERMINE
INCOME UNDER CONTINGENT ANNUITANT OPTION IF 100% OF SUCH INCOME
IS CONTINUED TO CONTINGENT ANNUITANT
PENSIONER'S RETIREMENT AGE

Age of Beneficiary	46	47	48	49	50	51	52	53	54	55
43	.914	.907	.899	.891	.883	.874	.865	.855	.845	.835
44	.917	.910	.903	.895	.887	.878	.869	.859	.849	.839
45	.920	.913	.906	.898	.890	.882	.873	.864	.854	.843
46	.923	.916	.909	.902	.894	.885	.877	.868	.858	.848
47	.926	.920	.913	.905	.898	.889	.881	.872	.863	.852
48	.929	.922	.916	.909	.901	.893	.885	.876	.867	.856
49	.932	.926	.919	.912	.905	.897	.889	.880	.871	.861
50	.934	.929	.923	.916	.909	.901	.893	.885	.876	.866
51	.938	.932	.926	.919	.913	.905	.897	.888	.880	.871
52	.940	.935	.929	.923	.916	.908	.901	.893	.884	.876
53	.943	.938	.932	.926	.920	.912	.905	.897	.889	.880
54	.946	.941	.936	.929	.923	.917	.909	.902	.893	.885
55	.949	.944	.938	.933	.927	.920	.913	.906	.898	.889
56	.952	.947	.942	.936	.930	.924	.917	.910	.902	.895
57	.954	.949	.944	.939	.934	.927	.921	.914	.907	.899
58	.95[illegible]	.952	.947	.942	.937	.931	.925	.918	.911	.904
59	.959	.955	.950	.945	.940	.935	.928	.922	.915	.908

1971 TPFC FORECAST MORTALITY - 6% INTEREST
UNISEX TABLE: 35%-M; 65%-F

GOVERNMENT EMPLOYEES COMPANIES
FACTORS TO BE APPLIED TO EMPLOYEE'S RETIREMENT INCOME TO DETERMINE
INCOME UNDER CONTINGENT ANNUITANT OPTION IF 100% OF SUCH INCOME
IS CONTINUED TO CONTINGENT ANNUITANT
PENSIONER'S RETIREMENT AGE

Age of Beneficiary	46	47	48	49	50	51	52	53	54	55
60	.961	.958	.953	.948	.944	.938	.932	.927	.920	.912
61	.963	.960	.956	.951	.946	.941	.936	.930	.924	.917
62	.966	.962	.959	.955	.950	.945	.940	.934	.928	.922
63	.968	.965	.961	.957	.953	.948	.943	.938	.932	.926
64	.970	.967	.963	.960	.956	.952	.946	.942	.936	.930
65	.972	.969	.966	.963	.959	.954	.950	.945	.940	.934
66	.974	.971	.968	.964	.961	.957	.953	.948	.944	.938
67	.976	.973	.970	.967	.964	.960	.956	.952	.947	.942
68	.978	.975	.972	.970	.966	.963	.959	.955	.951	.945
69	.979	.977	.975	.971	.968	.965	.961	.958	.954	.949
70	.981	.979	.976	.974	.971	.968	.964	.961	.957	.953
71	.982	.980	.978	.976	.973	.970	.967	.964	.960	.956
72	.984	.982	.980	.978	.975	.972	.970	.967	.963	.959
73	.985	.983	.981	.979	.977	.975	.971	.969	.965	.962
74	.986	.984	.983	.981	.979	.976	.974	.971	.968	.965
75	.987	.986	.984	.982	.981	.978	.976	.973	.971	.968
76	.988	.987	.985	.984	.982	.980	.978	.976	.973	.970

1971 TPFC FORECAST MORTALITY - 6% INTEREST
UNISEX TABLE: 35%-M; 65%-F

GOVERNMENT EMPLOYEES COMPANIES
FACTORS TO BE APPLIED TO EMPLOYEE'S RETIREMENT INCOME TO DETERMINE INCOME UNDER CONTINGENT ANNUITANT OPTION IF 100% OF SUCH INCOME IS CONTINUED TO CONTINGENT ANNUITANT
PENSIONER'S RETIREMENT AGE

Age of Beneficiary	46	47	48	49	50	51	52	53	54	55
77	.989	.988	.987	.985	.984	.982	.980	.978	.976	.973
78	.990	.989	.987	.987	.985	.983	.981	.979	.977	.975
79	.991	.990	.989	.987	.986	.984	.983	.981	.979	.977
80	.992	.991	.990	.989	.987	.986	.984	.983	.981	.979
81	.993	.992	.991	.989	.989	.987	.986	.984	.982	.981
82	.994	.993	.992	.990	.989	.988	.987	.986	.984	.982
83	.994	.994	.993	.991	.990	.989	.988	.987	.986	.984
84	.994	.994	.993	.992	.991	.990	.989	.988	.987	.985
85	.995	.994	.994	.993	.992	.991	.990	.989	.988	.986
86	.996	.995	.994	.994	.993	.992	.991	.990	.989	.988
87	.996	.996	.995	.994	.994	.993	.992	.991	.990	.989
88	.996	.996	.996	.995	.994	.994	.993	.992	.991	.990
89	.996	.996	.996	.996	.995	.994	.993	.993	.992	.991

1971 TPFC FORECAST MORTALITY - 6% INTEREST
UNISEX TABLE: 35%-M; 65%-F

GOVERNMENT EMPLOYEES COMPANIES
FACTORS TO BE APPLIED TO EMPLOYEE'S RETIREMENT INCOME TO DETERMINE
INCOME UNDER CONTINGENT ANNUITANT OPTION IF 100% OF SUCH INCOME
IS CONTINUED TO CONTINGENT ANNUITANT
PENSIONER'S RETIREMENT AGE

Age of Beneficiary	56	57	58	59	60	61	62	63	64	65
26	.766	.754	.741	.728	.715	.701	.686	.671	.657	.641
27	.768	.756	.743	.730	.717	.703	.689	.674	.659	.644
28	.771	.759	.746	.733	.719	.705	.691	.677	.662	.646
29	.774	.761	.749	.736	.722	.708	.694	.679	.664	.648
30	.776	.764	.751	.738	.725	.711	.697	.682	.667	.651
31	.779	.767	.754	.741	.728	.714	.700	.685	.670	.654
32	.782	.770	.757	.744	.731	.717	.703	.688	.672	.657
33	.785	.773	.761	.748	.734	.720	.706	.691	.676	.660
34	.788	.776	.764	.751	.737	.724	.710	.694	.679	.664
35	.792	.780	.767	.754	.741	.727	.713	.698	.682	.666
36	.796	.784	.771	.758	.745	.731	.716	.702	.686	.670
37	.799	.787	.775	.762	.749	.735	.720	.705	.690	.674
38	.803	.791	.778	.765	.752	.738	.724	.709	.694	.678
39	.807	.795	.782	.770	.757	.743	.728	.713	.698	.683
40	.811	.799	.787	.774	.761	.746	.732	.718	.702	.687
41	.815	.803	.791	.778	.765	.751	.737	.723	.707	.692
42	.819	.808	.795	.782	.770	.756	.742	.727	.712	.696

1971 TPFC FORECAST MORTALITY - 6% INTEREST
UNISEX TABLE: 35%-M; 65%-F

GOVERNMENT EMPLOYEES COMPANIES
FACTORS TO BE APPLIED TO EMPLOYEE'S RETIREMENT INCOME TO DETERMINE
INCOME UNDER CONTINGENT ANNUITANT OPTION IF 100% OF SUCH INCOME
IS CONTINUED TO CONTINGENT ANNUITANT
PENSIONER'S RETIREMENT AGE

Age of Beneficiary	56	57	58	59	60	61	62	63	64	65
43	.824	.812	.800	.787	.774	.760	.746	.732	.717	.701
44	.828	.816	.804	.792	.779	.765	.752	.737	.722	.706
45	.833	.821	.809	.797	.784	.771	.757	.742	.727	.711
46	.837	.826	.814	.802	.789	.776	.762	.748	.733	.716
47	.842	.831	.819	.807	.794	.781	.767	.753	.738	.722
48	.846	.836	.824	.813	.800	.786	.773	.759	.744	.728
49	.851	.841	.829	.818	.805	.792	.779	.764	.750	.734
50	.856	.846	.834	.823	.811	.798	.785	.770	.756	.740
51	.861	.850	.840	.829	.816	.803	.791	.777	.762	.747
52	.866	.856	.845	.834	.822	.809	.797	.783	.768	.753
53	.870	.861	.850	.839	.827	.815	.803	.789	.775	.760
54	.876	.866	.856	.845	.833	.822	.809	.796	.781	.766
55	.881	.871	.862	.851	.840	.828	.815	.802	.788	.773
56	.886	.876	.867	.856	.845	.834	.821	.808	.795	.780
57	.891	.882	.872	.862	.852	.840	.828	.815	.801	.787
58	.895	.887	.877	.868	.857	.846	.835	.822	.808	.795
59	.901	.892	.883	.874	.864	.852	.841	.829	.816	.802

1971 TPFC FORECAST MORTALITY - 6% INTEREST
UNISEX TABLE: 35%-M; 65%-F

GOVERNMENT EMPLOYEES COMPANIES
FACTORS TO BE APPLIED TO EMPLOYEE'S RETIREMENT INCOME TO DETERMINE
INCOME UNDER CONTINGENT ANNUITANT OPTION IF 100% OF SUCH INCOME
IS CONTINUED TO CONTINGENT ANNUITANT
PENSIONER'S RETIREMENT AGE

Age of Beneficiary	56	57	58	59	60	61	62	63	64	65
60	.905	.897	.888	.879	.869	.859	.848	.836	.823	.810
61	.910	.902	.894	.885	.875	.866	.854	.843	.831	.817
62	.915	.907	.899	.891	.882	.871	.861	.850	.838	.825
63	.919	.912	.904	.896	.887	.878	.867	.856	.845	.832
64	.924	.917	.910	.902	.893	.884	.874	.863	.852	.840
65	.928	.922	.915	.907	.898	.890	.881	.870	.859	.848
66	.933	.926	.920	.913	.905	.896	.887	.877	.866	.855
67	.937	.931	.924	.918	.910	.902	.893	.884	.873	.862
68	.941	.935	.929	.923	.916	.908	.899	.890	.880	.870
69	.945	.939	.933	.927	.921	.913	.905	.896	.888	.877
70	.948	.943	.938	.932	.925	.919	.911	.903	.894	.884
71	.952	.947	.942	.937	.930	.924	.917	.909	.900	.891
72	.955	.950	.946	.941	.935	.928	.922	.915	.907	.897
73	.959	.955	.950	.945	.940	.934	.927	.920	.912	.904
74	.962	.958	.954	.949	.944	.938	.932	.925	.918	.910
75	.965	.961	.957	.952	.948	.943	.937	.931	.924	.916
76	.967	.964	.960	.957	.952	.947	.942	.935	.929	.922

1971 TPFC FORECAST MORTALITY - 6% INTEREST
UNISEX TABLE: 35%-M; 65%-F

GOVERNMENT EMPLOYEES COMPANIES
FACTORS TO BE APPLIED TO EMPLOYEE'S RETIREMENT INCOME TO DETERMINE
INCOME UNDER CONTINGENT ANNUITANT OPTION IF 100% OF SUCH INCOME
IS CONTINUED TO CONTINGENT ANNUITANT
PENSIONER'S RETIREMENT AGE

Age of Beneficiary	56	57	58	59	60	61	62	63	64	65
77	.970	.967	.963	.960	.956	.951	.946	.941	.934	.928
78	.972	.969	.966	.963	.959	.954	.950	.945	.939	.932
79	.975	.972	.969	.966	.962	.959	.954	.949	.944	.938
80	.977	.974	.972	.969	.965	.962	.958	.953	.948	.943
81	.979	.976	.974	.971	.968	.965	.961	.957	.952	.947
82	.981	.979	.976	.974	.971	.968	.964	.961	.956	.951
83	.982	.981	.979	.976	.973	.970	.968	.964	.959	.955
84	.984	.982	.980	.978	.976	.973	.970	.967	.963	.959
85	.985	.984	.982	.980	.978	.975	.973	.969	.966	.962
86	.986	.985	.984	.982	.980	.977	.975	.972	.969	.965
87	.988	.986	.985	.984	.982	.980	.977	.974	.972	.968
88	.989	.988	.986	.985	.983	.982	.980	.977	.974	.971
89	.990	.989	.987	.986	.984	.983	.981	.979	.976	.974

1971 TPFC FORECAST MORTALITY - 6% INTEREST
UNISEX TABLE: 35%-M; 65%-F

GOVERNMENT EMPLOYEES COMPANIES
FACTORS TO BE APPLIED TO EMPLOYEE'S RETIREMENT INCOME TO DETERMINE
INCOME UNDER CONTINGENT ANNUITANT OPTION IF 100% OF SUCH INCOME
IS CONTINUED TO CONTINGENT ANNUITANT
PENSIONER'S RETIREMENT AGE

Age of Beneficiary	66	67	68	69	70	71	72	73	74	75
26	.625	.609	.592	.576	.559	.542	.526	.509	.492	.475
27	.628	.611	.595	.578	.561	.544	.527	.510	.494	.477
28	.629	.614	.597	.580	.564	.547	.529	.513	.496	.479
29	.632	.616	.599	.583	.566	.549	.532	.514	.498	.481
30	.635	.619	.602	.586	.569	.551	.534	.517	.500	.483
31	.638	.622	.605	.588	.571	.554	.537	.520	.502	.485
32	.641	.624	.608	.591	.574	.556	.540	.522	.505	.488
33	.644	.628	.611	.594	.577	.560	.542	.525	.508	.491
34	.647	.631	.614	.597	.580	.562	.545	.528	.511	.493
35	.651	.634	.618	.601	.584	.566	.548	.531	.513	.497
36	.654	.638	.621	.604	.586	.569	.552	.534	.517	.499
37	.658	.641	.625	.608	.591	.573	.555	.538	.520	.503
38	.662	.646	.628	.611	.594	.576	.559	.541	.524	.506
39	.666	.649	.633	.616	.598	.581	.563	.545	.527	.510
40	.670	.654	.637	.620	.602	.584	.567	.549	.532	.514
41	.675	.658	.641	.624	.606	.589	.571	.554	.535	.518
42	.680	.663	.646	.629	.611	.593	.575	.558	.540	.522

1971 TPFC FORECAST MORTALITY - 6% INTEREST
UNISEX TABLE: 35%-M; 65%-F

GOVERNMENT EMPLOYEES COMPANIES
FACTORS TO BE APPLIED TO EMPLOYEE'S RETIREMENT INCOME TO DETERMINE
INCOME UNDER CONTINGENT ANNUITANT OPTION IF 100% OF SUCH INCOME
IS CONTINUED TO CONTINGENT ANNUITANT
PENSIONER'S RETIREMENT AGE

Age of Beneficiary	66	67	68	69	70	71	72	73	74	75
43	.685	.668	.651	.633	.616	.598	.580	.562	.544	.526
44	.689	.673	.656	.639	.621	.603	.585	.567	.549	.531
45	.695	.678	.661	.644	.626	.608	.590	.572	.554	.536
46	.700	.684	.667	.650	.632	.614	.596	.577	.559	.541
47	.706	.689	.672	.655	.638	.620	.601	.583	.565	.546
48	.712	.696	.679	.661	.643	.625	.607	.589	.570	.552
49	.718	.701	.685	.667	.650	.632	.614	.595	.577	.558
50	.724	.708	.691	.674	.656	.638	.620	.601	.583	.564
51	.731	.714	.698	.680	.663	.645	.627	.608	.589	.570
52	.737	.721	.704	.687	.669	.651	.633	.615	.596	.578
53	.744	.728	.712	.694	.676	.658	.640	.621	.603	.584
54	.751	.735	.718	.701	.684	.665	.647	.629	.611	.592
55	.758	.742	.726	.709	.691	.673	.655	.637	.618	.599
56	.766	.749	.733	.716	.699	.681	.663	.644	.626	.607
57	.773	.757	.740	.724	.707	.689	.671	.653	.634	.615
58	.780	.765	.748	.732	.715	.697	.679	.661	.643	.624
59	.788	.773	.757	.741	.724	.706	.688	.669	.651	.632

1971 TPFC FORECAST MORTALITY - 6% INTEREST
UNISEX TABLE: 35%-M; 65%-F

GOVERNMENT EMPLOYEES COMPANIES
FACTORS TO BE APPLIED TO EMPLOYEE'S RETIREMENT INCOME TO DETERMINE
INCOME UNDER CONTINGENT ANNUITANT OPTION IF 100% OF SUCH INCOME
IS CONTINUED TO CONTINGENT ANNUITANT
PENSIONER'S RETIREMENT AGE

Age of Beneficiary	66	67	68	69	70	71	72	73	74	75
60	.796	.781	.765	.749	.732	.715	.697	.679	.660	.641
61	.803	.789	.773	.757	.740	.723	.706	.688	.670	.651
62	.811	.797	.781	.766	.749	.733	.715	.698	.679	.660
63	.819	.805	.790	.775	.759	.742	.725	.707	.688	.670
64	.827	.813	.799	.784	.768	.752	.735	.717	.699	.680
65	.835	.821	.807	.792	.777	.761	.745	.727	.709	.691
66	.843	.629	.816	.801	.787	.771	.754	.737	.719	.710
67	.850	.838	.825	.810	.796	.780	.764	.747	.730	.712
68	.858	.846	.833	.819	.805	.790	.774	.758	.741	.723
69	.866	.854	.841	.828	.814	.800	.784	.768	.752	.734
70	.873	.862	.850	.837	.823	.809	.794	.779	.762	.746
71	.881	.870	.858	.845	.833	.819	.804	.789	.773	.756
72	.888	.877	.866	.854	.841	.828	.814	.799	.784	.768
73	.895	.885	.874	.862	.850	.837	.824	.809	.794	.779
74	.901	.891	.881	.871	.859	.847	.833	.819	.805	.790
75	.908	.899	.889	.878	.867	.855	.843	.829	.815	.801
76	.914	.906	.896	.886	.875	.864	.852	.839	.825	.811

1971 TPFC FORECAST MORTALITY - 6% INTEREST
UNISEX TABLE: 35%-M; 65%-F

GOVERNMENT EMPLOYEES COMPANIES
FACTORS TO BE APPLIED TO EMPLOYEE'S RETIREMENT INCOME TO DETERMINE
INCOME UNDER CONTINGENT ANNUITANT OPTION IF 100% OF SUCH INCOME
IS CONTINUED TO CONTINGENT ANNUITANT
PENSIONER'S RETIREMENT AGE

Age of Beneficiary	66	67	68	69	70	71	72	73	74	75
77	.920	.912	.903	.893	.883	.872	.861	.848	.836	.821
78	.926	.918	.910	.901	.891	.881	.869	.858	.845	.832
79	.931	.924	.916	.907	.898	.889	.878	.867	.854	.842
80	.936	.929	.922	.914	.905	.896	.886	.876	.864	.851
81	.941	.935	.928	.920	.912	.903	.893	.884	.873	.861
82	.946	.940	.933	.926	.918	.910	.901	.892	.881	.870
83	.950	.945	.938	.932	.924	.917	.908	.899	.889	.879
84	.954	.949	.943	.937	.930	.923	.915	.906	.897	.887
85	.958	.953	.948	.942	.935	.929	.921	.913	.905	.895
86	.962	.957	.952	.946	.941	.934	.927	.919	.911	.902
87	.965	.961	.956	.951	.946	.939	.933	.926	.918	.909
88	.968	.964	.959	.955	.950	.944	.938	.931	.924	.916
89	.970	.967	.963	.959	.954	.949	.943	.937	.930	.923

1971 TPFC FORECAST MORTALITY - 6% INTEREST
UNISEX TABLE: 35%-M; 65%-F

GOVERNMENT EMPLOYEES COMPANIES
FACTORS TO BE APPLIED TO EMPLOYEE'S RETIREMENT INCOME TO DETERMINE
INCOME UNDER CONTINGENT ANNUITANT OPTION IF 100% OF SUCH INCOME
IS CONTINUED TO CONTINGENT ANNUITANT
PENSIONER'S RETIREMENT AGE

Age of Beneficiary	76	77	78	79	80	81	82	83	84	85
26	.459	.442	.426	.410	.394	.379	.364	.348	.334	.320
27	.460	.444	.428	.412	.396	.380	.365	.350	.335	.321
28	.462	.445	.430	.414	.398	.382	.366	.351	.336	.322
29	.465	.448	.431	.416	.399	.384	.368	.353	.338	.324
30	.466	.450	.434	.417	.402	.386	.370	.355	.339	.325
31	.469	.452	.436	.419	.403	.387	.372	.357	.341	.327
32	.471	.454	.438	.422	.405	.390	.374	.358	.343	.328
33	.474	.456	.440	.424	.408	.392	.376	.360	.345	.331
34	.476	.459	.442	.426	.410	.394	.378	.362	.347	.332
35	.479	.462	.445	.429	.412	.397	.381	.364	.349	.334
36	.482	.465	.448	.431	.415	.399	.383	.367	.351	.337
37	.485	.468	.451	.434	.418	.401	.386	.369	.354	.339
38	.489	.472	.454	.437	.421	.404	.388	.373	.356	.342
39	.492	.475	.458	.441	.424	.407	.391	.375	.360	.344
40	.496	.479	.461	.444	.427	.411	.394	.378	.362	.347
41	.500	.482	.465	.448	.431	.414	.398	.381	.366	.350
42	.504	.486	.469	.452	.435	.418	.401	.384	.369	.353

1971 TPFC FORECAST MORTALITY - 6% INTEREST
UNISEX TABLE: 35%-M; 65%-F

GOVERNMENT EMPLOYEES COMPANIES
FACTORS TO BE APPLIED TO EMPLOYEE'S RETIREMENT INCOME TO DETERMINE
INCOME UNDER CONTINGENT ANNUITANT OPTION IF 100% OF SUCH INCOME
IS CONTINUED TO CONTINGENT ANNUITANT
PENSIONER'S RETIREMENT AGE

Age of Beneficiary	76	77	78	79	80	81	82	83	84	85
43	.509	.491	.473	.456	.439	.422	.405	.388	.372	.357
44	.513	.495	.477	.460	.443	.426	.409	.392	.376	.360
45	.518	.500	.482	.465	.448	.430	.413	.396	.380	.364
46	.523	.504	.487	.469	.452	.435	.417	.401	.383	.368
47	.528	.510	.492	.474	.457	.439	.422	.405	.388	.372
48	.534	.515	.497	.480	.462	.444	.427	.409	.393	.376
49	.540	.521	.503	.485	.467	.449	.432	.414	.397	.381
50	.545	.527	.509	.491	.473	.455	.437	.420	.402	.386
51	.552	.534	.515	.497	.479	.461	.442	.425	.407	.390
52	.559	.540	.521	.503	.485	.467	.448	.431	.413	.396
53	.565	.547	.528	.510	.491	.473	.454	.437	.418	.401
54	.573	.554	.535	.516	.498	.479	.461	.443	.425	.407
55	.580	.561	.542	.523	.505	.486	.467	.449	.431	.413
56	.588	.569	.550	.531	.512	.494	.475	.456	.438	.420
57	.596	.577	.558	.539	.520	.501	.482	.464	.445	.427
58	.604	.585	.566	.547	.528	.509	.490	.471	.452	.434
59	.613	.594	.575	.556	.537	.517	.498	.479	.460	.442

1971 TPFC FORECAST MORTALITY - 6% INTEREST
UNISEX TABLE: 35%-M; 65%-F

GOVERNMENT EMPLOYEES COMPANIES
FACTORS TO BE APPLIED TO EMPLOYEE'S RETIREMENT INCOME TO DETERMINE
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IS CONTINUED TO CONTINGENT ANNUITANT
PENSIONER'S RETIREMENT AGE

Age of Beneficiary	76	77	78	79	80	81	82	83	84	85
60	.623	.603	.584	.565	.545	.526	.507	.488	.468	.450
61	.631	.612	.593	.574	.555	.535	.516	.496	.477	.459
62	.642	.622	.603	.584	.565	.545	.525	.506	.487	.467
63	.651	.632	.613	.594	.575	.555	.535	.515	.496	.477
64	.661	.643	.624	.604	.585	.566	.546	.526	.506	.487
65	.673	.654	.634	.615	.596	.577	.557	.537	.516	.497
66	.683	.664	.645	.627	.607	.588	.567	.548	.528	.508
67	.694	.676	.657	.638	.618	.599	.579	.559	.539	.520
68	.706	.687	.668	.650	.630	.610	.591	.571	.551	.531
69	.717	.698	.680	.661	.643	.623	.603	.583	.563	.543
70	.728	.710	.691	.673	.654	.635	.615	.595	.575	.555
71	.739	.722	.703	.685	.667	.648	.628	.608	.588	.568
72	.751	.734	.716	.698	.679	.660	.641	.621	.601	.581
73	.762	.745	.728	.710	.692	.673	.654	.634	.614	.594
74	.773	.757	.740	.722	.704	.686	.667	.648	.627	.608
75	.784	.769	.752	.735	.717	.699	.680	.661	.641	.622
76	.796	.780	.764	.747	.730	.712	.694	.675	.655	.636

1971 TPFC FORECAST MORTALITY - 6% INTEREST
UNISEX TABLE: 35%-M; 65%-F

GOVERNMENT EMPLOYEES COMPANIES
FACTORS TO BE APPLIED TO EMPLOYEE'S RETIREMENT INCOME TO DETERMINE
INCOME UNDER CONTINGENT ANNUITANT OPTION IF 100% OF SUCH INCOME
IS CONTINUED TO CONTINGENT ANNUITANT
PENSIONER'S RETIREMENT AGE

Age of Beneficiary	76	77	78	79	80	81	82	83	84	85
77	.807	.792	.776	.760	.743	.725	.707	.688	.670	.650
78	.818	.803	.788	.772	.756	.738	.721	.702	.684	.665
79	.828	.814	.799	.784	.768	.752	.734	.716	.698	.679
80	.838	.825	.810	.796	.780	.764	.747	.729	.711	.693
81	.848	.835	.822	.807	.792	.776	.760	.743	.725	.707
82	.858	.845	.832	.818	.803	.789	.773	.756	.739	.721
83	.867	.855	.843	.829	.815	.801	.785	.769	.752	.734
84	.876	.864	.852	.840	.827	.812	.797	.782	.765	.748
85	.884	.874	.862	.850	.837	.823	.809	.793	.778	.762
86	.892	.882	.871	.859	.847	.834	.821	.805	.790	.774
87	.901	.890	.880	.869	.857	.844	.831	.817	.802	.787
88	.908	.898	.888	.878	.867	.855	.842	.828	.814	.799
89	.914	.906	.896	.886	.876	.864	.852	.839	.825	.812

1971 TPFC FORECAST MORTALITY - 6% INTEREST
UNISEX TABLE: 35%-M; 65%-F

GEICO CORPORATION --- NON-EMPLOYEE DIRECTORS

Reduction Factor for Joint & Survivor Option

AGE	1	2	3	4	5	6	7	8	9	10
65	.9933	.9858	.9782	.9704	.9625	.9545	.9465	.9384	.9303	.9222
66	.9927	.9844	.9760	.9674	.9588	.9502	.9414	.9327	.9240	.9153
67	.9918	.9827	.9735	.9642	.9548	.9454	.9360	.9265	.9172	.9080
68	.9910	.9810	.9709	.9607	.9505	.9403	.9301	.9200	.9101	.9004
69	.9901	.9791	.9681	.9569	.9458	.9347	.9238	.9130	.9025	.8922
70	.9891	.9770	.9648	.9527	.9406	.9287	.9170	.9055	.8944	.8836

Exhibit 10-j

GEICO CORPORATION & GEICO - 1989 BONUS PLAN

BONUS POOL: Performance of the enterprise will be measured by our Board against the 1989 Business Plan with focused attention on results compared with the selected key goals of:

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

(b) service: will be judged against the FACT letter results for auto. An increase of 1.8 points in the combined score over the 12/88 results will be considered satisfactory progress.

(c) 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.

(d) 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 and adjusted for six-month premiums to be satisfactory controlled growth.

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

Corporate Goal

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

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 1989 Business Plan and the general contribution to 1989 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 three-fourths as great a percentage for the pool, up to a maximum of 20%.

Plans2:Bonus#1.89

Exhibit 13

GEICO CORPORATION

NATION-WIDE SERVICE

GOVERNMENT EMPLOYEES COMPANIES

ANNUAL REPORT 1988

Mercedes-Benz (all models)

Volvo 760, 780 series, 740 Turbo and 740 GLE 16V

Acura Legend

Saab 9000 Turbo and 9000CD Turbo

Dodge Diplomat and Chrysler LeBaron Coupe and Convertible, Fifth Avenue and Plymouth Gran Fury

Lincoln Continental

BMW 6 series, 7 series and 535i

Porsche 911 Carrera 4 and 944 Series

Audi 200

These car manufacturers offer air bags as optional equipment in the 1989 model year cars named below each insignia.

Audi 100

Ford Tempo and Mercury Topaz

Oldsmobile 88 and 98

Volvo 740 GL

Cadillac De Ville, Fleetwood and Fleetwood Sixty Special

Contents

Corporate Profile and Financial Highlights

CORPORATE HEADQUARTERS:

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

GEICO Corporation (the Corporation) is principally an insurance organization whose largest subsidiary, Government Employees Insurance Company, is a multiple-line property and casualty insurer currently engaged in writing preferred-risk private passenger automobile insurance for government employees, and homeowners 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 suspended writing new and renewal reinsurance. Garden State Life Insurance Company (Garden State), a subsidiary of Government Employees Insurance Company, offers 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. GEICO Investment Services Company (GEIVEST), a subsidiary of the Corporation, is a registered investment adviser and broker-dealer engaged in marketing registered investment-oriented products. The Corporation and its subsidiaries are sometimes referred to as "the Company" in this report. The preferred-risk insurance companies, Government Employees Insurance Company and GGIC, are referred to collectively as "GEICO."

FINANCIAL HIGHLIGHTS

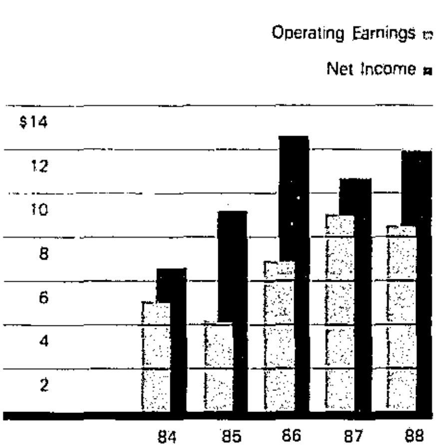
(In thousands, except per share data)	**1988**	1987	1986	1985	1984
Premiums	**$ 1,556,883**	$ 1,435,528	$ 1,294,688	$ 1,078,042	$ 874,896
Net investment income (pretax)	**143,502**	130,691	125,129	124,627	113,692
Net investment income (aftertax)	**125,441**	116,200	111,882	106,919	101,603
Operating earnings	**134,443**	150,183	119,264	77,639	100,409
Net income	**189,038**	177,914	217,742	170,579	131,313
Weighted average shares (fully diluted)	**15,861**	16,673	17,261	18,430	19,660
Operating earnings per share	**8.48**	9.01	6.91	4.21	5.11
Net income per share	**11.92**	10.67	12.61	9.25	6.68
Dividends paid per common share	**1.64**	1.36	1.08	1.00	.88
Assets	**3,060,551**	3,012,541	2,894,433	2,539,416	2,054,650
Shareholders' equity	**707,390**	634,678	623,997	515,636	420,401
Common shares outstanding	**15,440**	16,199	16,716	17,697	18,766
Book value per share	**45.82**	39.18	37.33	29.14	22.40
Return on equity (three-year rolling)	**34.1%**	37.7%	39.4%	35.6%	28.5%

To Our Shareholders

FINANCIAL HIGHLIGHTS. Overall your Company had a good year in 1988. This may not be apparent with an operating earnings decrease to $8.48 per share, down 5.9% from $9.01 in 1987. However, after adjusting for the "fresh start" tax benefit in both years and the effect of converting GEICO's auto policies to six-month premiums in 1988, the per share earnings were $8.61, an increase of 6.0% over the adjusted $8.12 for 1987. Net income per share was $11.92, an improvement of 11.7% over the 1987 result of $10.67. The net income reflects realized gains of $54.6 million, an excellent result in a difficult market and well above 1987 gains of $27.7 million. In the management of our investments we take a long-term outlook, investing for total return and measuring management's performance over a rolling three-year period. We believe this has worked to the benefit of our owners. Return on equity, also measured over a rolling three-year period, was 34.1%, well above the norm for American businesses.

Regarding our insurance operations, the consolidated underwriting ratio in 1988 was 100.7% compared to 96.7% in the prior year. After adjusting for the effect of converting GEICO's auto policies to six-month premiums, the 1988 adjusted ratio was 97.8%, up from the 96.4% adjusted ratio in 1987. We achieved an acceptable underwriting gain for personal lines insurance while maintaining a price advantage in our most important marketing areas. Rate increases over the past year for automobile insurance were modest and homeowners rates decreased. We believe favorable results can be attained in 1989 with relatively modest rate increases.

Operating Earnings and Net Income Per Share



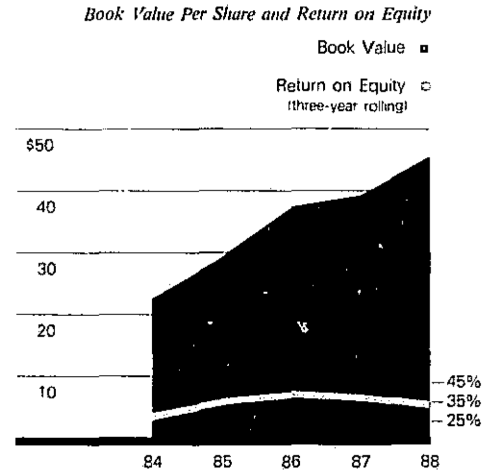
In late 1987, GEICO began converting its voluntary auto policies from twelve-month to six-month premiums. That process is progressing well and will be completed early in 1989. We regretted having to do this because many customers preferred twelve-month premiums, but burdensome insurance regulation in many states caused us to change to six-month premiums to be able to maintain more current prices in the future. The conversion was made with minimal inconvenience to our policyholders and will give us greater flexibility in the management of our business. For example, the potentially disastrous situation in California is more manageable with six-month premiums in place.

The "mission" that guides our preferred-risk companies in the conduct of their business reads: "We will market quality personal insurance services to preferred risks at a price advantage through direct response mechanisms . . ." We continually seek ways to improve customer service and reduce operating costs. A variety of measures have been undertaken to assure that our associates provide only top quality service — and to obtain feedback from our policyholders regarding their perception of our service. Most report very good service but we have not been pleased with some of their responses. Considerable resources are being invested in improving our people skills and our policy processing systems and procedures. These improvements should lead to greater efficiency of operations, increased productivity and improved service to our policyholders.

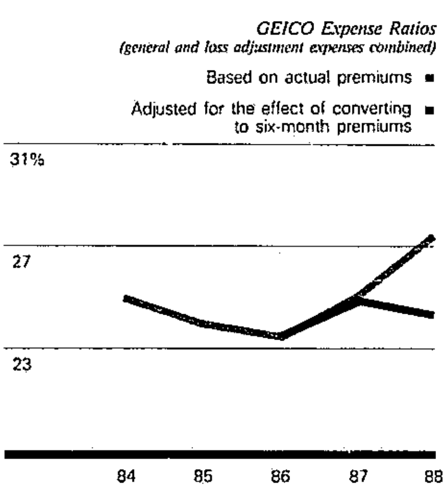
Productivity improvement for 1988 is indicated by the improvement in the adjusted GEICO expense ratio shown in the graph on the next page.

In prior years, I told you of my concern that the commercial liability insurance crisis of 1985-87 would adversely affect our personal lines business. This occurred with a vengeance in California with the passage of Proposition 103 in November 1988. It certainly is one of the more significant events to affect our Company and the entire insurance industry in 1988 even though it did not significantly affect 1988

Book Value Per Share and Return on Equity



financials. This proposition contained many unfavorable provisions, including substantial rate reductions without cost reductions. The proposition passed by about 200,000 votes out of over 9 million cast and only a 600,000 vote majority in Los Angeles County caused it to pass. Though Los Angeles has severe auto insurance problems, this is not the way to solve them. Implementation of the mandated immediate rate reductions has been temporarily stayed by the state supreme court. We have suspended writing new business in California and are continuing to evaluate our options in that state. We are renewing policies for our existing customers, which is about 10% of our total insurance business. The voters were misled into making a decision that complicates their ability to continue to buy voluntary insurance. Our industry has a responsibility to inform the insuring public and to work toward an appropriate solution through the state legislature and with consumer groups. However, no one should misunderstand that if Proposition 103 is fully implemented, it would quickly drain $4 billion out of the industry's surplus, endangering companies' financial capability to do business and weakening their ability to withstand a catastrophe such as an earthquake.



We take a strong advocacy position on insurance issues when we believe it is in the best interest of the insuring public. For example, we have concluded that a "no-fault" personal injury type coverage will provide most injury victims more prompt reimbursement for medical expenses and lost wages than will a system that depends on somebody else's insurance paying after fault is proven. We must expand the acceptance of this concept, particularly in states with densely populated urban areas. Also, realizing that insurance is largely an honor system, more and more persons are defrauding the system in hundreds of ways. We must establish state insurance fraud bureaus where needed to support the special investigation units of individual companies such as ours at GEICO. It is estimated that 10-40% of premiums (depending on coverage and location) are used to pay fraudulent claims. We must squeeze as much fraud as possible out of the system to keep rates from increasing and perhaps even cause them to decrease. But this will require the public's understanding and cooperation. We will be working with dozens of public interest groups to accomplish this.

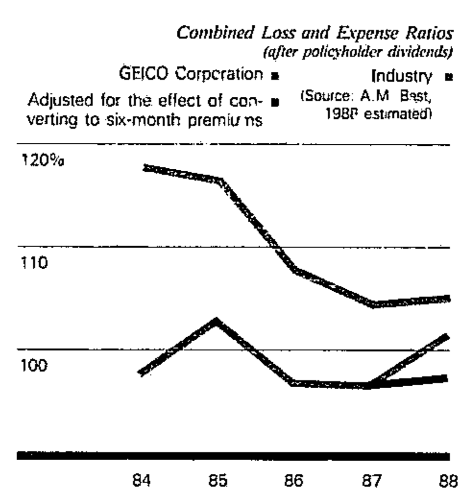
Turning to the performance of our affiliate companies, the financial results of GEICO Indemnity (GI), our standard-risk auto company, were satisfactory. GI achieved a $2.5 million underwriting gain on $117.5 million of earned premiums. These results also include Criterion Casualty, our non-standard risk auto company.

In order to concentrate on our core business of personal lines property and casualty insurance, during 1988 we offered for sale our finance, life insurance and reinsurance companies. A 1989 sale of any or all companies should not significantly affect 1989 operating results.

GEFCO, our finance affiliate, had net income of $3.1 million. This was much better than the breakeven results attained in 1987, which were depressed by the discontinuation of time-share marketing operations and a high loan delinquency rate. For 1988, in conformance with Financial Accounting Standards Board Statement No. 94, GEFCO's financial results are included on a consolidated basis for the first time in this report.

Total premiums for our life companies were $57.1 million in 1988, up 24.5% from the prior year. New individual term life insurance written by direct response methods in 1988 was up approximately 17% over 1987. Premiums for Medicare Supplement health insurance were $23.7 million in 1988 and $13.1 million a year earlier. A net loss of $1.3 million was incurred in 1988 after writing down Medicare Supplement deferred policy acquisition costs. This write-down was prompted by higher anticipated lapses and our decision to withdraw from the market early in 1989. We are negotiating for the sale of this line of business to an experienced health insurance company.

Resolute Group, our property and casualty reinsurance affiliate, ceased writing new business late in 1987 but continues to fulfill its responsibilities to existing clients. A loss from reinsurance operations reduced the Corporation's earnings per



share by $1.00 in 1988 and $.80 in 1987. We believe we provided for all known and predictable losses at year end 1988, after substantially increasing reserves for prior years' losses. We are negotiating a contract for the sale of Resolute Group to an experienced reinsurance organization. A sale will be contingent on insurance department approval.

We have entered into an agreement with Monarch Capital Corporation to sell 50% of our interest in GEIVEST, our investment adviser and broker-dealer. We plan to test the feasibility of offering Monarch's financial service products to our policyholders.

Net investment income increased 9.8% in 1988 over 1987 results and substantial capital gains were realized during the year. Vice Chairman Lou Simpson's report discusses this and related issues.

On March 1, 1989, your Board of Directors increased the quarterly cash dividend on the Common Stock to $.45 per share, up 9.8% over the amount paid in 1988 and the twelfth successive year that dividends have increased.

The results of our Dutch auction tender offer for the repurchase of the Company's shares were reported earlier in the year. The Company purchased at $125 per share all 650,413 shares that were tendered on April 5, 1988. The offer provided an attractive premium to those who tendered and we believe this was a prudent investment of your Company's resources.

OUTLOOK FOR 1989 AND BEYOND. Recent years' financial results have been generally good but our focus is on the future. We see opportunities ahead for doing better in many areas, such as service. Recognizing that extraordinary commitment now will pay off handsomely over the long term, we will continue to emphasize outstanding service by devoting the attention and resources necessary to achieve our service goals.

Recent rates of growth of about 2% in our auto policies-in-force, our primary product line, have been less than satisfactory. Our objective is an average 5% annual growth. We believe improved persistency and increased new sales are both required to achieve growth. Our current approach is to concentrate our efforts mainly in those geographic areas where we have a significant presence and where we can manage increased volume profitably with desired service levels — and to develop new territories. Also, we have introduced a new mechanical breakdown insurance product to both present policyholders and new prospects. Early results are encouraging.

We anticipate that a few self-appointed, misdirected crusaders intending to promote the interest of consumers, but who are unaware of or unconcerned by the economic consequences of their actions, will attempt to transport the present unresolved confusion in California to other states. That development, plus attacks on the McCarran-Ferguson Act (relating to the limited exemption of the insurance industry from certain anti-trust laws), may divert considerable management energies. My associates must successfully meet these challenges while also managing all other aspects of your Company. I believe we can do so.

For 1989 I see an underwriting gain, increased new sales, and steady growth in policies, premium and total revenue, although the situation in California places a cloud over our projections. The withdrawal from California of our four Companies would reduce premiums about 10% and significantly affect these projections. While this probability is small, it is still present.

Overall I see increased product value to our policyholders resulting in increased shareholder value. More and more of our associates (employees) are learning to think like owners as they better understand the power of their employee stock ownership plan. This will benefit all shareholders.

Reports of earnings from operations in 1989 and thereafter will reflect new financial reporting rules which will require us to report operating earnings combined with realized gains as a single net income amount. Fluctuations in our reported financial results may obscure the steady progress in our operations, but we'll do our best to provide useful additional data.

Senior Vice President Ross Pierce retired at year end 1988. Ross had managed a regional office since 1972, first in Macon, Georgia, and then in Woodbury, New York. He managed in the style of our founder, Leo Goodwin, striving to provide good customer value through the efforts of highly motivated associates. He will surely be missed, but he left behind fully experienced successors to carry on in his tradition.

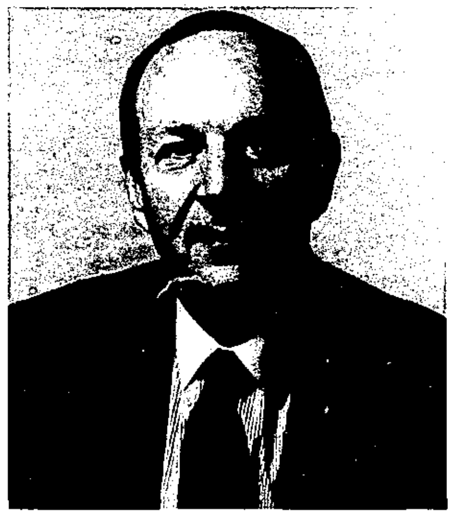
Thomas E. Bolger, a member of our Board of Directors since 1973, has chosen not to stand for reelection at our annual meeting on May 17, 1989. Tom was president of C&P Telephone Company when he joined our Board. He subsequently became executive vice president of AT&T and was most recently chairman and chief executive officer of Bell Atlantic Corporation. He applied his extensive experience to your Company's problems and provided us essential guidance and direction. We have been fortunate to have his counsel and advice. We wish him well as he retires from the chief executive officer duties of Bell Atlantic and from our Board of Directors.

William B. Snyder
Chairman
March 1, 1989

Your portfolio did well in 1988 — aftertax total return was 9.2%. We were especially pleased by the 19.9% aftertax return earned by the common stocks, which compares quite favorably to the imputed 11.5% aftertax return for the S&P 500. As you can see from the chart on this page, over the three years ended 1988 your commons generated a 13.5% annual aftertax return, 3.2 percentage points above the S&P 500. Considering last year's subpar performance, these results were pleasing. While stocks in 1988 re-established their position as the most rewarding sector of the total portfolio, tax-exempt bonds and preferreds also performed satisfactorily, with a net aftertax return of 7.1%.

During the year we realized net capital gains of $54.6 million, while the unrealized gain on equity securities (net of deferred taxes) increased by $12.4 million. Aftertax net investment income advanced nicely to $125.4 million, an 8.0% gain over 1987. Investment income would have been higher had we not repurchased Company shares and dedicated substantial sums to stock arbitrages, which offered an attractive total return but whose results are reported as capital gains.

A major activity in the portfolio during the year consisted of the net purchase of $218 million in tax-exempts, primarily intermediate-term municipal bonds, which seemed relatively attractive compared to other investment options. A second important action was the sale of about $83 million in preferreds, primarily adjustable rate and redeemable issues. The net common stock position was reduced by $77 million during the year, but we bought and sold very large dollar amounts of commons during the year. In large part, this was due to the availability of an unusually large number of attractive arbitrage situations and to turnover in the portfolio resulting from stocks sold in takeovers (primarily Kraft and Gotaas-Larsen).



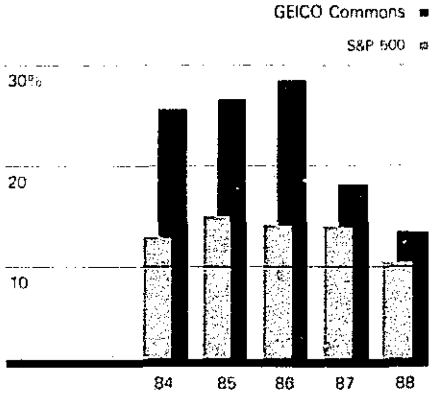
As mentioned above, the equity results were helped greatly by takeovers and by numerous arbitrage opportunities generated by the heavy corporate merger activity of 1988. However, a more fundamental contribution to common stock performance resulted from following the strategy I outlined in previous letters to you — buying shares in excellent companies at reasonable prices. We expect that such an emphasis will provide above-average results over time.

What about our game plan for 1989? We'll try to stick to the basics and remain flexible to respond to opportunities that might occur. Stocks on the whole appear somewhat expensive by most measures of value and when compared to the high yield on risk-free investments. Furthermore, the current economic and political environment also is marked by a large number of unknowns. The actions of a new team in Washington will determine how we deal with our economic challenges, particularly the continuing budget and trade deficits. Whatever the year may bring, you may be sure your investment team will continue to strive for outstanding results on your investment portfolio.

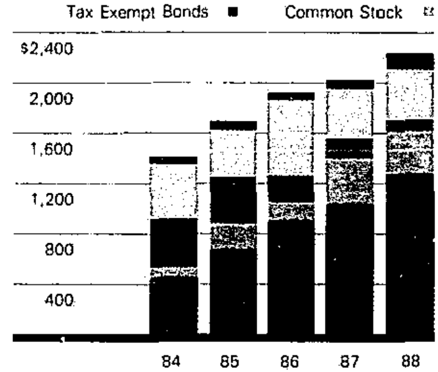
Louis A. Simpson

Louis A. Simpson
Vice Chairman
March 1, 1989

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



Invested Assets
(millions of dollars)



How To Control Insurance Costs

Last summer, John Doe was driving home from his office in Anycity, California, when his car collided with another car in an intersection. The vehicles were damaged, but both drivers were wearing seat belts and walked away with minor bumps and bruises. Both returned to work right away.

A week later, Doe was notified that the other driver was suing him for the "pain and suffering" he had experienced from an alleged sprained wrist and strained neck. Months later, after Doe's insurance company had spent $6,000 in his defense, a jury awarded the other driver $3,000 for his few dollars of medical expense and "pain and suffering." His lawyer took about $1,200 of that for his fee.

Who really paid that $3,000 award and the $6,000 legal defense expenses that went with it? Because everyone who buys insurance shares in the cost of accidents, policyholders obviously pay with their premiums for minor injury lawsuits.. And as the "public," they pay also for the court costs which are estimated to be $8-9,000 per trial.

While many states continue to allow trial lawyers and individuals to abuse an already overburdened legal system, others have established no-fault insurance systems which provide fast, fair reimbursement for medical expenses and lost wages for those injured in auto accidents.

Generally speaking, no-fault insurance provides accident victims reimbursement through their own insurance companies, regardless of who caused the accident. A driver's no-fault coverage pays for injuries to himself, passengers in his car and pedestrians injured by his car.

No-fault insurance has proven beneficial to consumers in states with strict no-fault laws, such as Florida, Michigan and New York. Unfortunately, manipulation and watering down of the statutes by trial lawyers, and a general misunderstanding by the public, have thwarted no-fault efforts in other states. The recent uproar over auto insurance in California is a prime example.

Auto insurance consumers in California are angry, and rightfully so. Their personal injury coverage premiums have skyrocketed over the last three or four years. But last November, voters in the state rejected a no-fault ballot initiative that would have revamped the injury benefits system and provided a long-term solution to the problem.

The proposed California no-fault system would have required that all persons injured in auto accidents be reimbursed quickly for injuries and lost wages by their own insurance companies, making lengthy, expensive court battles to establish guilt unnecessary.

With benefits guaranteed, injured drivers couldn't file lawsuits unless their injuries were serious and permanent or caused by a drunk driver, or unless medical expenses and lost wages exceeded the no-fault insurance policy limits. The same initiative also would have limited contingency fees — the percentage of injury awards that go into lawyers' pockets.

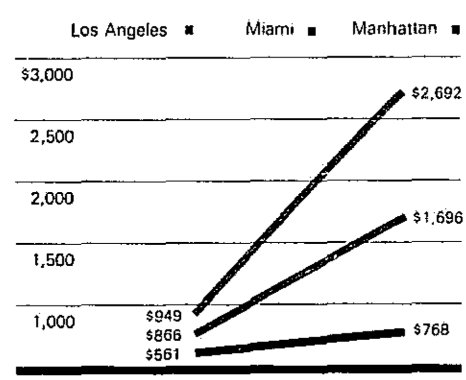
Lawyers in California, like those in other states where no-fault legislation has failed, didn't like that idea. They campaigned to persuade voters that their unrestricted "right to sue" was more valuable than prompt and fair reimbursement — and less expensive auto insurance. Unfortunately, consumers bought that line of reasoning and they face the continuing consequences of escalating tort system costs.

A number of factors go into the equation that determines insurance prices. Many of those factors, such as auto insurance fraud, auto theft, and inflation in medical costs and auto repair, are beyond the direct control of the insurance industry. One factor in the equation that the public *can* control is the injury benefit system, which operates through our burgeon-

Representative cases from a national insurance company have also shown that states with a system of No-Fault, such as Florida's or New York's, have successfully limited insurance cost increases.

For example, data show that in 1977 a driver in central Los Angeles paid anywhere from 10% more to 69% more than drivers in comparable cities in successful No-Fault states. But ten years later, that same driver in California was paying up to 251% more than a comparable driver in a No-Fault state. Clearly, during the ten year period, No-Fault was successfully limiting increases.

No-Fault Cost Control
Los Angeles/Miami/Manhattan
Premium Rates 1977 vs. 1987



ing legal system. But such control requires the fundamental changes brought about by a true no-fault statute.

With the advice of the legal profession (which collects fees based on the size of victims' injury awards), many persons have come to regard the courts as a resource to "get all you can" from insurance companies. Such thinking currently leads to demands of compensation for "pain and suffering" brought on by millions of relatively minor accidents.

The purpose of bodily injury liability insurance in a tort system environment is to defend a policyholder, and if the policyholder is at fault in an accident, to indemnify any person injured — to reimburse for actual financial losses such as medical bills and lost wages. In states where the courts are used to settle matters of fault, such actual financial losses serve as multipliers for "pain and suffering" payments. Lawyers contend that the higher the medical bills and lost wages, the more their clients must have suffered.

Lengthy court proceedings and money awarded above and beyond actual losses cost policyholders billions of dollars annually. On the other hand, a no-fault insurance system takes relatively minor accident injury cases (which make up about 90% of all injuries) out of the courts. Injured victims are reimbursed fairly and quickly by their own insurance companies. Just as important, seriously injured parties retain the right to sue, while knowing their medical expenses and lost wages will be paid immediately up to their no-fault policy limits.

In 1983, a Congressionally mandated study showed that no-fault insurance assured more adequate medical treatment, on average, than in traditional tort liability states and that almost twice as many victims were compensated under no-fault. And no-fault led to reductions in lawsuits and thus, to significant savings in court costs and other public legal costs paid by taxpayers.

No-fault insurance systems have also proved to help reduce and contain auto insurance premiums. In Florida and New York, for example, auto insurance premiums were reduced 21% and 6% respectively after the switch from the traditional tort liability system to no-fault. And the no-fault systems have continued to hold down the rate of increase of premium rates.

Some groups, particularly the nation's trial lawyers who have a huge financial stake in keeping the tort liability system in place, decry the benefits of no-fault. Others, such as self-appointed consumer organizations, support radical nationwide efforts to slash premiums by 20% or more as a means of aiding consumers' pocketbooks. But such measures only provide rate reductions without cost reductions — and thus create long-term problems for the insuring public.

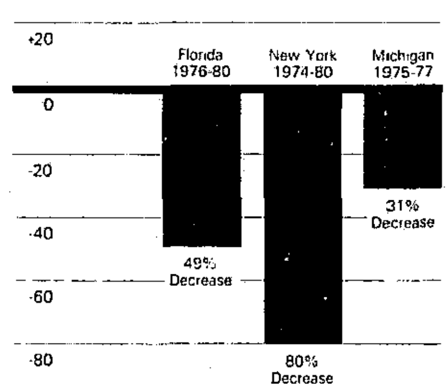
The fact of the matter remains that auto insurance companies, like other businesses, must pass on their costs to policyholders in order to remain in business. If premiums are slashed and costs exceed premiums collected, insurance companies can't survive and everyone loses.

GEICO works continually to overcome controllable cost increases by improving operating efficiency. But costs due to increasing personal injury lawsuits can't be controlled without true no-fault auto insurance statutes.

This year, some groups have stated they will seek radical insurance reform in many states. State legislatures will be looking at hosts of proposals to help contain auto liability insurance premiums for consumers. The only long-term solution is to enact true no-fault laws. GEICO encourages you to contact your state legislators in support of no-fault laws.

By eliminating the need to litigate all but the most serious auto accident cases, No-Fault reduces claim filings and saves taxpayers and consumers money.

Decreases in Accident Related Filings After Implementing No-Fault



James E. Reagan
President,
GEICO General
Senior Vice President,
GEICO

Edward H. Utley
President,
GEICO Indemnity
Senior Vice President,
GEICO

Eugene J. Meyung
President,
GEICO

Olza M. Nicely
Executive Vice President,
GEICO

PROPERTY AND CASUALTY INSURANCE

PRIVATE PASSENGER AUTOMOBILE INSURANCE

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

Private passenger automobile insurance is the primary business of the Corporation, the nation's fifth largest shareholder-owned provider of such insurance. It is provided through four affiliate companies, two of which serve the preferred-risk customer market and together accounted for 88.3% of the Corporation's total premium revenue in 1988.

From 1936 until 1958, Government Employees Insurance Company insured only military personnel and government employees. Between 1958 and 1987, it insured all eligible preferred-risk drivers. Since 1987 it has issued new policies only to preferred-risk government employees and military personnel, thus returning to the market which the Company was founded to serve in 1936. GEICO General Insurance Company, the second affiliate, insures new preferred risks outside the government and military. This dual company organization enables the two preferred-risk companies to tailor their protection and service more closely to the special needs of the different policyholder groups. In this report, the acronym "GEICO" is used when discussing the preferred-risk automobile insurance and financial results of the two companies combined.

Government Employees Insurance Company operates in the District of Columbia and in all states except New Jersey. While its primary business is insuring family automobiles, the Company also offers homeowners insurance to its auto policyholders and provides other types of personal lines coverages, including personal umbrella liability and boatowners insurance. During the past year, GEICO introduced in most states a new coverage to provide protection against major expenses associated with mechanical breakdown of the insured vehicle when combined with collision and comprehensive coverage. This is proving to be a popular coverage for policyholders and is complemented by a separate mechanical breakdown policy offered to new prospects.

GEICO General Insurance Company currently operates in 44 states and is licensed to do business in all 50 states. The two GEICO companies insured over 2.4 million automobiles at the end of 1988.

GEICO markets its insurance products using primarily direct response marketing techniques to identify preferred risks. In 1988 nearly one-half of GEICO's new business resulted from referrals, a factor contributing to increased marketing efficiency. Reliance upon referrals for a significant portion of new business is possible only as long as current policyholders remain convinced that GEICO delivers quality insurance protection and excellent service at a price advantage.

While most new business is produced through direct response methods, General Field Representatives (GFRs), commissioned agents who work primarily with military and base-related personnel, produced 18% of GEICO's new automobile business in 1988, down from 19% in the prior year. Twelve percent of GFRs are located in California where no new business has been sold since November 1988 for any of our four companies. The future is uncertain for these GFRs in 1989.

Though new business is necessary each year for GEICO to grow, the keystone to our profitable growth is the retention of current policyholders with their seasoned driving records. A price advantage and quality service are prerequisites for both a successful new business referral program and an acceptable policyholder renewal rate. In 1988 nearly 95% of GEICO's customers accepted our offer to renew.

One of GEICO's objectives is to achieve acceptable growth, which requires that all growth must be managed carefully. Underwriting selectivity, service standards and underwriting profitability will not be sacrificed to meet short-term growth objectives.

Marketing strategy for 1989 will maintain the emphasis on key preferred-risk groups such as federal employees, military personnel, and drivers age 50 and over. GEICO will also pursue its sponsored group program aggressively. In this program, various groups and associations, whose memberships consist primarily of preferred-risk drivers, allow GEICO to market to their memberships directly by mail and through membership publications. This marketing method has produced favorable underwriting results.

GEICO Indemnity Company (GI), a third affiliate, writes automobile insurance for standard risks, those individuals not meeting GEICO's preferred-risk standards. GI operates in the District of Columbia and all states except Massachusetts, New Jersey and South Carolina. GI writes only private passenger automobile and motorcycle insurance and acquires new business primarily through GFRs with 99 offices in 36 states. These offices are located generally in the vicinity of major military installations.

Criterion Casualty is a GI subsidiary which offers 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.

GI, including Criterion Casualty, achieved an underwriting gain of $2.5 million in 1988 compared to $2.3 million in 1987. While GI has been profitable in the past three years, growth has not been satisfactory. Modest but profitable growth will be a focus of management attention in 1989.

In 1988 the Corporation's automobile insurance earned premiums, including service charges, totaled $1,397.0 million, up 10.6% from $1,263.4 million a year earlier. Preferred-risk voluntary auto insurance rates country-wide increased 1.3% during the year and rates for involuntarily written policies increased .9%. These are cost-based rate increases for voluntary insurance and are not determined by any perceived phase of the underwriting cycle or attempt to match imprudent pricing by the competition.

The Corporation's automobile written premiums, including service charges, totaled $1,187.1 million in 1988 compared to $1,310.8 million in 1987. Written premiums, however, were reduced approximately $292 million in 1988 and $50 million in 1987 because the Corporation converted its voluntary auto coverage policy period from a twelve-month term to a six-month term. Although the conversion process will not be completed until the second quarter of 1989, the effect on written premiums will not extend beyond 1988.

During the fourth quarter of 1988, all of the Corporation's insurance companies suspended writing new auto and homeowners policies in California following the passage of Proposition 103. Existing policies are being renewed. Unless the state supreme court decides in favor of the insurance industry on most provisions of the new law, it may well be impossible to conduct business profitably in California. Approximately 10% of the Corporation's earned premiums in 1988 were in California.

The number of automobile claims reported to GEICO and GI rose 2.5% in 1988 following increases of 4.9% and 1.1% in 1987 and 1986, respectively. The increase in claims reflects the increase in policies-in-force as well as higher claims frequency.

The cost of settling claims, particularly bodily injury claims, continued to rise throughout 1988 due largely to higher medical costs and other benefits affected thereby. Bodily injury claim costs increased approximately 7% in 1988, following increases of 6% in 1987 and 9% in 1986. Costs associated with repairing damaged automobiles increased approximately 8% compared to 6% in 1987 and 7% in 1986.

The Companies continue their concerted effort to eliminate fraudulent claims. These activities include inspecting vehicles for prior damage when initially providing physical damage coverage, reviewing claimants' medical bills for appropriate and necessary treatment, and creating special investigation units to review suspicious claims. Claims costs reductions are much greater than the costs of the special investigation units dedicated to stamping out fraud.

The Corporation's property and casualty statutory underwriting ratio in 1988 was 100.7% compared to 96.7% in 1987 and 96.9% in 1986 (after policyholder dividends). However, after adjusting to eliminate the effect of converting to six-month premiums, the 1988 and 1987 adjusted ratios were 97.8% and 96.4%, respectively. Property and casualty operations, including reinsurance, recorded an underwriting gain of $29.0 million in 1988 compared to $57.3 million in 1987 and $44.4 million in 1986. This reflects the higher adjusted underwriting ratio and accelerated amortization of deferred policy acquisition costs due to the conversion to six-month premiums as described in Management's Discussion and Analysis.

HOMEOWNERS INSURANCE

Government Employees Insurance Company markets homeowners insurance principally through direct mail solicitations to existing automobile policyholders. Homeowners premiums totaled $80.8 million and accounted for 5.4% of the property and casualty premium revenue in 1988. Premium rates decreased an average of 2.9% during the year. The number of policies-in-force increased by 5.8%, reflecting strong new business sales. A new dual policy discount which offers a homeowners discount to existing auto policyholders was a major factor. Homeowners insurance produced a statutory underwriting gain of $6.3 million in 1988 and $6.9 million in 1987. For the third consecutive year, this line of business has benefited from favorable weather.

OTHER PROPERTY AND CASUALTY LINES

In addition to its automobile and homeowners lines, GEICO offers policies providing fire, boat, yacht, accident and health, and personal umbrella liability insurance. In 1988 these lines accounted for less than 2% of property and casualty written premiums.

REINSURANCE

We reported last year that Resolute Reinsurance Company, a wholly owned subsidiary, had suspended writing business other than that required by existing treaties. We are negotiating a sales contract with an experienced reinsurance organization; however, it is subject to insurance department approval. Existing business will be managed until a satisfactory termination can be arranged.

Paid losses and continued reevaluation of loss reserves and unrecoverable reinsurance contributed to an operating loss aftertax of $15.9 million in 1988 and $13.2 million in 1987, reducing the Corporation's operating earnings by $1.00 per share and $.80 per share, respectively. We do not expect further charges to the Corporation's earnings; however, the ultimate outcome remains uncertain, but perhaps less so than a year ago.

FINANCIAL SERVICES

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.

Since 1983 the Company and/or its wholly owned subsidiary, GEICO Annuity and Insurance Company, has marketed individual term life insurance by direct response methods, primarily mail solicitations. The applications are fully underwritten and most of the policies are for $100,000 or more of coverage. The total face amount of new individual term life insurance written by direct response methods in 1988 was $1.4 billion, up from $1.2 billion in the prior year. To improve the efficiency of these operations, all of the insurance business of GEICO Annuity was transferred to Garden State during the fourth quarter.

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 $11.2 million in 1988 compared to $8.2 million in 1987.

Garden State also markets Medicare Supplement insurance through agents under an agreement with an independent health insurance marketing company. This line of business contributed $23.7 million of premium income in 1988. Near the end of the year, a decision was made to withdraw from the Medicare Supplement insurance market as soon as practical in order to enhance the salability of Garden State. Believing that this action will cause a significant deterioration in the persistency of the existing business, the deferred policy acquisition cost asset associated with the business was written down by $4.5 million.

Group life and health insurance premiums were $11.4 million in the year, down from $16.6 million in 1987. Effective January 1, 1989, all of Garden State's group insurance was completely reinsured by an unrelated company.

Total life and health insurance premiums were $57.1 million in 1988 compared to $45.8 million a year earlier. These lines incurred an operating loss of $1.3 million aftertax in the year, reflecting the $4.5 million write-down mentioned above. This compares with operating earnings from life and health insurance operations of $2.5 million aftertax in 1987.

Both GEICO Annuity and Garden State were offered for sale during 1988 and we expect to find a suitable buyer in 1989. Regarding the Medicare Supplement health insurance business, we are negotiating a sales contract with an experienced health insurance company.

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 in 1981 primarily to develop and manage investment products and market them to the savings and thrift markets, both individual and corporate.

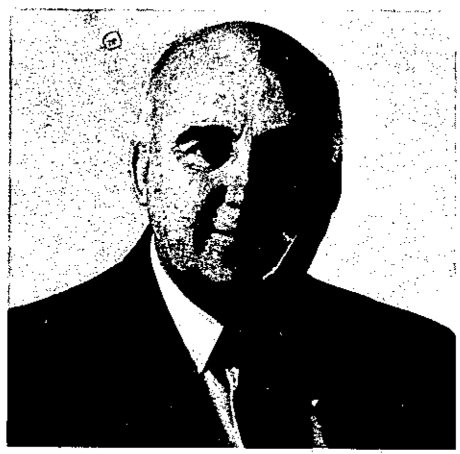
GEIVEST offers Government Securities Cash Fund, a no-load, open-end money market mutual fund. Perpetual Investment Advisory Service, Inc., a subsidiary of Perpetual Savings Bank, F.S.B., is the Cash Fund's money manager. During the Cash Fund's most recent fiscal year, net assets increased to $35.7 million, up from $25.3 million in 1987, but subsequently there have been large withdrawals from the Fund.

It also offers the GEICO Qualified Dividend Fund (name changed from GEICO Adjustable Rate Preferred Fund in 1987), a no-load, open-end mutual fund designed for the corporate market. It is marketed 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 $26.5 million, down from $48.8 million a year ago.

GEIVEST also serves as 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. In 1988 this Fund's assets increased to $51.8 million from $48.2 million in 1987.

The Corporation has entered into an agreement with Monarch Capital Corporation to sell 50% of GEIVEST's equity. GEICO will also test the feasibility of offering Monarch's financial service products to GEICO policyholders and prospects.

Government Employees Financial Corporation



John J. Krieger
President

Government Employees Financial Corporation, wholly owned since 1983 and headquartered in Denver, Colorado, engages in consumer and business lending, loan servicing and industrial banking.

For 1988, GEFCO's net income was $3.1 million, up substantially from $53,000 earned a year ago, but below the $4.8 million reported for 1986.

During the year GEFCO adopted the accrual method for recording interest income as mandated by the revised Audit and Accounting Guide for Audits of Finance Companies. Previously, interest was recognized on a collected basis. This accounting change resulted in an increase in net income of $1.5 million.

At year end 1988, GEIBank Industrial Bank had deposits of $61.3 million, down slightly from $62.5 million the prior year, and materially reduced from $86.0 million in 1986. The decrease in deposits contributed to reduced investment income. There were no realized security gains in 1988 as compared with $1.9 million pretax in 1987 and $2.6 million pretax in 1986.

A continuing soft Colorado real estate market depressed GEFCO's earnings yield and caused operating expenses and loan losses to be higher than normal. Nonetheless, the net interest margin improved 56 basis points as interest expense declined more than the earnings yield due to the maturity of high-yield certificates of deposit in GEIBank. Additionally, real estate owned accounts and delinquencies improved slightly during the year. The percentage of credit receivables written off, net of recoveries, was 1.6%, down from 2.8% last year but up from 1.0% in 1986.

Common Stock Market Prices and Dividends

The Corporation's Common Stock is listed on both the New York 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. The number of holders of record of the Corporation's stock at January 31, 1989 was 3,309.

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 1988 and 1987.

	High	Low	Dividends Paid
1988			
Fourth Quarter	$131 3/4	$119 1/2	$.41
Third Quarter	132	123	.41
Second Quarter	129 1/4	122	.41
First Quarter	123 1/2	101 1/2	.41
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

Selected Financial Data

GEICO Corporation
(In thousands, except per share data)

	1988	1987	1986	1985	1984	1983
OPERATING RESULTS						
Premiums	$1,556,883	$1,435,528	$1,294,688	$1,078,042	$ 874,896	$ 768,316
Net investment income	143,502	130,691	125,129	124,627	113,692	100,871
Interest on loans receivable	31,159	27,100	27,051	25,124	23,194	22,512
Equity in earnings of unconsolidated affiliates	11,246	8,785	5,990	2,774	1,658	974
Other revenue	14,129	17,916	15,792	25,361	17,832	11,248
Total revenue	1,756,919	1,620,020	1,468,650	1,255,928	1,031,272	903,921
Total benefits and expenses	1,622,476	1,469,837	1,349,386	1,178,289	930,863	809,097
Operating earnings	134,443	150,183	119,264	77,639	100,409	94,824
Realized investment gain (loss) net of tax effect	54,595	27,731	98,478	92,940	30,904	18,929
Utilization of operating loss carryforward	—	—	—	—	—	—
Net income	$ 189,038	$ 177,914	$ 217,742	$ 170,579	$ 131,313	$ 113,753
WEIGHTED AVERAGE SHARES OUTSTANDING						
Fully diluted	15,861	16,673	17,261	18,430	19,660	21,172
Primary	15,861	16,673	17,261	18,430	19,643	21,144
PER SHARE RESULTS						
Fully Diluted:						
Operating earnings	$ 8.48	$ 9.01	$ 6.91	$ 4.21	$ 5.11	$ 4.48
Net income	$ 11.92	$ 10.67	$ 12.61	$ 9.25	$ 6.68	$ 5.37
Primary:						
Operating earnings	$ 8.48	$ 9.01	$ 6.91	$ 4.21	$ 5.11	$ 4.48
Net income	$ 11.92	$ 10.67	$ 12.61	$ 9.25	$ 6.68	$ 5.38
Common Stock dividends	$ 1.64	$ 1.36	$ 1.08	$ 1.00	$ .88	$ .72
FINANCIAL CONDITION						
Assets	$3,060,551	$3,012,541	$2,894,433	$2,539,416	$2,054,650	$1,913,273
Long-term debt	299,955	260,313	250,244	255,292	249,768	213,574
Redeemable Preferred Stock	—	—	—	—	—	—
Common Shareholders' Equity	707,390	634,678	623,997	515,636	420,401	405,439
Common shares outstanding (fully converted)	15,440	16,199	16,716	17,697	18,766	20,393
Book value per share (fully converted)	$ 45.82	$ 39.18	$ 37.33	$ 29.14	$ 22.40	$ 19.88

Significant Statutory Indicators
(In thousands, except ratios)

	1988	1987	1986	1985	1984	1983
PROPERTY AND CASUALTY OPERATIONS*						
Surplus for protection of policyholders.	$ 650,880	$ 548,408	$ 671,414	$ 583,000	$ 521,804	$ 480,028
Ratio of twelve months written premiums to surplus	1.9:1	2.6:1	2.0:1	2.0:1	1.8:1	1.6:1
Loss ratio	83.2%	81.2%	81.4%	87.9%	82.1%	76.9%
Expense ratio	17.5%	15.5%	14.7%	15.0%	15.6%	16.7%
Underwriting ratio	100.7%	96.7%	96.1%	102.9%	97.7%	93.6%
Underwriting ratio after policyholder dividends	100.7%	96.7%	96.9%	102.9%	97.7%	95.7%
Adjusted ratios:						
Expense ratio	14.6%	15.2%				
Underwriting ratio	97.8%	96.4%				

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

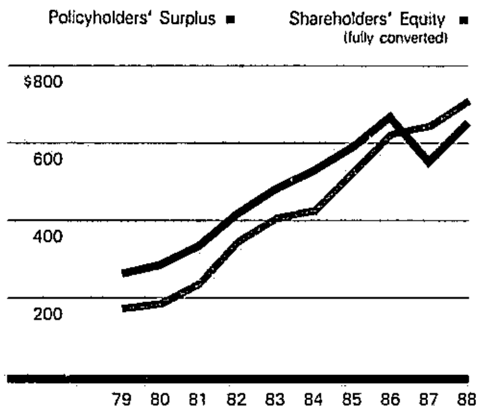
Property and Casualty ratios are natural statutory results excluding the effects of certain Government Employees Insurance Company reinsurance transactions unrelated to its basic operations.

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 1988 and 1987.

1982	1981	1980	1979
$ 731,719	$ 656,669	$ 620,120	$ 601,553
84,758	66,858	60,514	58,591
⁾5,880	31,540	35,261	38,628
910	4,807	4,852	4,357
3,377	3,449	3,253	3,042
846,644	763,323	724,000	706,171
769,161	698,891	664,356	646,622
77,483	64,432	59,644	59,549
(28,635)	18,854	1,119	(723)
—	—	—	15,456
$ 48,848	$ 83,286	$ 60,763	$ 74,282
21,092	21,644	23,003	27,753
20,364	20,623	20,522	17,336
$ 3.67	$ 2.98	$ 2.59	$ 2.14
$ 2.32	$ 3.85	$ 2.64	$ 2.67
$ 3.80	$ 3.11	$ 2.87	$ 3.24
$ 2.39	$ 4.02	$ 2.92	$ 4.09
$ .56	$ .48	$ .43	$ .36
$1,717,410	$1,519,880	$1,454,586	$1,438,848
215,014	223,089	237,434	241,141
—	2,086	6,227	17,443
344,797	236,818	185,951	173,631
20,459	20,597	21,617	25,158
$ 16.85	$ 11.60	$ 8.89	$ 7.60
$ 414,837	$ 332,285	$ 283,321	$ 261,036
1.8:1	2.0:1	2.2:1	2.3:1
80.0%	81.1%	80.5%	79.8%
15.6%	15.7%	15.9%	16.2%
95.6%	96.8%	96.4%	96.0%
95.6%	96.8%	96.4%	96.3%

Property and Casualty Policyholders' Surplus and GEICO Corp. Shareholders' Equity (millions of dollars)



RESULTS OF OPERATIONS

REVENUE

Premiums — Consolidated earned premiums totaled $1,556.9 million in 1988, up 8.5% from $1,435.5 million a year ago. Earned premiums were $1,294.7 million in 1986. The increase in 1988 was due primarily to a modest growth in policies-in-force, automobile rate increases and increased coverages on cars and homes insured, partially offset by a decrease in premiums from Resolute Reinsurance Company. Policies-in-force increased 2.4% in 1988 and 1.9% in 1987, while new sales in 1988 were essentially flat with 1987. For 1988 and 1987 voluntary automobile rates increased only 1.3% and 6.2%, respectively, while homeowners premium rates decreased 2.9% in 1988 compared to an increase of .3% in 1987. The Company attempts to obtain rate increases as necessary based upon anticipated claim costs and underwriting gain objectives. Earned premiums of Resolute decreased 76.3% to $7.4 million in 1988 compared to $31.4 million a year earlier as Resolute stopped accepting new business and began reducing in-force business in late 1987.

Life and health insurance premiums increased to $57.1 million from $45.8 million in 1987 primarily due to higher premiums from health and annuity business, including $23.7 million of premium from Medicare Supplement policies in 1988.

In November 1988, California voters narrowly approved Proposition 103, which contains provisions governing rate rollbacks, rate-making limitations, policy cancellation procedures and other matters. The proposition would require an immediate rollback of rates to those in effect on November 8, 1987, an additional rate reduction of 20% and a one-year rate freeze. Beginning November 8, 1989, policyholders meeting "good-driver" criteria would receive a 20% discount below the rate the insurer would otherwise charge. The state supreme court, however, has stayed the implementation of the rollback, the first 20% reduction, and certain other provisions. The Corporation has suspended writing new business in the state and is continuing to evaluate its options. Approximately $150 million of premiums earned and 8% of automobiles insured by the Corporation in 1988 were related to its California business. Implementation of Proposition 103 could result in significant underwriting losses in California if the Corporation cannot charge rates based upon the cost of insurance coverage provided.

It is anticipated that certain groups may attempt to raise similar issues in other states, especially if all provisions of the California proposition are upheld by the court.

Net Investment Income — Consolidated pretax net investment income increased 9.8% to $143.5 million in 1988 compared to $130.7 million in 1987 and $125.1 million in 1986, reflecting the investment of additional cash flow and higher yields on fixed maturities and short-term investments. Aftertax net investment income was up 8.0% to $125.4 million compared to $116.2 million a year ago which was a 3.9% increase over 1986. The aftertax percentage increase in 1988 was lower than the pretax increase due primarily to a shifting of assets from tax-preferenced equity securities to short and intermediate-term taxable investments during 1987.

Interest on Loans Receivable — Interest on loans receivable of Government Employees Financial Corporation (GEFCO), our finance subsidiary, increased 15.0% to $31.2 million in 1988 from $27.1 million in 1987 and 1986, and reflects a required accounting change to the accrual method for recording interest income.

Equity in Earnings of Affiliates — Earnings of unconsolidated affiliates, which are reflected in the consolidated financial statements using the equity method of accounting, totaled $11.2 million for the year compared to $8.8 million in 1987 and $6.0 million in 1986. Earnings increased in Bond Investors Group, Inc. in 1988 and AVEMCO's earnings were slightly higher than 1987.

Other Revenue — Other revenue totaled $14.1 million in 1988, down from $17.9 million in 1987 and $15.8 million in 1986 due to decreased sales of timeshare intervals at two real estate projects.

BENEFITS AND EXPENSES

Losses, life benefits and loss adjustment expenses (LAE) totaled $1,260.7 million, up 11.4% from $1,132.0 million in 1987 and were $1,024.3 million in 1986. 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 83.2% in 1988 compared to 81.2% a year ago and 81.4% in 1986. These loss ratios for the past three years were the result of prompt recognition and implementation of needed rate changes, a continued dedication by management to disciplined underwriting, and aggressive fraud management. The loss ratio was adversely affected by Resolute's reinsurance operations in 1988 and 1987. Life benefits in 1988 and 1987 were $44.3 million and $34.7 million, respectively.

Policy acquisition and other operating expenses rose 8.5% to $315.0 million in 1988. As shown by the Significant Statutory Indicators (page 14), the ratio of general expenses to written premiums was 17.5%. As described in last year's report, GEICO is currently converting to policies with six-month premiums from twelve-month premiums for its voluntary auto business. During the conversion process, written premiums have been lower than normal, which artificially increased both the expense ratio and the underwriting ratio. The consolidated underwriting ratio for 1988 was 100.7% as compared to 96.7% in 1987. Adjusted to eliminate the effect of converting to six-month premiums, the consolidated underwriting ratio was 97.8% in 1988 and 96.4% in 1987 which, we believe, are better indicators of underwriting results during the conversion period.

The conversion to six-month premiums also affects deferred policy acquisition costs which are amortized over the policy contract period as the related written premiums are 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. We estimate that this accelerated amortization increased policy acquisition expenses by $14.1 million in 1988, which reduced operating earnings by approximately $9.3 million aftertax or $.59 per share. It is estimated that additional amortization of $4.5 million will also be incurred in 1989 before the conversion process is completed.

Policy acquisition expenses also include $4.5 million for the estimated unrecoverable costs of Medicare Supplement business due to lower projected persistency experience.

In 1986 the Corporation adopted Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions." This resulted in pension income of $3.4 million, $3.1 million and $3.6 million in 1988, 1987 and 1986, respectively, reflecting the amortization of the initial excess of plan assets over projected benefit obligations over approximately eleven years.

The Corporation expensed $7.3 million in 1988 for contributions to the GEICO Companies' Employee Stock Ownership Plan for principal and interest payments compared to $11.3 million in 1987 and $5.6 million in 1986.

The provision for loan losses of GEFCO, which is included in other operating expenses, was $3.7 million in 1988 compared to $4.7 million in 1987 and $1.2 million in 1986, primarily due to the depressed Colorado economy.

In 1986 dividends to policyholders of $10 million were accrued to be paid in some states where underwriting experience was more favorable than anticipated. No dividends were accrued in 1988 or 1987.

Interest expense from corporate debt increased to $19.8 million in 1988 compared to $16.8 million a year earlier and $18.4 million in 1986, reflecting debt incurred for the repurchase of shares in 1988. Interest expense for GEFCO decreased to $15.8 million in 1988 compared to $16.9 million in 1987 and $18.2 million in 1986, reflecting decreases in both average borrowings and the average cost of funds.

INCOME TAXES

Operating earnings before taxes were $145.6 million in 1988 compared to $163.9 million in 1987. Federal income taxes were $11.2 million in 1988 compared to $13.7 million in 1987, reflecting less pretax earnings and a decrease in the corporate tax rate on ordinary income from 40% to 34%, partially offset by a decrease in the "fresh start" tax benefit to $7.3 million in 1988 from $14.9 million in 1987. Under accounting rules currently used by the Corporation, the "fresh start" adjustment will also benefit future periods but to a decreasing extent. Operating earnings before tax increased to $163.9 million in 1987 from $137.3 million in 1986, while federal income tax expense decreased to $13.7 million in 1987 compared to $18.0 million in 1986 due to the $14.9 million "fresh start" benefit in 1987 and a decrease in the corporate tax rate from 46% to 40%.

The Tax Reform Act of 1986 included provisions to increase significantly current taxes payable for property and casualty insurance companies by accelerating the reporting of taxable income and by prorating investment income to tax indirectly 15% of the tax-exempt interest and dividends 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 (decrease) in unearned premiums as a tax deduction (income), and reporting 20% of the reserve for unearned premiums at December 31, 1986 as taxable income ratably over six years beginning in 1987. Additionally, the Internal Revenue Service has issued regulations to tax salvage and subrogation recoveries on an accrual basis rather than as collected beginning in 1988. Salvage and subrogation recoverable at December 31, 1987 will be reported as taxable income on a prorata basis over six years. 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 $25.8 million and $42.9 million in 1988 and 1987, respectively, compared to a tax benefit of $.7 million in 1986, reflecting the new tax provisions and higher pretax earnings. The current tax expense in 1988 was reduced by approximately $19.8 million due to the decrease in unearned premiums resulting from the conversion to six-month premium terms.

OPERATING EARNINGS

Consolidated operating earnings totaled $134.4 million, down 10.5% from $150.2 million in 1987 which was up 25.9% from $119.3 million in 1986. Operating earnings per share decreased 5.9% in 1988 to $8.48, following a 30.4% increase to $9.01 in

1987. Per share earnings in 1988 and 1987 included special tax benefits of $.46 and $.89 per share, respectively, as a result of the "fresh start" provisions of the Tax Reform Act of 1986. The number of shares of Common Stock outstanding was reduced in both 1988 and 1987 through the repurchase of shares, as explained in the Capital Structure section of this report. The weighted average shares outstanding were 15,860,524 in 1988 compared to 16,672,605 in 1987 and 17,260,930 in 1986.

NET INCOME

Net income totaled $189.0 million ($11.92 per share) compared to $177.9 million ($10.67 per share) in 1987 and $217.7 million ($12.61 per share) in 1986. Net income in 1988 reflected a net aftertax realized gain of $54.6 million ($3.44 per share) compared to 1987 and 1986 gains of $27.7 million ($1.66 per share) and $98.5 million ($5.70 per share), respectively. The aftertax realized gains reflect an increase in the long-term capital gains tax rate from 28% in 1986 to 34% for 1988 and 1987. The change in net unrealized appreciation of equity securities, which is reflected directly in shareholders' equity but not in net income, was a modest increase of $12.4 million in 1988 due primarily to taking significant realized gains during the year compared to a decrease of $72.3 million in 1987 due to the sharp decline in the equity markets in October 1987.

CAPITAL STRUCTURE

At December 31, 1988, the Corporation's capital structure consisted of 15,439,584 common shares outstanding, reduced through repurchases from the 17,696,738 shares outstanding on December 31, 1985. The repurchased shares are held in the Corporation's Treasury.

Through open market and private transactions, the Corporation acquired a net 1,045,400 shares for $94.8 million in 1986, 546,634 shares for $62.8 million in 1987 and 770,507 shares for $97.1 million in 1988. Under the current repurchase authorization, 1,287,872 shares remained unpurchased at December 31, 1988.

In 1988 the Corporation and GEFCO entered into a credit agreement with two banks enabling borrowing up to $150.0 million. The Corporation borrowed $60.0 million for the repurchase of shares and repaid $30.0 million of that debt prior to December 31, 1988. GEFCO has borrowed $32.0 million under the agreement to finance its operations.

In 1987 Resolute's $11.9 million of debt was paid in full and its revolving line of credit was terminated.

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 $18.1 million, $18.0 million and $11.0 million in 1988, 1987 and 1986, respectively. In the same period the Corporation accrued contributions of $24.1 million, enabling the Trust to make interest payments and repay $19.0 million of the loan principal. At December 31, 1988, the loan balance was $50.0 million. 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 material damage and medical payments claims and for automobile injury claims (other than medical payments) reported within the most recent three months. Case-basis estimates are established for autombile bodily injury liability, uninsured motorists and personal injury protection 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 costs 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 because GAAP reserves are reduced for anticipated salvage and subrogation recoveries. Reductions of $53.8 million, $45.7 million and $38.3 million for anticipated recoveries at December 31, 1988, 1987 and 1986, respectively, are reflected below. GAAP reserves at December 31, 1988, 1987 and 1986 also exclude $85.0 million, $85.0 million and $60.4 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 difference 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 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 on the next page presents the GAAP claim reserve liability for loss and LAE as originally estimated for the years 1978 through 1988, 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 1978 through 1987 as evaluated through December 31, 1988.

Reconciliation of Claim Reserves

(In millions)	1988	1987	1986
Reserves for loss and LAE at January 1	$ 993.4	$ 831.5	$ 698.6
Incurred loss and LAE			
Provision for current accident year claims	1,200.8	1,094.3	980.5
Increase (decrease) in provision for prior accident years claims	15.7	3.0	(4.4)
Total loss and LAE incurred	1,216.5	1,097.3	976.1
Payments for loss and LAE			
Payments on current accident year claims	(638.8)	(558.6)	(513.5)
Payments on prior accident years claims	(453.7)	(376.8)	(329.7)
Total payments for loss and LAE	(1,092.5)	(935.4)	(843.2)
Reserves for loss and LAE at December 31	$ 1,117.4	$ 993.4	$ 831.5

The Corporation strives to maintain adequate loss reserves. Consequently, Resolute Reinsurance Company increased its estimate of losses incurred for prior years by approximately $22 million in 1987 and an additional $19 million in 1988. The upward development of reserves for 1984 through 1987 is substantially due to these increased estimates of losses incurred for Resolute. Management believes that its aggregate provision for loss and loss adjustment expenses at December 31, 1988 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,	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Reserves for Loss and LAE	$482.2	$468.9	$470.7	$477.8	$518.1	$526.3	$580.2	$698.6	$831.5	$ 993.4	$1,117.4
Cumulative Payments as of:											
One year later	216.1	211.0	214.2	207.6	229.2	236.7	274.3	329.7	376.8	453.7	
Two years later	319.0	306.5	301.1	295.8	320.9	338.7	393.3	478.5	563.2		
Three years later	378.0	355.5	347.0	343.8	371.2	396.8	461.7	569.7			
Four years later	405.3	380.6	372.4	368.5	400.3	429.2	503.8				
Five years later	418.7	394.6	385.1	381.8	415.9	449.1					
Six years later	426.3	400.6	392.8	388.8	426.7						
Seven years later	429.5	405.0	396.4	394.6							
Eight years later	431.0	406.6	399.6								
Nine years later	432.4	408.6									
Ten years later	433.7										
Reserves Re-estimated as of:											
End of year	482.2	468.9	470.7	477.8	518.1	526.3	580.2	698.6	831.5	993.4	
One year later	470.2	455.1	453.5	447.4	470.6	481.6	563.6	694.2	834.5	1,009.1	
Two years later	464.8	444.6	430.4	422.8	451.1	480.3	562.5	707.8	862.2		
Three years later	458.2	430.7	414.9	413.9	445.5	479.7	580.7	729.7			
Four years later	450.8	419.4	412.1	406.3	445.5	493.3	597.4				
Five years later	441.7	419.0	406.4	407.4	454.5	505.7					
Six years later	442.5	414.2	407.8	410.0	458.7						
Seven years later	439.4	415.6	409.8	412.0							
Eight years later	439.4	416.0	411.5								
Nine years later	439.5	417.6									
Ten years later	440.9										
Upward (Downward) Development	$(41.3)	$(51.3)	$(59.2)	$(65.8)	$(59.4)	$(20.6)	$ 17.2	$ 31.1	$ 30.7	$ 15.7	—

Upward development of reserves for 1984 through 1987 is substantially 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 $221.5 million from operations in 1988 compared to $284.5 million in 1987 and $337.1 million in 1986. A substantial portion of the decrease in cash flow from operations in 1987 was due to the Tax Reform Act of 1986 which increased the amount of federal income taxes paid by property and casualty insurance companies. Cash flow declined further in 1988 because the conversion to six-month premiums caused a delay in collecting approximately $100 million of premiums compared to twelve-month premiums. Total cash flow in 1989 should not be adversely affected by six-month premiums since premiums written and billed will return to normal levels.

During the three-year period, the Corporation's financing activities included payments of $256.9 million net to repurchase its Common Stock and $66.6 million in dividends to its shareholders. In the same period, the Corporation used a net $515.5 million for investing activities.

The Corporation receives dividends from Government Employees Insurance Company, its principal subsidiary, which provides a portion of the funds necessary for parent company operations. 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 9.8% to $143.5 million in 1988 from $130.7 million in 1987 and $125.1 million in 1986. Investment income growth over the past three years was moderated due to substantial repurchases of the Corporation's Common Stock using funds which would otherwise have been available for investment.

Net new investments of $94.3 million were made in the consolidated portfolio in 1988. Net purchases made included $32.6 million of call options on Federal Home Loan Mortgage Corporation preferred stock, $218.3 million of tax-exempt bonds, and $9.8 million of U.S. Government/Agency bonds. Net sales included $76.6 million of common stocks along with $82.8 million of money market, sinking fund and other preferred stocks, and $18.2 million of corporate bonds. During the year, the Corporation realized a net aftertax gain of $54.6 million from the sale of investments. At year-end, the market value of fixed maturity investments was $1,684 million which was $13 million above statement carrying value.

Net unrealized appreciation of equity securities, after deferred taxes, as reflected in shareholders' equity, was $46.5 million compared to $34.2 million a year earlier.

The common stock portfolio, adjusted for purchases and sales, had a total aftertax return of 19.9% in 1988 compared to a loss of 5.2% in 1987. The comparable returns for the S&P 500 were 11.5% and 5.3%. The largest industry positions in the common stock portfolio at year-end were in insurance (13.8%), food (9.9%), railroads (9.4%) and energy (8.1%).

The GEICO Corporation Investment Summary on the next page shows the year-end consolidated investment portfolio for 1988, 1987 and 1986. 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, 1988, the Corporation and its subsidiaries held $95.5 million in cash and cash equivalents. In addition, approximately $146.8 million of the bond portfolio will mature in 1989.

FINANCIAL ACCOUNTING STANDARDS BOARD STATEMENTS

The Financial Accounting Standards Board has issued several statements which affect accounting practices used by the Corporation. See page 41 for a discussion of these statements, their implementation, and their effect on the Corporation's financial statements.

GEICO Corporation Investment Summary

(In millions)

	1988		1987	1986
	Carrying Value	% Portfolio	Carrying Value	Carrying Value
Short-term investments	$ 75.1	3.4%	$ 62.0	$ 47.2
Fixed maturities				
U.S. Government bonds	297.8	13.3	286.9	129.8
Corporate bonds	59.9	2.7	77.3	32.8
Tax-exempt bonds	1,259.9	56.4	1,041.5	897.1
Bonds	1,617.6	72.4	1,405.7	1,059.7
Redeemable preferred stocks	39.3	1.8	70.3	184.4
Other fixed maturities	13.9	.6	12.8	6.0
	1,670.8	74.8	1,488.8	1,250.1
Equity securities				
Preferred stocks	31.3	1.4	81.6	27.4
Common stocks	407.1	18.2	402.7	608.8
Call options	48.2	2.2	—	—
	486.6	21.8	484.3	636.2
Totals	$2,232.5	100.0%	$2,035.1	$1,933.5

GEICO Corporation Bond Maturity Table

(In millions)

	1988			1987		
Maturity	Amortized Value	% Portfolio	Market Value	Amortized Value	% Portfolio	Market Value
Less than one year	$ 146.8	9.1%	$ 146.7	$ 251.2	17.9%	$ 251.3
1-5 years	294.0	18.2	293.9	233.4	16.6	234.7
6-10 years	795.3	49.1	794.8	603.1	42.9	615.3
11-15 years	208.3	12.9	213.5	179.0	12.7	182.6
16-20 years	81.0	5.0	85.3	81.9	5.8	85.6
Greater than 20 years	48.5	3.0	49.0	35.8	2.6	36.1
Mortgage pools (1)	43.7	2.7	42.5	21.3	1.5	21.0
	$ 1,617.6	100.0%	$ 1,625.7	$ 1,405.7	100.0%	$ 1,426.6

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

Report of Ernst & Whinney, Independent Auditors

To The Shareholders
GEICO Corporation

We have audited the accompanying consolidated balance sheets of GEICO Corporation and subsidiaries as of December 31, 1988 and 1987, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1988. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of GEICO Corporation and subsidiaries at December 31, 1988 and 1987, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1988 in conformity with generally accepted accounting principles.

Ernst & Whinney

Washington, D.C.
February 17, 1989

GEICO Corporation
Consolidated Balance Sheet

December 31, in thousands of dollars

ASSETS	1988	1987*
Investments—Note D:		
Fixed maturities, at amortized cost (market $1,684,156 and $1,517,837)	**$1,670,766**	$1,488,793
Equity securities, at market (cost $427,014 and $443,405)	**486,586**	484,291
Short-term investments	**75,152**	62,055
Total Investments	**2,232,504**	2,035,139
Cash	**20,323**	21,149
Loans receivable, net—Note E	**194,546**	184,089
Investment in affiliates—Note A	**72,494**	62,151
Accrued investment income	**41,353**	34,998
Premiums receivable	**282,528**	439,891
Amounts receivable from sales of securities	**20,199**	26,836
Deferred policy acquisition costs—Note F	**84,052**	94,883
Property and equipment, at cost less accumulated depreciation of $60,421 and $54,761—Note G	**60,235**	59,498
Other assets	**52,317**	53,907
Total Assets	**$3,060,551**	$3,012,541

See Notes to Consolidated Financial Statements

**Restated as described in Note A*

LIABILITIES AND SHAREHOLDERS' EQUITY

	1988	1987*
Liabilities		
Policy liabilities:		
Property and casualty loss reserves	$ 958,016	$ 855,903
Life benefit reserves	67,200	51,935
Loss adjustment expense reserves	159,371	137,459
Unearned premiums	570,071	787,013
Dividends to policyholders	—	1,658
	1,754,658	1,833,968
Debt—Note G:		
Corporate and other	206,122	170,727
Finance company	93,833	89,586
Savings deposits—Note H	61,224	62,411
Amounts payable on purchase of securities	15,828	11,021
Other liabilities	182,003	182,300
Income taxes—Note I	39,493	27,850
Total Liabilities	2,353,161	2,377,863
Shareholders' Equity—Note J		
Common Stock—$1 par value, 60,000,000 shares authorized, 32,161,000 and 32,149,560 shares issued and 15,439,584 and 16,198,651 shares outstanding	32,161	32,149
Paid-in surplus	192,017	191,302
Unrealized appreciation of equity securities	46,530	34,158
Retained earnings	1,128,170	964,366
Treasury Stock, at cost (16,721,416 and 15,950,909 shares)	(641,488)	(544,340)
Guaranteed bank loans of Employee Stock Ownership Trust—Notes G and L	(50,000)	(42,957)
Total Shareholders' Equity	707,390	634,678
Total Liabilities and Shareholders' Equity	$3,060,551	$3,012,541

GEICO Corporation
Consolidated Statement of Income

For the year ended December 31, in thousands of dollars except per share results	1988	1987*	1986*
Revenue			
Premiums	**$1,556,883**	$1,435,528	$1,294,688
Net investment income	**143,502**	130,691	125,129
Interest on loans receivable	**31,159**	27,100	27,051
Equity in earnings of unconsolidated affiliates	**11,246**	8,785	5,990
Other revenue	**14,129**	17,916	15,792
Total Revenue	**1,756,919**	1,620,020	1,468,650
Benefits and Expenses			
Losses, life benefits, and loss adjustment expenses	**1,260,746**	1,131,982	1,024,333
Policy acquisition expenses—Note F	**150,053**	125,739	107,596
Other operating expenses	**164,964**	164,727	152,752
Provision for dividends to policyholders	—	—	10,000
Interest expense—Note G:			
Corporate and other	**19,755**	16,800	18,440
Finance company	**15,786**	16,896	18,241
Total Benefits and Expenses	**1,611,304**	1,456,144	1,331,362
Operating Earnings Before Income Taxes	**145,615**	163,876	137,288
Income tax expense—Note I	**11,172**	13,693	18,024
Operating Earnings	**134,443**	150,183	119,264
Realized gains on investments, net of tax—Note D	**54,595**	27,731	98,478
Net Income	**$ 189,038**	$ 177,914	$ 217,742
Per Share Results—Note K:			
Operating Earnings	**$ 8.48**	$ 9.01	$ 6.91
Net Income	**$11.92**	$10.67	$12.61

See Notes to Consolidated Financial Statements

**Restated as described in Note A*

GEICO Corporation
Consolidated Statement of Shareholders' Equity

For the year ended December 31, in thousands of dollars	1988	1987	1986
Common Stock:			
Balance, beginning of year	$ 32,149	$ 32,120	$ 32,056
Exercise of stock options	12	10	8
Payment of performance shares	—	19	56
Balance, end of year	32,161	32,149	32,120
Paid-in surplus:			
Balance, beginning of year	191,302	188,478	183,425
Proceeds over par value of stock issued upon:			
Exercise of stock options	624	482	299
Payment of performance shares	91	2,342	4,754
Balance, end of year	192,017	191,302	188,478
Unrealized appreciation of equity securities:			
Balance, beginning of year	34,158	106,423	97,608
Increase (decrease) in unrealized appreciation, net of deferred taxes—Note D	12,372	(72,265)	8,815
Balance, end of year	46,530	34,158	106,423
Retained earnings:			
Balance, beginning of year	964,366	808,549	609,273
Net income	189,038	177,914	217,742
Dividends ($1.64, $1.36 and $1.08 per share)	(25,711)	(22,447)	(18,466)
Tax benefit of dividends to Employee Stock Ownership Trust	477	350	—
Balance, end of year	1,128,170	964,366	808,549
Treasury Stock, at cost:			
Balance, beginning of year	(544,340)	(481,584)	(386,737)
Purchase of 792,272; 653,079 and 1,157,478 shares of Common Stock	(99,353)	(73,756)	(104,847)
Reissuance of 21,765; 106,445 and 112,078 shares of Common Stock	2,205	11,000	10,000
Balance, end of year	(641,488)	(544,340)	(481,584)
Guaranteed bank loans of Employee Stock Ownership Trust:			
Balance, beginning of year	(42,957)	(29,989)	(19,989)
Borrowings	(18,143)	(17,957)	(11,000)
Repayments	11,100	4,989	1,000
Balance, end of year	(50,000)	(42,957)	(29,989)
Total Shareholders' Equity	$ 707,390	$634,678	$623,997

See Notes to Consolidated Financial Statements

GEICO Corporation
Consolidated Statement of Cash Flows

For the year ended December 31, in thousands of dollars	1988	1987*	1986*
Operating Activities:			
Operating earnings	**$ 134,443**	$ 150,183	$ 119,264
Adjustments to reconcile operating earnings to net cash provided by operating activities:			
Net premiums receivable	**157,363**	(16,345)	(62,440)
Deferred policy acquisition costs	**10,831**	(16,304)	(15,502)
Loss, life benefit and loss adjustment expense reserves	**139,290**	177,928	141,696
Unearned premiums	**(216,942)**	45,667	100,922
Dividends to policyholders	**(1,658)**	(8,342)	10,000
Unearned finance charges and allowance for loan losses	**(180)**	1,543	(3,273)
Income taxes	**5,472**	(51,094)	20,225
Equity in undistributed earnings of affiliates	**(10,264)**	(7,962)	(5,272)
Provision for depreciation	**10,371**	11,149	10,244
Accrual of discount and amortization of premiums on investments	**(1,825)**	(2,393)	(3,326)
Reinsurance balances and other	**(5,388)**	484	24,560
Net cash provided by operating activities	**221,513**	284,514	337,098
Investing Activities:			
Purchase of investments	**(1,471,344)**	(1,187,898)	(1,421,697)
Change in payable on security purchases	**4,807**	(6,347)	(65,036)
Sale of investments, net of related taxes	**1,349,785**	1,007,633	1,330,507
Change in receivable from security sales	**6,637**	43,178	(28,361)
Principal collected on longer-term loans	**64,978**	71,137	83,804
Longer-term loans originated or acquired	**(73,130)**	(84,566)	(103,531)
Investment in affiliates and subsidiaries	**(250)**	(1,182)	(4,000)
Purchase of property and equipment, net	**(11,108)**	(10,757)	(8,889)
Other	**(1)**	118	(10)
Net cash used by investing activities	**(129,626)**	(168,684)	(217,213)
Financing Activities:			
Issuance of debt	**112,000**	15,300	900
Repayment and repurchase of debt	**(70,524)**	(19,296)	(31,816)
Net change in short-term borrowings	**(9,050)**	960	14,390
Net change in passbook savings deposits	**(1,098)**	(938)	(475)
Proceeds from sales of certificates of deposit	**20,601**	31,594	33,380
Payments for maturing certificates of deposit	**(20,690)**	(54,164)	(28,717)
Proceeds from exercise of stock options	**636**	492	307
Purchase of Common Stock (Treasury)	**(99,353)**	(73,756)	(104,847)
Reissuance of Common Stock (Treasury)	**—**	11,000	10,000
Dividends paid to shareholders	**(25,711)**	(22,447)	(18,466)
Other	**476**	346	(21)
Net cash used by financing activities	**(92,713)**	(110,909)	(125,365)
Change in cash	**(826)**	4,921	(5,480)
Cash at beginning of year	**21,149**	16,228	21,708
Cash at end of year	**$ 20,323**	$ 21,149	$ 16,228

See Notes to Consolidated Financial Statements

**Restated as described in Note A*

GEICO Corporation
Notes to Consolidated Financial Statements

NOTE A: CONSOLIDATION

The consolidated financial statements include the accounts of GEICO Corporation (the Corporation) and its subsidiaries. Investments in 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.

In 1988 the Corporation adopted Statement of Financial Accounting Standards No. 94, "Consolidation of All Majority-Owned Subsidiaries" and restated prior periods. Accordingly, Government Employees Financial Corporation (GEFCO), a 100% owned consumer finance company, and two real estate partnerships which were previously accounted for using the equity method are now included in the consolidated financial statements and notes. This change was not material to the financial statements and had no effect on net income or shareholders' equity.

Significant intercompany accounts and transactions have been eliminated.

PROPERTY AND CASUALTY INSURANCE

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

Condensed Balance Sheets *(In thousands)*	December 31, **1988**	1987
Assets		
Investments		
Short-term investments	**$ 59,701**	$ 41,257
Fixed maturities	**1,470,238**	1,307,245
Equity securities	**465,037**	447,178
Affiliates	**130,038**	122,635
Cash	**13,261**	11,144
Property and equipment, net	**50,781**	50,975
Premiums receivable, net	**279,074**	426,996
Deferred policy acquisition costs	**54,063**	68,832
Other assets	**69,485**	79,157
	$2,591,678	$2,555,419
Liabilities and Shareholder's Equity		
Reserves for losses and loss adjustment expenses	**$1,058,023**	$ 937,058
Unearned premiums	**566,262**	776,703
Other liabilities	**190,792**	188,542
Shareholder's equity	**776,601**	653,116
	$2,591,678	$2,555,419

Condensed Income Statements *(In thousands)*	Year Ended December 31, **1988**	1987	1986
Premiums	**$1,492,361**	$1,358,321	$1,191,601
Net investment income	**119,885**	105,362	98,347
Equity in earnings of:			
GEFCO	**3,331**	240	5,028
AVEMCO	**—**	4,888	3,325
BIG	**5,220**	4,003	2,473
Other affiliates	**(1,314)**	2,496	2,211
Total Revenue	**1,619,483**	1,475,310	1,302,985
Losses and loss adjustment expenses	**1,186,837**	1,053,412	944,386
Other expenses	**247,979**	222,678	199,858
Interest expense	**4,783**	3,803	3,966
Income tax expense	**22,745**	26,863	25,800
Total Benefits and Expenses	**1,462,344**	1,306,756	1,174,010
Operating Earnings	**157,139**	168,554	128,975
Realized gains	**46,960**	42,774	93,300
Net Income	**$ 204,099**	$ 211,328	$ 222,275

PARENT COMPANY OPERATIONS

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

(In thousands)	1988	1987	1986
Net Income—GEICO	$ 204,099	$ 211,328	$ 222,275
Parent company operations:			
Investment income	4,302	5,441	6,244
Operating expenses, net	(7,110)	(5,039)	(9,714)
Interest expense	(14,820)	(11,655)	(13,200)
Tax benefit	4,245	5,052	9,279
Realized gains	7,735	228	4,414
Equity in income of affiliates	(9,413)	(27,441)	(1,556)
Total parent company operations	(15,061)	(33,414)	(4,533)
Net Income—GEICO Corporation	$ 189,038	$ 177,914	$ 217,742

RESOLUTE GROUP, INC.

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

(In millions)	1988	1987	1986
Investments	$ 54.5	$ 64.2	$ 60.1
Total assets	68.2	84.9	89.4
Loss and loss adjustment expense reserves	59.4	56.3	36.1
Shareholder's equity	6.0	9.0	9.4
Premiums earned	7.4	31.4	39.5
Underwriting loss	(28.6)	(24.9)	(3.0)
Net investment income	4.3	4.2	4.2
Net income (loss)	(16.0)	(13.2)	.9

LIFE INSURANCE

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

(In millions)	1988	1987	1986
Investments	$ 95.1	$ 83.9	$ 66.9
Total assets	140.6	121.8	97.1
Shareholder's equity	51.4	48.2	36.1
Premiums	57.1	45.8	63.6
Net investment income	8.7	7.1	6.8
Net income (loss)	(1.3)	2.6	2.7

GEFCO

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

(In millions)	December 31,	
Condensed Balance Sheets	1988	1987
Cash and investments	$ 22.7	$ 27.2
Net finance receivables	194.8	184.1
Other assets	10.2	11.3
Total assets	$227.7	$222.6
Notes and debentures payable	$100.8	$ 97.1
Liability for savings deposits	61.3	62.5
Other liabilities	19.4	15.7
Total liabilities	181.5	175.3
Shareholder's equity	46.2	47.3
Total liabilities and equity	$227.7	$222.6

	Year Ended December 31,		
Condensed Income Statements	1988	1987	1986
Interest on finance receivables	$31.1	$27.1	$27.1
Investment and other income	2.4	5.8	10.2
Total revenue	33.5	32.9	37.3
Interest and capital financing expenses	16.6	17.8	18.8
Other operating expenses	12.2	13.4	9.3
Income taxes	1.6	.3	2.7
Discontinued operations, net of tax	–	1.3	1.7
Net income	$ 3.1	$ .1	$ 4.8

GEICO received dividends of $3,447,000 in 1988, $2,095,000 in 1987, and $1,206,000 in 1986 from GEFCO.

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, partnership interests in two real estate projects which are developing and selling timeshare vacation units jointly with GEFCO, and oil and gas exploration joint ventures. The real estate financing loan is currently in bankruptcy proceedings but the Company believes its investment is adequately collateralized.

Summary financial data for Plaza are as follows:

(In millions)	December 31,	
Condensed Balance Sheets	1988	1987
Investments in:		
Real estate financing loan	$ 13.9	$ 12.8
Real estate development partnerships	8.6	5.7
Producing oil and gas fields	1.2	1.9
Other assets and liabilities, net	.4	.4
Shareholder's equity	$ 24.1	$ 20.8
Net income (loss)	$ .2	$ (.3)

AVEMCO

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

(In millions)	1988	1987	1986
Total assets	$202.9	$194.5	$174.5
Shareholders' equity	84.0	68.4	63.1
Revenue	106.4	116.2	95.2
Net income	18.4	19.7	12.2

In November 1987, GEICO Indemnity sold its investment in AVEMCO to the Corporation. The Corporation received dividends of $982,000 in 1988 and $211,000 in 1987 from AVEMCO. GEICO Indemnity received dividends of $612,000 in 1987 and $718,000 in 1986 from AVEMCO.

At December 31, 1988, the total market value of AVEMCO shares held by the Corporation was $78.2 million.

BOND INVESTORS GROUP, INC.

GEICO owns a 20% interest in BIG, a municipal bond guarantee insurance company. GEICO's equity in BIG's net income approximated $5.0 million in 1988, $4.3 million in 1987, and $2.5 million in 1986.

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 stocks, nonredeemable preferred stocks and call options) 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, 1988, before deferred tax effects, consisted of gross gains of $72.1 million and gross losses of $12.5 million.

DEFERRED POLICY ACQUISITION COSTS

Costs that vary with and are directly related to the production of business and are recoverable have been deferred. Such costs include commissions, premium taxes, advertising and certain underwriting and policy issuance costs. The costs of acquiring property and casualty insurance are being amortized to income as the related written premiums are earned. The costs of acquiring life and health insurance are being amortized based on actual and projected 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 $53.8 million and $45.7 million at December 31, 1988 and 1987, 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, 1988 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 and health 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.

INTEREST ON LOANS RECEIVABLE

In 1988 GEFCO adopted the accrual method for recording interest income, with suspension of accrual if collectibility is not probable. Previously, GEFCO recognized interest from interest-bearing receivables as collected. As a result of this accounting change, interest on loans receivable increased by approximately $2.4 million with a resulting increase in net income of approximately $1.5 million.

LOAN CHARGE-OFF POLICY

Unsecured personal loans which are at least 31 days contractually delinquent and have not paid the equivalent of one regular installment amount in the preceding six months are written off monthly. Additionally, all unsecured personal loan accounts are written off upon receipt of bankruptcy notices. Loans secured by real estate which have not paid the equivalent of one regular installment amount in the prior three months are reviewed monthly, and the portion deemed uncollectible is written off by the end of a calendar quarter. At time of foreclosure, loans are written down to an estimated net realizable value.

ALLOWANCE FOR LOAN LOSSES

The allowance is established based upon estimates of future net losses, loss experience and prevailing economic conditions. Continuing efforts are made to recover all monies written off and such recoveries are credited to the allowance for loan losses.

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, 1988, the Corporation's balance sheet includes net negative goodwill of $4.2 million for consolidated subsidiaries and goodwill of $4.8 million for unconsolidated subsidiaries.

NEW ACCOUNTING STANDARDS

During 1988, the Corporation adopted Statement of Financial Accounting Standards No. 95 entitled "Statement of Cash Flows." As a result, the Statement of Changes in Financial Position has been replaced by a Statement of Cash Flows. In late 1987, the Financial Accounting Standards Board issued new standards on accounting for income taxes and accounting and reporting for certain life insurance and annuity contracts and realized gains and losses on sale of investments. Implementation of the new standard on accounting for income taxes, which is required for 1990 with earlier adoption permitted, will require an adjustment of deferred taxes to the liability method. The effect of implementing this standard on the Corporation's financial statements is not yet determinable. Implementation of the new standard for life insurance and annuity contracts and 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. Additionally, certain annuities without mortality risks will be accounted for as investment contracts. Implementation of this standard will not have a significant effect on the Corporation's net income or shareholders' equity. The Corporation anticipates adopting these statements in the years required.

NOTE C: STATUTORY RESULTS

Consolidated net income for all property and casualty insurance subsidiaries was $173.0 million in 1988, $140.8 million in 1987, and $207.8 million in 1986 as determined under statutory practices. Consolidated shareholder's equity under statutory practices for these subsidiaries was $650.9 million and $548.4 million at December 31, 1988 and 1987, respectively.

Consolidated life insurance subsidiaries reported net losses of $2.0 million in 1988, $9.5 million in 1987 and $2.4 million in 1986 as determined under statutory practices. Consolidated shareholder's equity under statutory practices for these subsidiaries was $17.5 million and $15.9 million at December 31, 1988 and 1987, 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 $776.6 million at December 31, 1988, of which approximately $334.9 million is available for payment of dividends in 1989 and other amounts may be available in the form of loans or cash advances. During 1988 the Corporation received $92.1 million in dividends from these subsidiaries.

NOTE D: INVESTMENT OPERATIONS

INVESTMENT INCOME

The sources of investment income are summarized as follows:

(In thousands)	1988	1987	1986
Fixed maturities	$114,242	$100,431	$ 94,711
Equity securities	20,888	21,741	20,912
Short-term investments	13,102	12,689	11,123
Other	1,636	2,783	3,964
Total investment income	149,868	137,644	130,710
Investment expenses	6,366	6,953	5,581
Net investment income	$143,502	$130,691	$125,129

Investments in fixed maturities with a carrying value of $15.8 million were non-income producing for the twelve month period ended December 31, 1988.

REALIZED GAINS (LOSSES)

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

(In thousands)	1988	1987	1986
Fixed maturities	$ 1,748	$ 1,432	$ 14,449
Equity securities	80,835	39,874	131,629
Equity in affiliates' realized gains (losses) and other	(232)	713	651
	82,351	42,019	146,729
Income taxes	(27,756)	(14,288)	(48,251)
Realized gains, net of taxes	$ 54,595	$ 27,731	$ 98,478

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)	1988	1987	1986
Increase (decrease) in unrealized appreciation	$ 18,685	$ (107,043)	$ 11,637
Equity in affiliates' unrealized appreciation (depreciation)	61	(3,113)	414
Deferred income taxes	(6,374)	37,891	(3,236)
Increase (decrease) in unrealized appreciation, net of deferred taxes	$ 12,372	$ (72,265)	$ 8,815

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)	1988	1987	1986
Market value	$1,684,156	$1,517,837	$1,335,426
Amortized cost	1,670,766	1,488,793	1,249,992
Unrealized appreciation at December 31	$ 13,390	$ 29,044	$ 85,434
Unrealized appreciation (depreciation) during the year	$ (15,654)	$ (56,390)	$ 62,576

NOTE E: LOANS RECEIVABLE

LOANS RECEIVABLE

Loans receivable is comprised of GEFCO's personal and collateral loans, with maximum terms of 60 months and 180 months, respectively. The collateral loans are primarily secured by residential real estate and purchase-money mortgages secured by timeshare intervals in resort condominiums.

Loans receivable including accrued interest consists of the following:

(In thousands)	December 31, 1988	December 31, 1987
Personal loans	$ 18,346	$ 18,833
Collateral loans	183,209	171,664
Total loans receivable	201,555	190,497
Allowance for loan losses	(7,009)	(6,408)
Loans receivable, net	$194,546	$184,089

At December 31, 1988 and 1987, the accrual of interest income was suspended on $133,000 and $6,850,000 of personal and collateral loans, respectively.

CONTRACTUAL MATURITIES

The approximate contractual maturities of the installments of the loans receivable at December 31, 1988 were as follows:

(In thousands)	Personal Loans	Collateral Loans	Total
1989	$ 9,193	$ 68,362	$ 77,555
1990	5,854	39,833	45,687
1991	2,507	23,908	26,415
1992	584	19,279	19,863
1993 and after	208	31,827	32,035
	$18,346	$183,209	$201,555

A substantial portion of the personal loans and some of the collateral loans may be renewed or paid in full prior to contractual maturity dates. Accordingly, the table above is not a forecast of future cash collections. During the years ended December 31, 1988 and 1987, principal cash collections on loans receivable were approximately $60.0 million and $66.8 million respectively.

ALLOWANCE FOR LOAN LOSSES

Changes in the allowance for loan losses were as follows:

(In thousands)	1988	1987
Balance at beginning of year	$ 6,408	$ 6,389
Provision for loan losses	3,675	4,749
Increase applicable to installment notes purchased	-	254
Loans charged off	(4,156)	(6,127)
Recoveries	1,082	1,143
Balance at end of year	$ 7,009	$ 6,408

NOTE F: POLICY ACQUISITION COSTS

Policy acquisition costs information is summarized as follows:

(In thousands)	1988	1987	1986
Policy acquisition costs incurred:			
Commission and brokerage	$ 36,597	$ 35,602	$ 28,496
Premium taxes	29,345	32,688	29,241
Salaries, direct mail selling and other	73,280	73,753	65,361
	$139,222	$142,043	$123,098
Policy acquisition costs expensed	$150,053	$125,739	$107,596

GEICO is converting its automobile policies to a six-month premium term from a twelve-month term. Shifting to a shorter premium term means that certain acquisition costs for salaries, direct mail selling and other costs will be expensed over six months instead of twelve months. It is estimated that this accelerated amortization increased policy acquisition costs expensed in 1988 by $14.1 million.

Additionally, policy acquisition costs expensed in 1988 include $4.5 million for estimated unrecoverable costs of Medicare Supplement business due to lower projected persistency experience.

NOTE G: DEBT

Debt consists of the following:

(In thousands)	December 31, 1988	December 31, 1987
Corporate and Other		
GEICO Corporation unsecured debt—		
13 1/2% Debentures, 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 amount outstanding January 1990 (net of Debentures held in treasury)	59,454	59,454
Revolving credit agreement, variable short-term interest rate (9.59% at December 31, 1988)	30,000	-
Secured debt of real estate subsidiaries—		
GEICO Properties, Inc.:		
8 1/4% notes, due in equal quarterly installments of $339 including interest, until 2004	11,787	12,150
8 1/2% note, due in equal quarterly installments of $196 including interest, until 2004	6,732	6,934
GEICO Washington Properties, Inc.:		
9 3/8% note, due in equal monthly installments of $203 including interest, until 2010	22,499	22,812
Variable rate mortgage on timeshare property	650	1,420
Guaranteed bank loans of Employee Stock Ownership Trust	50,000	42,957
Total corporate and other debt	206,122	170,727
Finance Company		
GEFCO unsecured debt—		
Commercial paper, guaranteed by GEICO Corporation	22,750	32,650
Bank lines of credit	850	-
12½% senior note, repaid in 1988	-	3,000
12.55% senior note, repaid in 1988	-	5,000
9 1/2% senior notes, $1,547 due in 1989, balance of $337 due in 1990	1,884	3,431
9.27% senior notes, due in 1991	10,000	-
Variable rate senior notes, due in quarterly installments of $938 until 1991 (10.225% and 9.28% rate at 12/31/88 and 12/31/87, respectively)	11,250	15,000
9.44% senior notes, due in 1992	10,000	-
9.89% senior notes, due in 1992	12,000	-
12 3/4% senior notes, due in annual installments of $3,000 until 1992	12,000	15,000
11 5/8% senior notes, $1,180 due annually until 1992, balance of $1,072 due in 1993	5,792	6,972
11% senior subordinated notes, $90 due annually until 1993, balance of $21 due in 1994	470	560
14 1/2% senior subordinated notes, $91 due annually until 1993, balance of $13 due in 1994	468	558
9% senior subordinated debentures due 1992, annual sinking fund requirements of $600	6,369	7,415
Total finance company debt	93,833	89,586
Total debt	$ 299,955	$ 260,313

DEBT AGREEMENTS

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

During 1988 the Corporation and GEFCO entered into a credit agreement with two banks under which the Corporation and GEFCO may borrow up to $150 million and $75 million, respectively, with total borrowings not to exceed $150 million. Beginning September 30, 1990 the amount which may be borrowed is reduced by $25 million every six months until the agreement terminates on March 31, 1993. The agreement provides several options for interest and repayment terms and a commitment fee is due on the unused credit line at 1/8 of 1% per annum. At December 31, 1988, the Corporation and GEFCO have borrowed $30 million and $32 million, respectively, under this agreement.

GEFCO's various long-term debt agreements and indentures contain provisions which, among others, require that GEFCO and its finance subsidiaries maintain a defined net worth, maintain certain ratios of debt to capital and subordinated indebtedness, and restrict the payment of cash dividends. Under the most restrictive provision regarding cash dividends approximately $3,320,000 of GEFCO's retained earnings was available for cash dividends at December 31, 1988.

At December 31, 1988, $850,000 of GEFCO's debt was borrowed under bank lines of credit totaling $20,000,000. The unused bank lines of $19,150,000 and $22,000,000 at December 31, 1988 and 1987, respectively were available for additional bank borrowings and to support commercial paper borrowings. Bank lines of credit agreements generally provide that GEFCO pay an annual commitment fee of 1/4 of 1% of the bank's credit line plus maintain compensating balances on usage. While compensating balances are not legally restricted as to withdrawals, their maintenance is necessary to assure continued availability of the bank credit lines, which are subject to periodic review and adjustment, including discontinuance, by the lending institutions or GEFCO.

Interest of $33.3 million, $33.0 million and $35.3 million was paid during 1988, 1987 and 1986, respectively.

DEBT MATURITIES

The aggregate maturities of consolidated debt (assuming the application of Debentures held in treasury to the earliest sinking fund requirements) for the years 1989 through 1993 are: $43.1 million; $17.9 million; $29.9 million; $65.8 million and $32.2 million, respectively.

SECURED DEBT

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.

NOTE H: SAVINGS DEPOSITS

Savings deposits held by GEIBank Industrial Bank, a subsidiary of GEFCO, include passbook savings deposits of $6,230,000 and $7,328,000 at December 31, 1988 and 1987, respectively, and time savings deposits of $54,994,000 and $55,083,000 at December 31, 1988 and 1987, respectively.

The rates of interest on the time savings deposits ranged from 4.75% to 13.7% per annum depending on the amount and term.

The scheduled maturities of time savings deposits at December 31, 1988 were as follows:

(In thousands)	
1989	$ 13,513
1990	11,649
1991	9,158
1992	8,009
1993	5,266
1994 and after	7,399
	$ 54,994

NOTE I: INCOME TAXES

TAX PROVISION

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

(In thousands)	1988	1987	1986
Tax expense (benefit) on:			
Tax basis income (loss)	$ 25,802	$ 42,876	$ (722)
Timing differences	(14,630)	(29,183)	18,746
Income tax provision	$ 11,172	$ 13,693	$ 18,024

EFFECTIVE TAX RATE RECONCILIATION

A reconciliation of the effective tax rates in the consolidated statement of income to the prevailing federal income tax rates of 34% in 1988, 40% in 1987 and 46% in 1986 is as follows:

(In thousands)	1988	1987	1986
Income tax provision at the prevailing rate of pretax income	$ 49,509	$ 65,550	$ 63,152
Effect of:			
Tax-exempt interest income	(26,691)	(27,097)	(24,321)
Dividends received deduction	(6,082)	(11,559)	(18,546)
Proration of investment income	1,804	1,022	–
Fresh start adjustment	(7,323)	(14,907)	–
Affiliates' undistributed earnings	57	651	(429)
Capital gains rate differential	–	(393)	(1,278)
Other items	(102)	426	(554)
Income tax provision	$ 11,172	$ 13,693	$ 18,024

The tax provision for 1988 and 1987 was reduced by $7.3 million and $14.9 million, respectively, 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.

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)	1988	1987	1986
Deferral of policy acquisition costs	$ (3,614)	$ 6,621	$ 6,698
Unearned premiums	6,316	(13,538)	–
Discounting of reserves	(15,156)	(25,085)	–
Deferred compensation	(1,288)	(2,184)	(1,421)
Tax benefit transfer leases	(1,192)	(1,115)	4,833
Other policy liabilities	(7,756)	5,264	5,200
Pension cost	1,111	1,250	1,684
Affiliates' undistributed earnings	3,547	3,840	1,997
Benefit of life companies' net operating loss	2,681	(3,154)	–
Other	721	(1,082)	(245)
Deferred tax provision	$ (14,630)	$ (29,183)	$ 18,746

During 1982 the Corporation invested $16.3 million in "safe harbor" tax benefit transfer leases resulting in an increase of $1.2 million and $1.1 million in current income taxes payable for 1988 and 1987, respectively, and a reduction of $4.8 million in current income taxes payable for 1986. 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, 1988	1987
Current tax payable (recoverable)	$ 2,572	$ (16,903)
Deferred tax payable	24,443	38,649
Deferred tax related to unrealized appreciation on equity securities	12,478	6,104
Income tax liability	$ 39,493	$ 27,850

Federal income taxes of $33.0 million, $80.0 million and $40.7 million were paid during 1988, 1987 and 1986, respectively.

TAXATION OF LIFE INSURANCE SUBSIDIARIES

Effective January 1, 1988 the life insurance subsidiaries are included in the Corporation's consolidated federal income tax return. During 1988 the life insurance subsidiaries' $7.9 million tax basis net operating loss carryforward was utilized.

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 J: SHAREHOLDERS' EQUITY

SHARE ACQUISITIONS

The Corporation purchased 792,272, 653,079, and 1,157,478 shares of Common Stock in 1988, 1987 and 1986, respectively, for an aggregate cost of $99,353,131, $73,755,079, and $104,847,873.

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, 1988 and February 17, 1989, 1,287,872 and 1,153,555 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 exercisable 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 $5,086,709, $3,608,571 and $3,204,594 were made against 1988, 1987 and 1986, 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, 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
Exercised	–	23.50	(5,000)
Balance at December 31, 1988	–	$ 11.88 to $23.50	15,690
1985 Stock Option Plan:			
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
Granted	(21,100)	121.63	21,100
Exercised	–	59.38 to 121.25	(14,480)
Forfeited	4,360	69.00 to 121.63	(4,360)
Balance at December 31, 1988	269,201	$ 59.38 to $121.63	445,672

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, 1988, 80,892 performance share awards were outstanding and 169,172 shares remained available for future awards. Payment for 27,819 performance shares, consisting of 21,765 shares of Common Stock, 3,285 deferred shares and $292,130 in cash was made in 1988. 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 $3,562,940, $3,270,678, and $4,759,542 were made against 1988, 1987 and 1986 earnings, respectively, under the plan. A total of 980,627 authorized shares have been reserved for stock options, performance share awards, and stock appreciation rights.

NOTE K: EARNINGS PER SHARE

The computation of earnings per share is based on the weighted average number of common shares assumed outstanding of 15,860,524 in 1988, 16,672,605 in 1987, and 17,260,930 in 1986.

NOTE L: 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 $7,307,000, $11,253,000 and $5,561,000 to expense for amounts contributed to the Trust for 1988, 1987 and 1986, respectively. The obligations of the Trust, $50.0 million and $43.0 million at December 31, 1988 and 1987, respectively, are included in the Corporation's long-term debt and a like amount deducted from shareholders' equity.

PROFIT SHARING PLAN

The Corporation has a Profit Sharing Plan covering substantially all employees. Employer contributions of a discretionary amount are declared by the Board of Directors based on profits. Employer contributions of $4,800,000, $3,983,000, and $4,817,000 were charged to expense in 1988, 1987 and 1986, 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, 1988 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 $4,612,000. Pension expense (income) as determined under Statement No. 87 included the following:

(In thousands)	1988	1987	1986
Service cost—benefits earned during the year	$ 2,514	$ 2,737	$ 2,462
Interest cost on projected benefit obligation	5,852	5,441	4,658
Actual return on plan assets	(17,973)	(1,184)	(17,768)
Amortization of net asset existing at January 1, 1986	(3,426)	(3,426)	(3,426)
Other amortization and deferral	9,680	(6,649)	10,425
Net pension expense (income)	$ (3,353)	$ (3,081)	$ (3,649)

The funded status of the plan was as follows:

(In thousands)	December 31, 1988	1987
Actuarial present value of benefit obligations:		
Vested	$ 54,454	$ 46,758
Non-vested	838	2,710
Accumulated benefit obligation	55,292	49,468
Effect of projected future salary increases	22,354	18,363
Projected benefit obligation	77,646	67,831
Plan assets at market value	122,408	107,864
Plan assets in excess of projected benefit obligation	44,762	40,033
Unrecognized net gain	(12,679)	(7,499)
Unrecognized prior service costs	1,501	1,004
Unrecognized net asset at January 1, 1986 being recognized over eleven years	(27,811)	(31,238)
Pension asset	$ 5,773	$ 2,300

The projected benefit obligation was determined using an assumed discount rate of 8.25%, assumed long term rate of return on plan assets of 8%, and assumed salary increases of 6.5% in both years.

NOTE M: 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, 1988	1987
Policy liabilities		
Loss and loss adjustment expense reserves	$110,854	$ 72,658
Unearned premium reserve	13,896	15,983

	1988	1987	1986
Premiums written	$ 18,718	$ 28,982	$ 48,126
Premiums earned	20,805	31,278	45,033
Loss and loss adjustment expense incurred	57,507	27,707	41,892

NOTE N: 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, 1988	1987
Dollar value of financial guarantees	$43,151	$92,501
Unearned premiums	2,012	3,837
Loss reserves	5,486	10,265

	1988	1987	1986
Premiums earned	$ 1,030	$ 1,288	$ 636
Losses incurred	666	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 M—Reinsurance.

NOTE O: COMMITMENTS AND CONTINGENCIES

Rental expense for all leases was $14.4 million in 1988, $12.8 million in 1987, and 12.5 million in 1986.

The Corporation and its subsidiaries have entered into noncancellable leases expiring at various dates through 1998 for both real estate and equipment, all of which are operating leases. The future minimum rental commitments as of December 31, 1988 for noncancellable leases with a remaining term of at least one year are as follows:

(In thousands)	Building Space	Equipment	Total
1989	$ 3,661	$ 4,506	$ 8,167
1990	3,154	4,708	7,862
1991	2,618	4,198	6,816
1992	2,112	3,012	5,124
1993	1,534	1,198	2,732
1994 and after	521	46	567
	$ 13,600	$ 17,668	$ 31,268

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 P: BUSINESS SEGMENTS

The Corporation is principally engaged in the following industries: property and casualty insurance, reinsurance, life and health insurance, and finance. Segment information is summarized as follows:

(In thousands)	1988	1987	1986
Revenue:			
Property and casualty insurance	$1,612,246	$1,463,683	$1,289,948
Reinsurance	11,783	35,563	43,685
Life and health insurance	65,753	52,907	70,438
Finance	33,689	33,451	37,211
Other	14,974	17,273	15,360
Segment revenue	1,738,445	1,602,877	1,456,642
Corporate, affiliates, and eliminations	18,474	17,143	12,008
Total revenue	$1,756,919	$1,620,020	$1,468,650
Operating earnings before income taxes:			
Property and casualty insurance	$ 177,429	$ 187,593	$ 145,704
Reinsurance	(24,219)	(20,738)	1,258
Life and health insurance	(1,977)	3,688	3,355
Finance	4,808	191	5,756
Other	951	1,122	(986)
Segment operating earnings before income taxes	156,992	171,856	155,087
Corporate, affiliates, and eliminations	(11,377)	(7,980)	(17,799)
Operating earnings before income taxes	$ 145,615	$ 163,876	$ 137,288
Indentifiable assets:			
Property and casualty insurance	$2,461,640	$2,432,785	$2,315,435
Reinsurance	68,239	84,914	89,194
Life and health insurance	140,608	121,793	97,091
Finance	220,127	211,907	226,264
Other	40,195	39,181	32,462
Segment assets	2,930,809	2,890,580	2,760,446
Corporate, affiliates, and eliminations	129,742	121,961	133,987
Total assets	$3,060,551	$3,012,541	$2,894,433

GEICO Corporation
Supplemental Financial Information

QUARTERLY HIGHLIGHTS OF OPERATING RESULTS (UNAUDITED)

(In millions, except per share results)

	1988				1987			
	Three Months Ended				Three Months Ended			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Revenue								
Premiums	$ 401.6	$ 396.2	$ 382.3	$ 376.8	$ 378.7	$ 369.6	$ 353.0	$ 334.3
Net investment income	36.6	38.1	34.4	34.4	32.9	33.5	31.6	32.7
Interest on loans receivable	7.6	7.4	9.3	6.8	6.6	6.7	6.9	6.9
Affiliates and other	6.5	6.5	6.1	6.3	7.6	6.8	7.5	4.8
Total Revenue	452.3	448.2	432.1	424.3	425.8	416.6	399.0	378.7
Benefits and Expenses								
Losses, life benefits, and loss adjustment expenses	336.7	309.5	307.1	307.5	295.7	283.3	280.2	272.8
Operating expenses	84.8	81.1	76.1	73.0	78.8	71.9	69.5	70.2
Interest expense	9.1	9.3	8.8	8.4	6.6	7.1	9.5	10.5
Income tax expense (benefit)	(2.5)	6.7	4.4	2.5	6.5	9.7	2.3	(4.7)
Total Benefits and Expenses	428.1	406.6	396.4	391.4	387.6	372.0	361.5	348.8
Operating Earnings	24.2	41.6	35.7	32.9	38.2	44.6	37.5	29.9
Realized gains (losses) on investments	15.3	1.5	16.1	21.7	(25.5)	16.4	19.5	17.3
Net Income	$ 39.5	$ 43.1	$ 51.8	$ 54.6	$ 12.7	$ 61.0	$ 57.0	$ 47.2
Per Share Results:								
Operating earnings	$ 1.55	$ 2.65	$ 2.27	$ 2.01	$ 2.33	$ 2.67	$ 2.23	$ 1.78
Net income	$ 2.53	$ 2.75	$ 3.29	$ 3.34	$ .77	$ 3.65	$ 3.40	$ 2.81

Financial Accounting Standards Board Statements

IMPLEMENTED IN 1988:

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

This Statement, which requires consolidation of all majority-owned subsidiaries, was adopted by the Corporation in 1988. Accordingly, GEFCO, a wholly owned consumer finance subsidiary, and two real estate partnerships, which were previously accounted for using the equity method, are now included in the consolidated financial statements and notes. Prior periods presented have been restated with no effect on net income or shareholders' equity.

STATEMENT OF CASH FLOWS — STATEMENT NO. 95

The Corporation adopted this Statement in 1988. As a result the Statement of Changes in Financial Position has been replaced by a Statement of Cash Flows.

FOR FUTURE IMPLEMENTATION:

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 credits 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.

The Technical and Miscellaneous Revenue Act of 1988 includes a provision whereby companies which are required to discount reserves under the Tax Reform Act of 1986 are eligible for a tax deduction for an amount related to the discount. The deduction may be claimed by making a "special estimated tax payment" equal to the tax benefit of the deduction. Accordingly, total taxes paid to the Internal Revenue Service would not be affected. Based upon our current understanding, the amounts paid as "special estimated tax payments" are recognizable assets under the Statement. Additionally, this provision may be considered as a tax planning strategy which may permit the recognition of a deferred tax asset related to reserve discounting that would otherwise be restricted by the criteria of the Statement.

The effective date of this Statement was delayed one year to give companies more time to understand the provisions, and implementation is now required in 1990, 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. Until final guidelines are issued to clarify the appropriate accounting under the Statement for deferred tax assets and deferred taxes related to unrealized gains and losses of equity securities, the Corporation cannot determine the effect of implementing the Statement.

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 beginning with the Corporation's first quarter 1989 financial statements, and restatement of prior years' financial statements is required unless not practicable.

GEICO Corporation Board Of Directors

Thomas E. Bolger
Chairman of the Board,
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
Retired Chairman of the Board,
Martin Marietta Corporation

William J. Ruane
Chairman of the Board,
Ruane, Cunniff and Co., Inc.

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.
Chairman Emeritus,
Johnston, Lemon & Co., Inc.

William K. Jacobs, Jr.
Private Financial Consultant

David Lloyd Kreeger
Honorary Chairman of the Board,
GEICO Corporation

William J. Ruane, chairman of the investment advisory firm of Ruane, Cunniff and Co., Inc., New York, N.Y., was elected a member of the GEICO Corporation Board of Directors in 1988. A graduate of the University of Minnesota and Harvard Business School, Mr. Ruane also serves as a director of The Washington Post Company.

Thomas E. Bolger has chosen not to stand for reelection at our annual meeting on May 17, 1989. He was president of C&P Telephone Company when he joined our Board in 1973. Mr. Bolger subsequently held various senior management positions with AT&T, including executive vice president, and since 1984 has been chairman and chief executive officer of Bell Atlantic Corporation. He recently retired from the chief executive officer duties and continues to serve Bell Atlantic as chairman of the board. During his 16 years of service as a director of GEICO Corporation, he provided invaluable service as a member and/or chairman of the Audit, Executive, Finance and Human Resources Committees. We have been fortunate to have had his counsel and advice.

COMMITTEES OF THE BOARD

GEICO Corporation's Board of Directors consists of 11 members. Assisting the Board in the management of its responsibilities are five Board Committees. The names of those serving on the Committees and primary Committee functions are as follows:

Audit Committee

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

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*
Thomas E. Bolger
Thomas G. Pownall
Norma E. Brown
William J. Ruane
James E. Cheek
Joseph J. Sisco

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 controlled operating units of $25 million or more and in non-controlled operating units of $5 million or more; 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

Samuel C. Butler, *Chairman*
Thomas G. Pownall
John C. Steggles
William J. Ruane
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 senior officers of the Corporation and GEICO and the Presidents of the affiliated companies and reviews the annual budget for officers' salaries; 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
James E. Reagan
Louis A. Simpson
Donald K. Smith,* *General Counsel*
W. Alvon Sparks, Jr.*
Edward H. Utley*

Vice Presidents
Martin Adler, *Actuary*
August P. Alegi*
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*
Alvin Kaltman
Merrill D. Knight, III
Donald D. Messmer
Robert M. Miller
William E. Roberts
David L. Schindler
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 Shareholders of GEICO Corporation will be held on May 17, 1989, at 10:00 a.m. at the GEICO Regional office in Woodbury, New York.

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
Bank Window
Church Street Station
New York, New York 10015

Shareholder Inquiries

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

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.

Independent Auditors

The financial statements contained in this report have been examined by Ernst & Whinney, GEICO Corporation's independent auditors. Ernst & Whinney has been appointed by the Board of Directors, subject to ratification by the shareholders, to examine the Corporation's 1989 financial statements. A representative of Ernst & Whinney will be present at the Annual Meeting.

Form 10-K

The Corporation's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, will be available after March 31, 1989, without charge to shareholders, upon written request directed to:

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

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.

Exhibit 22

ORGANIZATION	RELATIONSHIP	INCORPORATED
GEICO CORPORATION	Parent Corporation	DE
Government Employees Insurance Company*	Wholly owned	MD
GEICO Facilities Corporation	Wholly owned	DE
Resolute Group, Inc.	Wholly owned	DE
GEICO Investment Services Company**	Wholly owned	DE
International Insurance Underwriters, Inc.	Wholly owned	DE
GEICO Financial Services, GmbH	Wholly owned	Federal Republic of Germany
Maryland Ventures, Inc.	Wholly owned	DE
Plaza Resources Company	Wholly owned	DE
GEICO Financial N.V.	Wholly owned	Netherlands Antilles
The Top Five Club, Incorporated	Wholly owned	DE
GEICO Products, Inc.	Wholly owned	MD
GEICO Properties, Inc.	Wholly owned	DE
GEICO Washington Properties, Inc.	Wholly owned	DE
GOVERNMENT EMPLOYEES INSURANCE COMPANY (GEICO)*		
GEICO Indemnity Company	Wholly owned	MD
Government Employees Financial Corp.	Wholly owned	CO
GEICO General Insurance Company	Wholly owned	IA
Garden State Life Insurance Company	Wholly owned	NJ
Insurance Counselors, Inc.	Wholly owned	MD
Plaza Financial Services Company	Wholly owned	DE
RESOLUTE GROUP, INC.		
Resolute Reinsurance Company	Wholly owned	NY
Resolute Management Corporation	Wholly owned	NY
GEICO INDEMNITY COMPANY (formerly Criterion)		
Criterion Casualty Company	Wholly owned	MD
Criterion Insurance Agency, Inc.	Wholly owned	TX
GARDEN STATE LIFE INSURANCE COMPANY		
GEICO Annuity and Insurance Company	Wholly owned	DE
GOVERNMENT EMPLOYEES FINANCIAL CORPORATION (GEFCO)		
GEICO Financial Services, Inc.	Wholly owned	DE
GEICO FINANCIAL SERVICES, INC.		
GEICO Financial Services Company	Wholly owned	MD
GEIBank Industrial Bank	Wholly owned	CO
TRI Properties, Inc.	Wholly owned	CA
Willow Valley Associates, Ltd.	Wholly owned	NC
PLAZA RESOURCES COMPANY		
Safe Driver Motor Club, Inc.	Wholly owned	DE
GEICO PHILANTHROPIC FOUNDATION***	Non-Profit	DE

*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 Administrator for the Funds and is also Administrator of GEICO Qualified Dividend Fund and Government Securities Cash Fund.

***Non-profit corporation organized for eleemosynary purposes

Exhibit 24

EXHIBIT TO FORM 10-K

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in Post-Effective Amendment No. 1 dated November 22, 1988 to Registration Statement No. 2-99661 on Form S-8, which also serves as a Post-Effective Amendment to Registration Statement No. 2-83426 on Form S-8, and in Post-Effective Amendment No. 1 dated November 22, 1988 to Registration Statement No. 33-7412 on Form S-8, which also serves as a Post-Effective Amendment to Registration Statement No. 2-68792 on Form S-8, 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, 1988.

Ernst & Whinney

ERNST & WHINNEY

Washington, D.C.
March 29, 1989

Exhibit 29
Page 1

CONSOLIDATED ANNUAL STATEMENT FOR THE YEAR 1988 OF THE GOVERNMENT EMPLOYEES INSURANCE COMPANY

SCHEDULE O - PART 1 - LOSS DEVELOPMENT

(000 OMITTED)

1	2 Losses paid during the year less reinsurance received during the year (a): On losses incurred during 1988	3 On losses incurred during 1987	4 On losses incurred prior to 1987	5 Salvage and subrogation received in the current year: On losses incurred during 1988	6 On losses incurred during 1987	7 On losses incurred prior to 1987	8 Total (Col. 2 + 3 + 4 − 5 − 6 − 7) net disbursements per Col. 4, Part 3	9 Losses paid during 1987 on losses incurred prior to 1987. (Col. 3 + 4, Sch. O, 1987)
1. Fire	3,855	1,348	1,255				4,458	1,089
2. Allied lines	2,189	754	530				3,473	736
9. Inland marine	1,470	347	87				1,944	349
10. Financial guaranty	3,185	3,427	3,409				8,021	1,564
12. Earthquake		273	23				296	5
13. Group accident and health	217	458	673				1,348	1,448
14. Credit accident and health (group and individual)**								
15. Other accident and health	1	1	2				4	40
21. Auto phys. damage	327,127	41,827	905	25,231	21,644	7,463	313,520	35,961
23. Fidelity	99	144	180				423	229
24. Surety	239	346	432				1,017	1,109
25. Glass								
26. Burglary and theft	30	43	54				127	318
28. Credit	5	8	10				23	440
29. International	360	521	651				1,532	3,271
30A. Reinsurance *	198						198	
30B. Reinsurance *	143						143	
30C. Reinsurance *	88						88	
30D. Reinsurance *	526	1,687	2,741				4,954	6,251
31. Aggregate write-ins for other lines of business								
32. TOTALS	335,732	51,224	10,952	25,233	21,644	7,463	341,569	52,610

1	10 Losses unpaid December 31 of current year: On losses incurred during 1988	11 On losses incurred during 1987	12 On losses incurred prior to 1987	13 Total per Col. 5, Part 3A (Col. 10 + 11 + 12)	14 Development: On losses incurred prior to 1988 (Col. 3+4+11+12)	15 On losses incurred prior to 1987 (Col. 4 + 9 + 12)	16 Estimated liability on unpaid losses: Dec. 31, 1987 per Col. 5 Part 3A 1987	17 Dec. 31, 1986 per Col. 5 Part 3A 1986	18 Change in such estimated liability: December 31 1987 (Col. 14 less Col. 16)	19 December 31 1986 (Col. 15 less Col. 17)	
1. Fire	1,668	1,399	2,043	5,110	6,045	4,387	3,821	2,197	2,224	2,190	1.
2. Allied lines	1,218	487	481	2,186	2,252	1,747	1,621	1,535	631	212	2.
9. Inland marine	628	338	185	1,151	797	621	953	711	(156)	(90)	9.
10. Financial guaranty	1,238	1,779	2,218	5,235	10,833	7,191	10,243	5,848	590	1,343	10.
12. Earthquake	41	173		214	469	28	337	97	132	(69)	12.
13. Group accident and health	97	141	176	414	1,448	2,297	1,386	1,242	62	1,055	13.
14. Credit accident and health (group and individual)**											14.
15. Other accident and health	4	5	7	16	15	49	14	49	1	0	15.
21. Auto phys. damage	43,596	943	1,958	46,497	45,634	38,825	46,773	41,939	(1,139)	(3,114)	21.
23. Fidelity	388	561	702	1,651	1,587	1,111	1,397	371	190	740	23.
24. Surety	683	1,399	2,136	4,218	4,313	3,677	3,410	525	903	3,152	24.
25. Glass											25.
26. Burglary and theft	68	99	123	290	319	295	186	40	133	255	26.
28. Credit	21	30	38	89	86	488	75	551	11	(63)	28.
29. International	1,141	4,027	6,675	11,843	11,874	10,597	8,614	7,470	3,260	3,127	29.
30A. Reinsurance *	598			598							30A.
30B. Reinsurance *	388			388							30B.
30C. Reinsurance *	245			245							30C.
30D. Reinsurance *	1,145	31,520	75,127	107,792	111,075	84,119	105,917	75,727	5,158	8,392	30D.
31. Aggregate write-ins for other lines of business											31.
32. TOTALS	53,367	42,701	91,869	187,937	196,747	155,432	184,747	138,300	12,000	17,132	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 overflow page																		3198.
3199. TOTALS (Items 3101 thru 3105 plus 3198) (Part 1, Item 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.
* See Item 30 Instructions

CONSOLIDATED ANNUAL STATEMENT FOR THE YEAR 1988 OF THE GOVERNMENT EMPLOYEES INSURANCE COMPANY

SCHEDULE O - PART 2 - LOSS EXPENSE DEVELOPMENT

(000 omitted)

1	2 Allocated loss expense payments during the year	3	4	5 Unallocated loss expense payments during the year (a)	6	7	8 Total	9 Loss expenses paid during 1988 on losses incurred prior to 1987 (Col. 3+4+6+7, Sch. O Part 2, 1987)	10 Unpaid loss adjustment expenses December 31 of current year	11	12	13	14 Development	15	16 Estimated liability on unpaid loss adjustment expenses	17	18 Change in such estimated liability	19	
	On losses incurred during 1988	On losses incurred during 1987	On losses incurred prior to 1987	On losses incurred during 1988	On losses incurred during 1987	On losses incurred prior to 1987	(Col. 2 + 3 + 4 + 5 + 6 + 7) net disbursements		On losses incurred during 1988	On losses incurred during 1987	On losses incurred prior to 1987	Total per Col. 6, Part 3A (Col. 10 + 11 + 12)	On losses incurred prior to 1988 (Col. 3+4+6+7+11+12)	On losses incurred prior to 1987 (Col. 4+7+9+12)	Dec. 31, 1987 per Col. 6 Part 3A, 1987	Dec. 31, 1986 per Col. 6 Part 3A, 1986	December 31 1987 (Col. 14 less Col. 16)	December 31 1986 (Col. 15 less Col. 17)	
1. Fire	67	39	46	91	38	31	312	99	173	51	104	328	309	280	193	141	116	139	1.
2. Allied lines	32	17	26	95	17	8	197	44	107	23	32	162	125	112	102	64	23	48	2.
9. Inland marine	28	13	4	119	21	3	188	45	63	4	11	78	56	63	83	59	(27)	4	9.
10. Financial guaranty	12	17	21	22	32	40	144	68	30	53	138	221	301	247	443	35	(182)	232	10.
12. Earthquake		20	2	6	1		29	7	7	28		35	59	9	54	10	5	(1)	12.
13. Group accident and health	1	1	2	2	2	3	11	44	2	4	11	17	23	50	31	13	(8)	47	13.
14. Credit accident and health (group and individual)**																			14.
15. Other accident and health								2						2		1		1	15.
21. Auto phys. damage	1,541	472	97	34,830	4,874	334	42,147	4,706	4,457	101	246	4,805	6,145	5,385	4,633	3,193	1,512	2,192	21.
23. Fidelity	4	5	7	7	10	12	45	7	9	17	43	69	94	69	50	0	44	69	23.
24. Surety	9	13	16	16	21	31	106	34	22	40	103	165	224	142	39	7	185	175	24.
25. Glass																			25.
26. Burglary and theft	1	1	1	1	2	2	8	3	2	3	8	13	17	14		1	17	13	26.
28. Credit					1	1	2	13	1	1	2	4	5	16	4	21	1	(5)	28.
29. International	26	38	47	48	70	88	317	99	67	118	308	493	669	542	252	73	417	469	29.
30A. Reinsurance *	1			1			2		4			4							30A.
30B. Reinsurance *	4						4		2			2							30B.
30C. Reinsurance *	1						1		1			1							30C.
30D. Reinsurance *	30	44	55	56	82	102	369	135	79	139	367	585	789	659	442	443	347	216	30D.
31. Aggregate write-ins for other lines of business																			31.
32. TOTALS	1,777	644	326	35,274	5,193	653	43,910	5,284	5,026	582	1,373	6,982	8,816	7,640	6,368	4,041	2,448	3,599	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 overflow page																			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.
* See Item 30 Instructions

** Business not exceeding 120 months duration.

Exhibit 29
Page 3

CONSOLIDATED ANNUAL STATEMENT FOR THE YEAR 1988 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 Percent 4/3 %	5 (g) Unallocated	5a Percent 5/3 %	6 Loss and Loss Expense Payments (3+4+5)	7 Percent 6/2 %	8	9 Losses Unpaid	10 (d) Loss Expense Unpaid	11 Total Losses and Loss Expense Incurred (6+9+10)	12 Percent 11/2 %	
1.	Prior to 1979	571,097	424,123	56,735	10,106	2.4	65,684	15.5	499,916	87.5	X X X	151	24	500,091	87.6	1.
2.	1979	192,382	139,650	18,219	2,933	2.1	19,540	[illegible]	162,123	84.3	X X X	184	29	162,336	84.4	2.
3.	1980	205,058	146,985	17,607	2,113	1.4	20,425	13.9	169,523	82.7	X X X	163	26	169,712	82.8	3.
4.	1981	224,476	161,674	19,978	1,883	1.2	19,197	11.9	182,753	81.4	X X X	206	31	182,990	81.5	4.
5.	1982	262,906	196,145	22,553	1,720	0.9	19,902	9.6	216,766	82.5	X X X	786	82	217,635	82.8	5.
6.	1983	264,203	193,676	25,342	1,649	0.9	21,560	11.1	216,885	82.1	X X X	2,144	126	219,155	82.9	6.
7.	1984	324,280	244,381	32,317	2,188	0.9	24,736	10.1	271,306	83.7	X X X	9,175	229	280,710	86.6	7.
8.	1985	402,052	296,757	39,697	2,002	0.7	26,980	9.1	325,739	81.0	X X X	19,600	280	345,619	86.0	8.
9.	1986	509,900	316,914	42,744	2,225	0.7	29,398	9.3	348,537	68.4	X X X	59,458	547	408,542	80.1	9.
10.	1987	506,948	343,737	44,175	2,234	0.6	34,763	10.1	380,734	75.1	X X X	42,701	582	424,017	83.6	10.
11.	1988	503,367	335,733	25,233	1,777	0.5	35,274	10.5	372,783	74.1	X X X	53,368	5,025	431,177	85.7	11.
12.	TOTALS	3,966,670	2,799,774	344,540	30,831	1.1	316,461	11.3	3,147,066	79.3	X X X	187,936	6,982	3,341,984	84.3	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, adjustors 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. Yes ....

(g) The unallocated loss expense payments paid during the most recent calendar year should be distributed to the various years in which losses were incurred as follows: (1) 45% to the most recent year, (2) 5% to the next most recent year, and (3) the balance to all years, including the most recent, in proportion to the amount of loss payments paid for each year during the most 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: Distribution under (3) were proportional to salvage and subrogation recoveries plus gross payments prior to deduction for salvage and subrogation.

CONSOLIDATED ANNUAL STATEMENT FOR THE YEAR 1988 OF THE GOVERNMENT EMPLOYEES INSURANCE COMPANY

SCHEDULE O - PART 4A - REINSURANCE LINE 30A

(000 OMITTED)

Years in which Loss and Loss Adjustment Expenses were Incurred	1 1988	2	3	4	5	6	7	8	9	10	11	
A. Loss & Loss Adjustment Expenses Incurred as of December 31:												A.
1. 1988	797											1.
2.												2.
3.												3.
4.												4.
5.												5.
6.												6.
7.												7.
8.												8.
9.												9.
10.												10.
11.												11.
B. Developed Deficiency (Redundancy) As of December 31, 1988												B.
C. Losses & Loss Expense Paid As of December 31:												C.
1. 1988	194											1.
2.												2.
3.												3.
4.												4.
5.												5.
6.												6.
7.												7.
8.												8.
9.												9.
10.												10.
11.												11.

SCHEDULE O - PART 4B - REINSURANCE LINE 30B

(000 OMITTED)

Years in which Loss and Loss Adjustment Expenses were Incurred	1 1988	2	3	4	5	6	7	8	9	10	11	
A. Loss & Loss Adjustment Expenses Incurred as of December 31:												A.
1. 1988	532											1.
2.												2.
3.												3.
4.												4.
5.												5.
6.												6.
7.												7.
8.												8.
9.												9.
10.												10.
11.												11.
B. Developed Deficiency (Redundancy) As of December 31, 1988												B.
C. Losses & Loss Expenses Paid As of December 31:												C.
1. 1988	143											1.
2.												2.
3.												3.
4.												4.
5.												5.
6.												6.
7.												7.
8.												8.
9.												9.
10.												10.
11.												11.

CONSOLIDATED ANNUAL STATEMENT FOR THE YEAR 1988 OF THE GOVERNMENT EMPLOYEES INSURANCE COMPANY

SCHEDULE O - PART 4C - REINSURANCE LINE 30C

(000 OMITTED)

Years in which Loss and Loss Adjustment Expenses were Incurred	1 1988	2	3	4	5	6	7	8	9	10	11	
A. Loss & Loss Adjustment Expenses Incurred as of December 31:												A.
1. 1988	331											1.
2.												2.
3.												3.
4.												4.
5.												5.
6.												6.
7.												7.
8.												8.
9.												9.
10.												10.
11.												11.
B. Developed Deficiency (Redundancy) As of December 31, 1988												B.
C. Losses & Loss Expense Paid As of December 31:												C.
1. 1988	88											1.
2.												2.
3.												3.
4.												4.
5.												5.
6.												6.
7.												7.
8.												8.
9.												9.
10.												10.
11.												11.

SCHEDULE O - PART 4D - REINSURANCE LINE 30D

(000 OMITTED)

Years in which Loss and Loss Adjustment Expenses were Incurred	1 Prior to 1979	2 1979	3 1980	4 1981	5 1982	6 1983	7 1984	8 1985	9 1986	10 1987	11 1988	
A. Loss & Loss Adjustment Expenses Incurred as of December 31:												A.
1. Prior to 1979		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1.
2. 1979			X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	2.
3. 1980				X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	3.
4. 1981					X X X	X X X	X X X	X X X	X X X	X X X	X X X	4.
5. 1982					1,350	X X X	X X X	X X X	X X X	X X X	X X X	5.
6. 1983					1,410	4,257	X X X	X X X	X X X	X X X	X X X	6.
7. 1984					1,170	2,776	7,961	X X X	X X X	X X X	X X X	7.
8. 1985					1,215	4,080	8,835	17,960	X X X	X X X	X X X	8.
9. 1986					1,224	4,625	13,011	20,686	54,655	X X X	X X X	9.
10. 1987					1,549	3,811	10,734	20,259	50,976	32,029	X X X	10.
11. 1988					249	2,301	7,872	15,779	51,586	29,256	548	11.
B. Developed Deficiency (Redundancy) As of December 31, 1988					(1,101)	(1,956)	(89)	(2,181)	(3,069)	(2,773)	X X X	B.
C. Losses & Loss Expense Paid As of December 31:												C.
1. Prior to 1979		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1
2. 1979			X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	2
3. 1980				X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	3
4. 1981					X X X	X X X	X X X	X X X	X X X	X X X	X X X	4
5. 1982					267	X X X	X X X	X X X	X X X	X X X	X X X	5
6. 1983					893	415	X X X	X X X	X X X	X X X	X X X	6
7. 1984					989	1,335	1,182	X X X	X X X	X X X	X X X	7
8. 1985					1,139	2,521	2,618	1,156	X X X	X X X	X X X	8
9. 1986					1,164	3,304	4,450	3,693	1,950	X X X	X X X	9
10. 1987					1,525	4,154	5,460	5,171	4,619	1,706	X X X	10
11. 1988					154	1,297	3,014	2,760	2,085	2,064	341	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 IBNR Losses Included in Columns 3 and 9 of Schedule O, Part 1
1.	Prior to 1979	148	5
2.	1979	130	1
3.	1980	150	1
4.	1981	193	11
5.	1982	375	3
6.	1983	1,407	27
7.	1984	5,304	59
8.	1985	16,070	135
9.	1986	55,062	99
10.	1987	36,723	9,310
11.	1988	18,250	
12.	TOTALS	133,567	9,352

SCHEDULE O - PART 5A
INCURRED BUT NOT REPORTED LOSSES: REINSURANCE

(000'S OMITTED)

	1 Years in Which Losses were Incurred	Incurred But Not Reported Losses Unpaid Included in Column 9 of Schedule O, Part 3			
		2 Reinsurance Line 30A	3 Reinsurance Line 30B	4 Reinsurance Line 30C	5 Reinsurance Line 30D
1.	Prior to 1979	XXXXX	XXXXX	XXXXX	
2.	1979	XXXXX	XXXXX	XXXXX	
3.	1980	XXXXX	XXXXX	XXXXX	
4.	1981	XXXXX	XXXXX	XXXXX	
5.	1982	XXXXX	XXXXX	XXXXX	[illegible]
6.	1983	XXXXX	XXXXX	XXXXX	123
7.	1984	XXXXX	XXXXX	XXXXX	[illegible]
8.	1985	XXXXX	XXXXX	XXXXX	11,232
9.	1986	XXXXX	XXXXX	XXXXX	50,435
10.	1987	XXXXX	XXXXX	XXXXX	[illegible]
11.	1988	452	307	183	XXXXX
12.	TOTALS	452	307	183	[illegible]

SCHEDULE P - PART 1 - SUMMARY

	1 Years in Which Premiums Were Earned and Losses Were Incurred	2 Premiums Earned	3 Loss Payments	3.1 Cumulative Number of Claims Closed With Payment	3.2 Cumulative Number of Claims Closed Without Payment	(d) Loss Expense Payments: 4 Allocated	4a Percent 4 / 2 %	5 (g) Unallocated	5a Percent 5 / 2 %	6 Loss and Loss Expense Payments (3 + 4 + 5)	7 Percent 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 Percent 11 / 2 %	
1.	Prior to 1978	3,447,052,158	2,492,455,033	46	22	235,724,991	9.5	258,782,992	10.4	2,986,963,016	86.7	175	5,203,164	943,446	2,993,109,626	86.8	1.
2.	1978	377,727,497	223,568,823	18	16	17,587,465	7.9	35,549,467	15.9	276,705,755	73.3	58	752,985	91,372	277,550,112	73.5	2.
3.	1979	394,976,450	250,468,915	24	19	18,623,286	7.4	38,437,661	15.3	307,529,861	77.9	88	1,358,357	349,207	309,237,425	78.3	3.
4.	1980	400,061,470	268,483,026	43	27	17,404,803	6.5	39,129,540	14.6	325,017,417	81.2	130	2,219,531	555,427	327,792,375	81.9	4.
5.	1981	418,356,773	288,350,763	86	46	16,903,363	5.9	39,494,629	13.7	344,548,755	82.4	202	4,280,038	1,174,334	350,003,127	83.7	5.
6.	1982	450,382,047	310,932,713	207	75	17,498,143	5.6	40,274,700	13.0	368,705,556	81.9	337	10,929,237	3,005,131	382,639,924	85.0	6.
7.	1983	483,923,713	335,913,500	417	162	18,165,491	5.4	42,420,519	12.6	396,499,510	81.9	609	18,168,955	4,710,802	419,379,267	86.7	7.
8.	1984	535,027,954	387,841,533	1,001	359	20,356,608	5.2	42,656,469	11.0	450,854,610	84.3	1,409	26,277,927	4,976,465	482,109,003	90.1	8.
9.	1985	627,218,039	468,973,616	2,460	830	22,326,682	4.8	47,369,461	10.1	538,669,760	85.9	3,412	51,064,538	8,081,016	597,815,314	95.3	9.
10.	1986	757,400,221	465,494,407	7,422	2,182	18,943,336	4.1	49,183,867	10.6	533,621,611	70.5	7,117	111,756,881	18,154,088	663,532,581	87.6	10.
11.	1987	869,818,568	429,288,461	46,925	19,645	12,919,081	3.0	50,729,972	11.8	492,889,514	56.7	15,805	213,102,678	34,888,975	740,879,167	85.2	11.
12.	1988	972,043,846	246,240,374	127,745	67,730	4,656,649	1.9	42,363,606	17.2	293,260,628	30.2	64,955	465,923,776	75,460,069	834,644,473	85.9	12.
13.	TOTALS	9,733,972,945	6,167,771,164	186,394	91,113	421,109,899	6.8	726,384,930	11.8	7,315,265,993	75.2	94,297	911,038,065	152,388,333	8,378,692,391	X X X	13.

SCHEDULE P - PART 1A - AUTO LIABILITY+

	1	2	3	3.1	3.2	4	4a	5	5a	6	7	8	9	10	11	12	
1.	Prior to 1978	3,224,736,289	2,356,335,009	39	14	226,529,034	9.6	240,886,855	10.2	2,823,750,898	87.6	172	5,082,104	922,767	2,829,755,769	87.8	1.
2.	1978	353,157,644	209,084,449	15	11	16,678,419	8.0	33,347,497	15.9	259,110,365	73.4	54	481,348	79,119	259,670,832	74.0	2.
3.	1979	364,751,685	228,230,314	20	12	17,007,436	7.5	35,625,651	15.6	280,863,401	77.0	74	1,074,190	177,127	282,114,719	77.3	3.
4.	1980	363,830,482	237,660,910	34	20	14,653,016	6.2	35,389,060	14.9	287,702,986	79.1	106	1,608,243	224,222	289,535,450	79.6	4.
5.	1981	377,365,655	259,819,286	79	41	14,704,504	5.7	35,765,252	13.8	310,289,042	82.2	151	2,216,792	351,132	312,856,966	82.9	5.
6.	1982	398,702,334	280,308,808	194	69	15,577,446	5.6	35,911,901	12.8	331,798,156	83.2	300	3,981,494	628,461	336,408,511	84.4	6.
7.	1983	428,456,555	302,881,277	396	155	15,835,443	5.2	38,663,637	12.8	357,380,356	83.4	565	6,757,774	1,066,064	365,204,195	85.2	7.
8.	1984	476,583,162	350,829,324	973	337	17,844,453	5.1	39,057,232	11.1	407,731,009	85.6	1,373	18,945,711	3,055,371	429,732,091	90.2	8.
9.	1985	560,073,446	420,876,277	2,405	782	19,966,207	4.7	43,175,746	10.3	484,018,230	86.4	3,323	46,376,283	7,443,522	537,838,035	96.0	9.
10.	1986	678,632,116	425,542,525	7,300	2,088	17,198,282	4.0	45,187,550	10.6	487,928,357	71.9	7,013	104,722,855	17,074,360	609,725,573	89.8	10.
11.	1987	785,975,079	387,285,558	44,904	18,519	11,117,295	2.9	46,366,835	12.0	444,769,688	56.6	15,550	201,130,002	32,849,925	678,749,615	86.4	11.
12.	1988	890,229,353	216,935,224	113,074	58,680	3,787,625	1.7	38,660,244	17.8	259,383,093	29.1	62,445	441,172,061	70,276,814	770,831,958	86.6	12.
13.	TOTALS	8,900,493,800	5,675,786,960	169,433	80,735	390,899,161	6.9	668,037,462	11.8	6,734,725,582	75.7	91,206	833,748,847	134,149,285	7,702,623,714	86.5	13.

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

1988 1987 1986 Total Calculation Method — 75.0 % of Column 2, less Column 11, if negative enter zero. See Note[1]a.

SCHEDULE P - PART 1B - OTHER LIABILITY+

	1	2	3	3.1	3.2	4	4a	5	5a	6	7	8	9	10	11	12	
1.	Prior to 1978	4,943,952	1,964,842			405,960	20.7	408,538	20.8	2,779,340	56.2	1			2,779,340	56.2	1.
2.	1978	309,681	55,667			23,896	42.9	26,194	47.1	105,760	34.2				105,760	34.2	2.
3.	1979	748,743	291,153	2	4	607,790	208.8	71,023	24.4	969,966	129.5	10	186,994	155,218	1,312,178	175.3	3.
4.	1980	1,521,194	507,774	4	3	579,489	114.1	70,424	13.9	1,157,687	76.1	16	286,575	277,274	1,721,535	113.2	4.
5.	1981	1,396,730	342,105	3	3	154,453	45.1	44,050	12.9	540,609	38.7	10	1,675,876	773,938	2,990,423	214.1	5.
6.	1982	1,263,502	533,218		3	262,548	51.2	70,177	13.7	845,943	67.0	17	6,315,048	2,323,121	9,484,111	750.6	6.
7.	1983	1,055,540	749,643	3	1	317,703	42.4	120,120	16.0	1,187,466	112.5	19	9,754,512	3,515,572	14,459,550	1,369.9	7.
8.	1984	1,033,104	965,966		1	464,686	48.1	172,301	17.8	1,602,952	155.2	5	4,804,387	1,713,460	8,120,799	786.1	8.
9.	1985	467,440	814,524		3	71,757	8.8	90,810	11.2	977,111	209.0	10	570,550	157,137	1,704,799	364.7	9.
10.	1986	880,686	463,543	1	4	27,963	6.0	65,710	14.2	557,216	63.3	9	442,084	301,957	1,301,256	148.0	10.
11.	1987	1,548,368	773,695	1	6	65,763	8.5	94,421	12.2	933,879	60.3	23	1,131,586	490,737	2,556,201	165.1	11.
12.	1988	1,548,338	189,838	14	12	20,449	10.8	134,405	70.8	344,692	22.3	52	1,782,866	1,034,325	3,161,904	204.2	12.
13.	TOTALS	16,717,078	7,631,966	34	38	3,002,477	39.3	1,369,194	17.9	12,002,640	71.8	172	26,952,499	10,744,739	49,699,877	297.3	13.

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

1988 1987 1986 Total Calculation Method — 75.0 % of Column 2, less Column 11, if negative enter zero. See Note a.

See Schedule P - Part 1F footnotes.

Exhibit 29
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CONSOLIDATED ANNUAL STATEMENT FOR THE YEAR 1988 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	3.1 Cumulative Number of Claims Closed With Payment	3.2 Cumulative Number of Claims Closed Without Payment	(d) Loss Expense Payments: 4 Allocated	4a Percent 4 / 2 %	5 (g) Unallocated	5a Percent 5 / 3 %	6 Loss and Loss Expense Payments (3 + 4 + 5)	7 Percent 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 Percent 11 / 2 %	
1. Prior to 1978																1.
2. 1978																2.
3. 1979																3.
4. 1980																4.
5. 1981																5.
6. 1982																6.
7. 1983																7.
8. 1984																8.
9. 1985																9.
10. 1986																10.
11. 1987																11.
12. 1988																12.
13. TOTALS															XXX	13.

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

1988 1987 1986 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	3.1	3.2	4	4a	5	5a	6	7	8	9	10	11	12	
1. Prior to 1978	11,599	2,654			913	34.3	287	10.8	3,854	33.3				3,854	33.3	1.
2. 1978	57,112	345			1,314	380.9	128	37.1	1,787	3.1				1,787	3.1	2.
3. 1979	77,958	21					271	1,290.5	292	0.4				292	0.4	3.
4. 1980	87,252						59		59	0.1				59	0.1	4.
5. 1981	98,808	4,003					108	2.7	4,111	4.2				4,111	4.2	5.
6. 1982	102,169	12,864			446	3.5	304	2.4	13,616	13.3				13,616	13.3	6.
7. 1983	75,363	(1,751)					324	(18.5)	(1,427)	(1.9)				(1,427)	(1.9)	7.
8. 1984	110,232	7,624			207	2.7	95	1.2	7,926	7.2				7,926	7.2	8.
9. 1985	161,845			1			35		35	0.0				35	0.0	9.
10. 1986	250,566	1,226					544	44.4	1,771	0.7		7,425	3,675	12,871	5.1	10.
11. 1987	230,425						211		211	0.1		22,275	11,025	33,511	17.1	11.
12. 1988	232,642			2			462		462	0.2		44,550	22,050	67,062	28.8	12.
13. TOTALS	1,503,991	26,992		3	2,880	10.7	2,828	10.5	32,701	2.2		74,250	36,750	143,701	9.6	13.

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

1988 $84,155 1987 $121,465 1986 $149,998 Total $355,618 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	3.1	3.2	4	4a	5	5a	6	7	8	9	10	11	12	
1. Prior to 1978	217,360,318	134,152,525	7	3	8,789,064	6.6	17,487,312	13.0	160,428,900	73.8	2	121,060	20,679	160,570,639	73.9	1.
2. 1978	26,203,060	14,428,362	3	3	883,835	6.1	2,175,645	15.1	17,487,843	66.7	4	71,637	12,253	17,571,733	67.1	2.
3. 1979	29,398,273	21,947,428	2	3	1,008,058	4.6	2,740,716	12.5	25,694,201	87.4	4	97,173	16,862	25,810,235	87.8	3.
4. 1980	34,612,542	30,314,342	5	4	2,172,299	7.2	3,670,045	12.1	36,156,685	104.5	8	324,714	53,931	36,535,330	105.6	4.
5. 1981	39,495,580	27,985,368	4	2	2,044,406	7.3	3,685,219	13.2	33,714,993	85.4	13	387,370	49,265	34,151,627	86.5	5.
6. 1982	50,314,042	30,097,821	13	5	1,657,702	5.5	4,292,318	14.3	36,047,842	71.6	20	632,694	53,150	36,733,686	73.0	6.
7. 1983	54,334,235	32,264,331	18	6	2,032,246	6.2	3,636,418	11.3	37,933,115	69.8	25	1,654,670	129,165	39,716,950	73.1	7.
8. 1984	57,301,454	36,038,619	28	21	2,047,262	5.7	3,426,840	9.5	41,512,722	72.4	31	2,527,829	207,634	44,248,185	77.2	8.
9. 1985	66,511,308	47,282,815	55	44	2,288,719	4.8	4,102,851	8.7	53,674,384	80.7	79	4,117,705	480,357	58,272,445	87.6	9.
10. 1986	77,636,853	39,489,113	121	90	1,717,092	4.3	3,978,062	9.9	45,134,267	58.1	95	6,584,517	772,096	52,490,875	67.6	10.
11. 1987	82,056,696	41,187,208	2,014	1,120	1,736,024	4.2	4,262,505	10.3	47,185,737	57.5	222	10,818,815	1,535,288	59,539,841	72.6	11.
12. 1988	80,033,713	29,115,312	14,657	9,036	848,575	2.9	3,568,495	12.3	33,532,381	41.9	2,418	22,924,288	4,126,879	60,583,549	75.7	12.
13. TOTALS	815,258,076	484,323,244	16,927	10,337	27,205,381	5.6	56,976,446	11.8	568,505,070	69.7	2,919	50,262,470	7,457,559	626,225,099	76.8	13

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

1	(h) Incurred But Not Reported Losses Unpaid Included in Column 9 of:					(i) One Year Development of IBNR Losses Included in Columns 3 and 9 of:					
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 1978	2,765,219				16,200	17,852				5,000	1.
2. 1978	116,073				9,900	399					2.
3. 1979	409,648	39,344			18,000	1,674	13,539			10,373	3.
4. 1980	399,698	102,932			55,569	101,679				5,153	4.
5. 1981	388,565	1,076,870			32,278	43,593				19,342	5.
6. 1982	915,882	4,789,306			401,783	41,925	10,069			5,006	6.
7. 1983	966,996	7,516,168			677,800	327,252	17,639			48,592	7.
8. 1984	2,009,768	3,922,051			1,133,557	831,055	12,724			145,668	8.
9. 1985	4,743,861	306,624			1,591,919	3,674,568	31,580			246,193	9.
10. 1986	11,321,128	394,988		7,425	3,825,738	12,739,746	100,842			493,759	10.
11. 1987	27,853,527	1,019,310		22,275	5,842,896	73,615,308	1,432,129			1,767,561	11.
12. 1988	119,828,836	1,156,397		44,550	11,025,085	X X X	X X X	X X X	X X X	X X X	12.
13. TOTALS	172,586,122	20,323,969		74,250	24,630,743	91,476,068	1,618,542			2,946,647	13.

FOOTNOTES:

(a) The percentage to be used is based on the company's actual loss percentages 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 percentage in Column 12 for these years using only years which have at least $1 million in Column 2. If the lowest qualifying percentage is less than 60%, then use 60% (65% for Workers' Compensation). If the lowest qualifying percentage 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 %
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 10? 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 such year in excess of 10% of the premiums earned for such year, disregarding all distributions made under (3), such accumulated distribution should be limited to 10% of premiums earned and the balance distributed in accordance with (3). Are they so reported in this statement? Answer: YES

(h) Totals on Line 13 to agree with the reserve shown on Page 10, Columns 4a + 4b — 4c of this statement. The IBNR reserve estimates in Columns 2 through 6 should be sufficient to cover claims which may be reopened in future periods.

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

* Includes only Bodily Injury Liability prior to 1971.

INTERROGATORIES:

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

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

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

SCHEDULE P - PART 2 - SUMMARY

1 Years in Which Losses Were Incurred	Incurred Losses and Loss Expense Reported at end of year (000 omitted)						Incurred Loss and Loss Expense Percentage Reported					
	2 1983	3 1984	4 1985	5 1986	6 1987	7 1988	8 1983	9 1984	10 1985	11 1986	12 1987	13 1988
1.Prior to 1983	4,656,716	4,636,523	4,629,333	4,629,333	4,635,499	4,640,333	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2. 1983	427,413	409,417	410,953	409,656	409,833	419,379	88.3	84.6	84.9	84.7	84.7	86.6
3.Cumulative Total	5,084,129	5,045,390	5,040,286	5,038,989	5,045,332	5,059,712	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
4. 1984	XXXX	491,953	481,687	480,123	478,136	482,109	XXXX	91.9	90.0	89.7	89.4	90.1
5.Cumulative Total	XXXX	5,537,343	5,521,973	5,519,112	5,523,469	5,541,821	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
6. 1985	XXXX	XXXX	603,244	602,457	595,807	597,815	XXXX	XXXX	96.2	96.1	95.0	95.1
7.Cumulative Total	XXXX	XXXX	6,125,217	6,121,569	6,119,275	6,139,636	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
8. 1986	XXXX	XXXX	XXXX	668,443	658,486	663,533	XXXX	XXXX	XXXX	88.3	85.9	87.5
9.Cumulative Total	XXXX	XXXX	XXXX	6,790,013	6,777,762	6,803,168	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
10. 1987	XXXX	XXXX	XXXX	XXXX	761,184	740,879	XXXX	XXXX	XXXX	XXXX	97.5	95.2
11.Cumulative Total	XXXX	XXXX	XXXX	XXXX	7,538,946	7,544,048	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
12. 1988	XXXX	XXXX	XXXX	XXXX	XXXX	834,644	XXXX	XXXX	XXXX	XXXX	XXXX	95.3

SCHEDULE P - PART 2A - AUTO LIABILITY

1 Years in Which Losses Were Incurred	Incurred Losses and Loss Expense Reported at end of year (000 omitted)						Incurred Loss and Loss Expense Percentage Reported					
	2 1983	3 1984	4 1985	5 1986	6 1987	7 1988	8 1983	9 1984	10 1985	11 1986	12 1987	13 1988
1.Prior to 1983	4,338,453	4,319,768	4,312,697	4,311,469	4,309,304	4,310,542	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2. 1983	388,131	370,114	371,160	369,436	367,289	365,204	90.6	86.4	86.6	86.2	85.7	85.2
3.Cumulative Total	4,726,584	4,689,882	4,683,857	4,680,905	4,676,593	4,675,746	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
4. 1984	XXXX	447,049	437,754	434,967	430,789	429,732	XXXX	93.8	91.9	91.3	90.4	90.2
5.Cumulative Total	XXXX	5,136,931	5,121,611	5,115,872	5,107,382	5,105,479	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
6. 1985	XXXX	XXXX	543,193	542,065	535,971	537,838	XXXX	XXXX	97.0	96.8	95.7	95.0
7.Cumulative Total	XXXX	XXXX	5,664,800	5,657,937	5,643,353	5,643,317	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
8. 1986	XXXX	XXXX	XXXX	612,562	605,940	609,726	XXXX	XXXX	XXXX	90.3	93.3	93.9
9.Cumulative Total	XXXX	XXXX	XXXX	6,270,499	6,249,293	6,253,042	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
10. 1987	XXXX	XXXX	XXXX	XXXX	699,072	678,750	XXXX	XXXX	XXXX	XXXX	98.9	[illegible]
11.Cumulative Total	XXXX	XXXX	XXXX	XXXX	6,948,365	6,931,792	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
12. 1988	XXXX	XXXX	XXXX	XXXX	XXXX	770,832	XXXX	XXXX	XXXX	XXXX	XXXX	96.5

SCHEDULE P - PART 2B - OTHER LIABILITY

1 Years in Which Losses Were Incurred	Incurred Losses and Loss Expense Reported at end of year (000 omitted)						Incurred Loss and Loss Expense Percentage Reported					
	2 1983	3 1984	4 1985	5 1986	6 1987	7 1988	8 1983	9 1984	10 1985	11 1986	12 1987	13 1988
1.Prior to 1983	8,473	7,324	7,652	8,378	14,777	18,393	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2. 1983	1,439	1,587	1,599	1,875	3,432	14,460	136.3	150.3	151.5	177.6	325.1	1,359.9
3.Cumulative Total	9,912	8,911	9,251	10,253	18,209	32,853	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
4. 1984	XXXX	1,248	870	1,877	2,990	8,121	XXXX	120.8	84.2	181.7	289.4	785.1
5.Cumulative Total	XXXX	10,159	10,121	12,130	21,199	40,974	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
6. 1985	XXXX	XXXX	553	872	1,619	1,706	XXXX	XXXX	118.3	186.5	346.4	364.7
7.Cumulative Total	XXXX	XXXX	10,674	13,002	22,818	42,679	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
8. 1986	XXXX	XXXX	XXXX	668	1,383	1,303	XXXX	XXXX	XXXX	75.8	157.0	149.0
9.Cumulative Total	XXXX	XXXX	XXXX	13,670	24,201	43,982	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
10. 1987	XXXX	XXXX	XXXX	XXXX	2,236	2,556	XXXX	XXXX	XXXX	XXXX	[illegible]	155.1
11.Cumulative Total	XXXX	XXXX	XXXX	XXXX	26,437	46,538	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
12. 1988	XXXX	XXXX	XXXX	XXXX	XXXX	3,162	XXXX	XXXX	XXXX	XXXX	XXXX	224.9

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 Percentage Reported					
	2 1983	3 1984	4 1985	5 1986	6 1987	7 1988	8 1983	9 1984	10 1985	11 1986	12 1987	13 1988
1. Prior to 1983							XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2. 1983												
3. Cumulative Total							XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
4. 1984	XXXX						XXXX					
5. Cumulative Total	XXXX						XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
6. 1985	XXXX	XXXX					XXXX	XXXX				
7. Cumulative Total	XXXX	XXXX					XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
8. 1986	XXXX	XXXX	XXXX				XXXX	XXXX	XXXX			
9. Cumulative Total	XXXX	XXXX	XXXX				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
10. 1987	XXXX	XXXX	XXXX	XXXX			XXXX	XXXX	XXXX	XXXX		
11. Cumulative Total	XXXX	XXXX	XXXX	XXXX			XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
12. 1988	XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX	XXXX	XXXX	XXXX	

SCHEDULE P - PART 2D - WORKERS' COMPENSATION

1 Years in Which Losses Were Incurred	Incurred Losses and Loss Expense Reported at end of year (000 omitted)						Incurred Loss and Loss Expense Percentage Reported					
	2 1983	3 1984	4 1985	5 1986	6 1987	7 1988	8 1983	9 1984	10 1985	11 1986	12 1987	13 1988
1. Prior to 1983	23	24	24	24	24	24	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2. 1983	14	(1)	(1)	(1)	(1)	(1)	17.2	(2.7)	(2.7)	(2.0)	(2.0)	(1.9)
3. Cumulative Total	37	23	23	23	23	22	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
4. 1984	XXXX	23	8	17	8	8	XXXX	20.9	7.3	15.1	7.4	7.2
5. Cumulative Total	XXXX	46	31	40	31	30	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
6. 1985	XXXX	XXXX	15	73	10	0	XXXX	XXXX	9.3	45.1	5.9	[illegible]
7. Cumulative Total	XXXX	XXXX	46	113	40	30	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
8. 1986	XXXX	XXXX	XXXX	52	32	13	XXXX	XXXX	XXXX	20.9	13.0	5.1
9. Cumulative Total	XXXX	XXXX	XXXX	165	73	43	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
10. 1987	XXXX	XXXX	XXXX	XXXX	57	34	XXXX	XXXX	XXXX	XXXX	23.9	14.1
11. Cumulative Total	XXXX	XXXX	XXXX	XXXX	129	77	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
12. 1988	XXXX	XXXX	XXXX	XXXX	XXXX	67	XXXX	XXXX	XXXX	XXXX	XXXX	25.9

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

1 Years in Which Losses Were Incurred	Incurred Losses and Loss Expense Reported at end of year (000 omitted)						Incurred Loss and Loss Expense Percentage Reported					
	2 1983	3 1984	4 1985	5 1986	6 1987	7 1988	8 1983	9 1984	10 1985	11 1986	12 1987	13 1988
1. Prior to 1983	309,767	308,857	308,960	309,462	311,395	311,373	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2. 1983	37,879	37,717	38,195	38,346	39,113	39,717	69.3	69.1	70.0	70.3	71.7	72.9
3. Cumulative Total	347,596	346,574	347,155	347,808	350,508	351,090	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
4. 1984	XXXX	43,633	43,056	43,262	44,349	44,248	XXXX	76.1	75.1	75.5	77.4	77.2
5. Cumulative Total	XXXX	390,207	390,210	391,070	394,857	395,338	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
6. 1985	XXXX	XXXX	59,483	59,448	58,207	58,272	XXXX	XXXX	89.4	89.4	57.5	57.5
7. Cumulative Total	XXXX	XXXX	449,693	450,518	453,064	453,611	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
8. 1986	XXXX	XXXX	XXXX	55,162	51,131	52,491	XXXX	XXXX	XXXX	71.1	55.7	57.6
9. Cumulative Total	XXXX	XXXX	XXXX	505,679	504,195	506,108	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
10. 1987	XXXX	XXXX	XXXX	XXXX	59,819	59,540	XXXX	XXXX	XXXX	XXXX	73.0	72.5
11. Cumulative Total	XXXX	XXXX	XXXX	XXXX	564,016	565,642	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
12. 1988	XXXX	XXXX	XXXX	XXXX	XXXX	60,584	XXXX	XXXX	XXXX	XXXX	XXXX	75.8

SCHEDULE P - PART 3 - SUMMARY

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

	Dollars (000 omitted)							Percentages						
	1 1982	2 1983	3 1984	4 1985	5 1986	6 1987	7 1988	8 1982	9 1983	10 1984	11 1985	12 1986	13 1987	14 1988
	Summary Data from Schedule P — Part 1 — Summary													
1.Premiums Earned	450,382	483,922	535,028	627,214	757,400	869,819	972,044	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2.Loss & Loss Exp. Inc'd.	382,640	419,379	482,109	597,815	663,533	740,879	834,644	85.0	86.7	90.1	95.3	87.6	85.2	85.9
	Loss & Loss Expense through 1 year													
3.Paid	156,869	166,307	184,548	230,882	237,573	258,929	293,261	34.8	34.4	34.5	36.8	31.4	29.8	30.2
4.Reserve (2) — (3)	225,771	253,072	297,561	366,933	425,960	481,950	541,384	50.1	52.3	55.6	58.5	56.2	55.4	55.7
	Loss & Loss Expense through 2 years													
5.Paid	269,391	293,108	335,164	413,232	437,918	492,890	X X	59.8	60.6	62.6	65.9	57.8	56.7	X X
6.Reserve (2) — (5)	113,249	126,271	146,945	184,583	225,615	247,990	X X	25.1	26.1	27.5	29.4	29.8	28.5	X X
	Loss & Loss Expense through 3 years													
7.Paid	314,321	344,083	395,153	491,676	533,622	X X	X X	69.8	71.1	73.9	78.4	70.5	X X	X X
8.Reserve (2) — (7)	68,319	75,296	86,956	106,139	129,911	X X	X X	15.2	15.6	16.3	16.9	17.2	X X	X X
	Loss & Loss Expense through 4 years													
9.Paid	340,028	372,615	430,095	538,670	X X	X X	X X	75.5	77.0	80.4	85.9	X X	X X	X X
10.Reserve (2) — (9)	42,612	46,764	52,014	59,146	X X	X X	X X	9.5	9.7	9.7	9.4	X X	X X	X X
	Loss & Loss Expense through 5 years													
11.Paid	355,914	388,411	450,855	X X	X X	X X	X X	79.0	80.3	84.3	X X	X X	X X	X X
12.Reserve (2) — (11) ...	26,726	30,968	31,254	X X	X X	X X	X X	5.9	6.4	5.8	X X	X X	X X	X X

SCHEDULE P - PART 3A - AUTO LIABILITY

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

	Dollars (000 omitted)							Percentages						
	1 1982	2 1983	3 1984	4 1985	5 1986	6 1987	7 1988	8 1982	9 1983	10 1984	11 1985	12 1986	13 1987	14 1988
	Summary Data from Schedule P — Part 1A													
1.Premiums Earned	394,702	428,457	476,543	560,073	678,632	785,975	890,229	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2.Loss & Loss Exp. Inc'd.	336,409	365,204	429,732	537,838	609,726	678,750	770,832	84.4	85.2	90.2	96.0	89.8	86.4	86.6
	Loss & Loss Expense through 1 year													
3.Paid	134,311	144,709	159,337	195,389	208,251	225,002	259,383	33.6	33.8	33.4	34.9	30.7	28.6	29.1
4.Reserve (2) — (3)	202,298	220,495	270,395	342,449	401,475	453,747	511,449	50.7	51.5	56.7	61.1	59.2	57.7	57.5
	Loss & Loss Expense through 2 years													
5.Paid	238,372	259,916	298,595	364,694	395,576	444,770	X X	59.7	60.7	62.7	65.1	58.3	56.6	X X
6.Reserve (2) — (5)	98,237	105,288	131,137	173,144	214,150	233,980	X X	24.6	24.6	27.5	30.9	31.6	29.8	X X
	Loss & Loss Expense through 3 years													
7.Paid	281,300	308,527	356,166	439,770	487,928	X X	X X	70.6	72.0	74.7	78.5	71.9	X X	X X
8.Reserve (2) — (7)	55,109	56,677	73,566	98,068	121,797	X X	X X	13.8	13.2	15.4	17.5	17.9	X X	X X
	Loss & Loss Expense through 4 years													
9.Paid	306,208	335,972	389,143	484,018	X X	X X	X X	76.8	78.4	81.7	86.4	X X	X X	X X
10.Reserve (2) — (9)	30,201	29,232	40,589	51,820	X X	X X	X X	7.6	6.8	8.5	9.6	X X	X X	X X
	Loss & Loss Expense through 5 years													
11.Paid	320,788	350,768	407,731	X X	X X	X X	X X	80.5	81.9	85.6	X X	X X	X X	X X
12.Reserve (2) — (11) ...	15,621	14,436	22,001	X X	X X	X X	X X	3.9	3.4	4.6	X X	X X	X X	X X

SCHEDULE P - PART 3B - OTHER LIABILITY

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

	Dollars (000 omitted)							Percentages						
	1 1982	2 1983	3 1984	4 1985	5 1986	6 1987	7 1988	8 1982	9 1983	10 1984	11 1985	12 1986	13 1987	14 1988
	Summary Data from Schedule P — Part 1B													
1.Premiums Earned	1,264	1,056	1,033	467	881	1,548	1,548	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2.Loss & Loss Exp. Inc'd.	9,488	14,460	8,121	1,705	1,303	2,556	3,162	750.6	*******	786.1	364.7	148.0	165.1	204.2
	Loss & Loss Expense through 1 year													
3.Paid	60	72	87	56	75	370	345	4.7	6.8	8.4	12.0	8.5	23.9	22.3
4.Reserve (2) — (3)	9,418	14,388	8,034	1,649	1,227	2,159	2,817	745.5	*******	777.6	352.7	139.4	139.4	182.0
	Loss & Loss Expense through 2 years													
5.Paid	144	267	167	163	377	934	X X	11.4	25.3	16.2	34.9	42.8	60.3	X X
6.Reserve (2) — (5)	9,341	14,193	7,954	1,543	919	1,622	X X	739.3	*******	769.9	330.1	104.3	104.9	X X
	Loss & Loss Expense through 3 years													
7.Paid	329	349	233	885	557	X X	X X	26.0	33.1	22.6	189.3	63.3	X X	X X
8.Reserve (2) — (7)	9,156	14,111	7,888	810	746	X X	X X	724.6	*******	763.5	173.2	84.7	X X	X X
	Loss & Loss Expense through 4 years													
9.Paid	366	470	856	977	X X	X X	X X	29.1	44.5	84.0	209.0	X X	X X	X X
10.Reserve (2) — (9)	9,116	13,991	7,250	728	X X	X X	X X	721.5	*******	701.8	155.7	X X	X X	X X
	Loss & Loss Expense through 5 years													
11.Paid	450	780	1,603	X X	X X	X X	X X	35.6	73.9	155.2	X X	X X	X X	X X
12.Reserve (2) — (11) ...	9,034	13,678	6,518	X X	X X	X X	X X	715.0	*******	630.9	X X	X X	X X	X X

SCHEDULE P - PART 3C - MEDICAL MALPRACTICE

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

	Dollars (000 omitted)							Percentages						
	1 1982	2 1983	3 1984	4 1985	5 1986	6 1987	7 1988	8 1982	9 1983	10 1984	11 1985	12 1986	13 1987	14 1988
	Summary Data from Schedule P – Part 1C													
1. Premiums Earned								100.0	100.0	100.0	100.0	100.0	100.0	100.0
2. Loss & Loss Exp. Inc'd.														
	Loss & Loss Expense through 1 Year													
3. Paid														
4. Reserve (2) – (3)														
	Loss & Loss Expense through 2 Years													
5. Paid							XX							XX
6. Reserve (2) – (5)							XX							XX
	Loss & Loss Expense through 3 Years													
7. Paid						XX	XX						XX	XX
8. Reserve (2) – (7)						XX	XX						XX	XX
	Loss & Loss Expense through 4 Years													
9. Paid					XX	XX	XX					XX	XX	XX
10. Reserve (2) – (9)					XX	XX	XX					XX	XX	XX
	Loss & Loss Expense through 5 Years													
11. Paid				XX	XX	XX	XX				XX	XX	XX	XX
12. Reserve (2) – (11)				XX	XX	XX	XX				XX	XX	XX	XX

SCHEDULE P - PART 3D - WORKERS' COMPENSATION

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

	Dollars (000 omitted)							Percentages						
	1 1982	2 1983	3 1984	4 1985	5 1986	6 1987	7 1988	8 1982	9 1983	10 1984	11 1985	12 1986	13 1987	14 1988
	Summary Data from Schedule P – Part 1D													
1. Premiums Earned	102	75	110	142	251	238	233	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2. Loss & Loss Exp. Inc'd.	14	(1)	8	0	13	34	67	13.3	(1.3)	7.2	0.0	5.1	14.3	28.8
	Loss & Loss Expense through 1 Year													
3. Paid	1	(1)	8				0	1.0	(1.3)	7.3				0.2
4. Reserve (2) – (3)	13	(0)	(0)	0	13	34	67	12.3	(0.6)	(0.1)	0.0	5.1	14.3	28.5
	Loss & Loss Expense through 2 Years													
5. Paid	4	(1)	8		2	0	XX	3.9	(1.3)	7.3		0.8	0.1	XX
6. Reserve (2) – (5)	10	(0)	(0)	0	11	33	XX	9.4	(0.6)	(0.1)	0.0	4.3	14.0	XX
	Loss & Loss Expense through 3 Years													
7. Paid	14	(1)	8		2	XX	XX	13.7	(1.3)	7.3		0.7	XX	XX
8. Reserve (2) – (7)	(0)	(0)	(0)	0	11	XX	XX	(0.4)	(0.6)	(0.1)	0.0	4.4	XX	XX
	Loss & Loss Expense through 4 Years													
9. Paid	14	(1)	8	0	XX	XX	XX	13.7	(1.3)	6.9	0.0	XX	XX	XX
10. Reserve (2) – (9)	(0)	(0)	0		XX	XX	XX	(0.4)	(0.6)	0.3		XX	XX	XX
	Loss & Loss Expense through 5 Years													
11. Paid	13	(1)	8	XX	XX	XX	XX	12.7	(1.3)	7.2	XX	XX	XX	XX
12. Reserve (2) – (11)	1	(0)		XX	XX	XX	XX	0.6	(0.6)		XX	XX	XX	XX

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

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

	Dollars (000 omitted)							Percentages						
	1 1982	2 1983	3 1984	4 1985	5 1986	6 1987	7 1988	8 1982	9 1983	10 1984	11 1985	12 1986	13 1987	14 1988
	Summary Data from Schedule P – Part 1E													
1. Premiums Earned	50,314	54,334	57,301	66,511	77,637	82,057	80,034	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2. Loss & Loss Exp. Inc'd.	36,734	39,717	44,248	58,272	52,493	59,540	60,584	73.0	73.1	77.2	87.5	67.5	72.6	75.7
	Loss & Loss Expense through 1 Year													
3. Paid	22,697	21,527	25,116	35,437	29,247	33,567	33,532	45.1	39.6	43.8	53.3	37.7	40.9	41.9
4. Reserve (2) – (3)	14,037	18,190	19,132	22,835	23,244	25,983	27,051	27.9	33.5	33.4	34.3	29.9	31.7	33.8
	Loss & Loss Expense through 2 Years													
5. Paid	31,071	32,926	36,374	48,375	41,963	47,184	XX	61.8	60.6	63.5	72.7	54.1	57.5	XX
6. Reserve (2) – (5)	5,663	6,791	7,874	9,897	10,528	12,354	XX	11.3	12.5	13.7	14.9	13.5	15.1	XX
	Loss & Loss Expense through 3 Years													
7. Paid	32,678	35,208	38,744	51,021	45,134	XX	XX	64.9	64.8	67.6	76.7	58.1	XX	XX
8. Reserve (2) – (7)	4,056	4,509	5,502	7,251	7,357	XX	XX	8.1	8.3	9.6	10.9	9.5	XX	XX
	Loss & Loss Expense through 4 Years													
9. Paid	33,438	36,174	40,076	53,674	XX	XX	XX	66.5	66.6	69.9	80.7	XX	XX	XX
10. Reserve (2) – (9)	3,296	3,543	4,172	4,598	XX	XX	XX	6.6	6.5	7.3	6.9	XX	XX	XX
	Loss & Loss Expense through 5 Years													
11. Paid	34,663	36,864	41,513	XX	XX	XX	XX	68.9	67.8	72.4	XX	XX	XX	XX
12. Reserve (2) – (11)	2,071	2,853	2,735	XX	XX	XX	XX	4.1	5.3	4.8	XX	XX	XX	XX

END