GEICO CORP G 134880

10-K

SIC 6331 NYSE SEC# 1-8012 FOR 12/31/94

CARD0001 REC03/31/95 @ DISCLOSURE INFO. SERVICES, INC 207437 95526397

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FILER NAME: GEICO CORP
CIK NUMBER: 0000277795
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SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

Form 10-K

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

For the Fiscal Year Ended December 31, 1994

Commission File No. 1-8012

GEICO CORPORATION

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

One GEICO Plaza, Washington, D. C. 20076-0001

Registrant's telephone number: (301) 986-2500

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___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. { X }

Aggregate market value of the voting stock held by non-affiliates of the registrant as of March 20, 1995.................... $3,325,900,105(1)

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

	As of March 20, 1995
Common Stock, $1.00 par value	68,049,107 Shares

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DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the GEICO Corporation Annual Report to Shareholders for the fiscal year ended December 31, 1994 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 10, 1995 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 $48.875 per share of Common Stock on the Composite Tape for New York Stock Exchange listed stocks for March 20, 1995. The amount excludes the market value of 1,652,986 shares of Common Stock beneficially owned by the Registrant's directors and executive officers (including 53,788 shares of Common Stock as to which said directors and/or executive officers disclaim beneficial ownership) and includes the market value of 34,250,000 shares of Common Stock beneficially owned by Berkshire Hathaway Inc.

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GEICO Corporation
Form 10-K Annual Report

PART I

Item 1. Business (GEICO Corporation and Subsidiaries).

GEICO Corporation (the "Corporation") was organized as a Delaware corporation in 1978. In 1979 the Corporation became the parent of Government Employees Insurance Company ("GEICO" or the "Company"), its principal subsidiary, and is also the parent corporation of various additional subsidiaries which are in the business of providing insurance and financial services (collectively, the "GEICO Companies").

GEICO was founded in 1936 and has been continuously engaged in the insurance business. GEICO is a multiple line property and casualty insurer, the principal business of which is writing private passenger automobile insurance primarily for preferred-risk government employees and military personnel. To a lesser extent, it also writes homeowners insurance, personal umbrella liability, and boat owners and fire insurance for all qualified applicants. GEICO General Insurance Company ("GEICO General") is a subsidiary of GEICO which, in 1987, began writing private passenger automobile insurance for preferred-risk drivers not associated with the government or the military. GEICO Indemnity Company ("GI"), a subsidiary of the Corporation, writes standard-risk private passenger automobile and motorcycle insurance. GEICO Casualty Company (the name of which was changed from Criterion Casualty Company effective January 6, 1994), a subsidiary of GI, writes nonstandard-risk private passenger automobile insurance. The insurance companies market their policies primarily through direct response methods. Currently, GEICO, GEICO General, GI and GEICO Casualty have an A. M. Best rating of A++ (Superior) and a Standard & Poor's claims paying ability rating of AAA (Superior).

Criterion Life Insurance Company ("Criterion Life") was formed by GEICO in 1991 to offer structured settlement single premium annuities to claimants of its property/casualty company affiliates. On December 31, 1991 Criterion Life assumed all the structured settlement annuity business in force from Garden State Life Insurance Company, which was also wholly-owned by GEICO until it was sold in June 1992. Criterion Life has an A. M. Best rating of A++ (Superior).

Other active subsidiaries of the Corporation and the Company involved in the sale of insurance and insurance related products include: International Insurance Underwriters, Inc., which provides various insurance services to military personnel as they are transferred overseas or back to the United States; The Top Five Club, Inc., which offers travel-related benefits to military personnel in the top five military enlisted pay grades; GEICO Financial Services, GmbH, which sells automobile policies to American military personnel through offices in Germany and through agents in England, Germany, Italy, Portugal and Turkey; Insurance Counselors, Inc. and Insurance Counselors of Texas, 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 sponsors of motor clubs.

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The Corporation offers additional financial services through its subsidiary, Government Employees Financial Corporation ("GEFCO") which, directly or through one or more of its own subsidiaries, is in the business of consumer and business lending and loan servicing. The Corporation is in the process of winding down the business of GEFCO.

Other subsidiaries of the Corporation include Plaza Resources Company, which is engaged in various investment ventures; and several other companies which serve various corporate purposes including real estate/property companies, Maryland Ventures, Inc., and GEICO Facilities Corporation.

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. Resolute is in the process of running off its claims obligations. Effective December 31, 1993 the Corporation sold Merastar Insurance Company and Southern Heritage Insurance Company, two small property casualty insurance companies which had been purchased in 1991.

Seasonal variations in the business of the Corporation historically are not material. However, extraordinary weather conditions or other factors may have an impact on the frequency or severity of automobile or homeowners claims. Weather related catastrophes severely affected the Corporation's financial results in 1992 due to Hurricane Andrew and had a lesser impact in 1993 and 1994. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" at Item 7 for more information concerning the effect of, and the Corporation's response to, such catastrophes.

Additional information concerning the insurance regulatory environment, the settlement of the insurance subsidiaries' California Proposition 103 premium refund obligation in 1993, proposed modification or repeal of the McCarran-Ferguson Act, proposals to integrate the medical portion of automobile insurance into the general health care insurance system, and similar initiatives elsewhere intended to affect insurance premium rates generally without addressing the underlying factors upon which those rates are based, is presented in "Management's Discussion and Analysis of Financial Condition and Results of Operations" at Item 7 and such information is incorporated herein by reference.

The insurance industry is highly competitive. GEICO currently competes most directly with other companies, including mutual companies, that concentrate on preferred risk private passenger automobile insurance and, to a lesser extent, for standard and nonstandard risks. Because personal lines property and casualty insurance is so stringently regulated by each state in which the Companies do business, it is difficult for companies to differentiate their products. Additionally, some companies exacerbate price competition by selling their products at inadequate rates for a period of time, because long delays in reporting and settling certain claims result in underestimating ultimate loss costs, or the products are sold in anticipation of profits from their investment portfolios. Consequently, GEICO's business is very sensitive both to the price of the product and the perceived level of customer service it provides. Competition for preferred risks, which is substantial, tends to focus on issues of price and service, while price is a more significant factor to other risks. The GEICO Companies place great emphasis on customer satisfaction and write their auto business predominantly with six-month policies, allowing them to manage rate changes more effectively. GEICO also believes its reputation is a material asset and protects its name and other service marks through appropriate registrations.

Although most insurance companies are stock companies like GEICO, in 1993 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.

As of December 31, 1994 the Corporation and its subsidiaries had 7,453 full-time employees and 698 part-time employees. A number of benefits are provided or made available for most full-time employees including profit sharing, pension and employee stock ownership plans and various insurance programs.

PRINCIPAL BUSINESS SEGMENTS

Property and casualty insurance is the Corporation's dominant 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 1, which is contained in its 1994 Annual Report to Shareholders under the caption "Business Segments" on pages 14 through 16 and Note O of the "Notes to Consolidated Financial Statements" contained on Page 43, is incorporated herein by reference.

Item 2. Properties.

GEICO, the principal subsidiary of the Corporation, owns its GEICO Plaza headquarters building in Chevy Chase, Maryland, its Regional Office buildings in Woodbury, New York, Macon, Georgia, Dallas, Texas, and Stafford County near Fredericksburg, Virginia, certain of its claims drive-in facilities and certain additional properties. GEICO also leases its Regional Offices in San Diego, California and office space and drive-in claims facilities in various cities in the United States. These facilities will accommodate foreseeable space requirements.

GEICO also maintains and continually upgrades sophisticated electronic data processing equipment and software 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.

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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 10, 1995, and until his/her successor is elected or appointed. 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, 58, has been a director and Senior Vice President of GEICO since May 1989. He was a Vice President of GEICO from January 1980 to May 1989. He also is, or has served as, a director and/or an officer of several subsidiaries of the Corporation and GEICO.

Charles R. Davies, 54, was elected Vice President and General Counsel of the Corporation and GEICO and a director of GEICO in November 1992. He served as Vice President and Deputy General Counsel of both the Corporation and GEICO from March 1987 to November 1992 and Assistant Vice President and Deputy General Counsel from March 1982 to March 1987. Mr. Davies also is, or has served as, a director and/or an officer of several subsidiaries of the Corporation and GEICO.

James M. Hitt, 50, was elected a Vice President of GEICO in August 1986 and has been an officer of GEICO since 1979. He also is or has served as an officer and/or director of various subsidiaries of the Corporation and GEICO.

Donald R. Lyons, 48, was elected a Vice President of GEICO in May 1992 and has been an officer since September 1985. He is also an officer of certain subsidiaries of GEICO.

Robert M. Miller, 52, was elected a 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, 51, was elected President and Chief Executive Officer - Insurance Operations of the Corporation in May 1993 and was elected a director of the Corporation in May 1990. He was also elected Chairman of the Board, President and Chief Executive Officer of GEICO in May 1993, having served as President and Chief Executive Officer of GEICO from January 1992 to May 1993 and as President of GEICO from August 1989 to January 1992. He has been a director of GEICO since September 1985. He had served as Executive Vice President of GEICO from June 1987 to August 1989. He has been an officer of GEICO since March 1973. Mr. Nicely also is, or has served as, a director and/or an officer of several subsidiaries of the Corporation and GEICO.

Simone J. Pace, 52, was elected a Senior Vice President of the Corporation and GEICO and a director of GEICO in August 1993. Prior to joining the Corporation, he had been president of Blue Cross/Blue Shield of the National Capital Area from September 1992 to April 1993, Executive Vice President from October 1988 to August 1992 and Senior Vice President from January 1985 to October 1988, having first joined that Company in June 1971.

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David H. Pushman, 46, was elected a Vice President of GEICO in May 1989. He has been an officer of GEICO since June 1986.

David Schindler, 49, was elected a Vice President of GEICO in May 1988 and has been an officer of GEICO since August 1983. He is also, or has served as, an officer of several subsidiaries of GEICO.

Louis A. Simpson, 58, was elected President and Chief Executive Officer - Capital Operations of the Corporation in May 1993, having served as Vice Chairman of the Board of Directors of the Corporation from July 1985 to May 1993. He has been a director of the Corporation since May 1983. Mr. Simpson is, or has served as, Chairman of the Board, a director and/or an officer of several subsidiaries of the Corporation and GEICO. He has been a director of Potomac Electric Power Company since December 1990, of Salomon Inc since May 1993 and of Pacific American Income Shares Inc. since November 1994.

W. Alvon Sparks, Jr., 59, was elected a director of the Corporation in November 1993 and has served as an Executive Vice President and Chief Financial Officer of the Corporation since August 1992. He was a Senior Vice President of the Corporation from September 1982 to August 1992. He was elected Executive Vice President of GEICO in February 1995, having served as a Senior Vice President since September 1982 and a director since May 1982. Mr. Sparks also is, or has served as, Chairman of the Board, a director and/or an officer of several subsidiaries of the Corporation and GEICO.

Richard C. VanEssendelft, 54, was elected a Vice President of GEICO in January 1992, having served as an Assistant Vice President from August 1979 to January 1992. He also is, or has served as, a director and/or an officer of various subsidiaries of the Corporation.

Thomas M. Wells, 44, was elected a Group Vice President and Controller of the Corporation and GEICO in August 1992 and a director of GEICO in November 1992. He served as Vice President and Controller of the Corporation and GEICO from July 1985 to August 1992. Mr. Wells also serves as a director and/or an officer of several 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" (page 7) and the final paragraph of Note C (page 36) of the "Notes to Consolidated Financial Statements" in the Corporation's 1994 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 6 and 7) in the Corporation's 1994 Annual Report to Shareholders is incorporated herein by reference.

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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 17 through 26 and page 45) in the Corporation's 1994 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 1994 Annual Report to Shareholders (pages 27 through 43) and the Quarterly Highlights of Operating Results (page 44) 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 pursuant to Item 401 of Regulation S-K 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 pursuant to Item 401 of Regulation S-K with respect to executive officers of the Corporation is included in Part I hereof. The information, if any, required by this Item pursuant to Item 405 of Regulation S-K is incorporated herein by reference from the Corporation's definitive proxy statement filed or to be filed with the Commission pursuant to the Act.

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 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, 1994, are incorporated by reference in Item 8:

Consolidated Balance Sheets - December 31, 1994 and 1993

Consolidated Statements of Income - Years Ended December 31, 1994, 1993 and 1992

Consolidated Statements of Shareholders' Equity - Years Ended December 31, 1994, 1993 and 1992

Consolidated Statements of Cash Flows - Years Ended December 31, 1994, 1993 and 1992

Notes to Consolidated Financial Statements.

(a)(3) and (c) Exhibits

The following exhibits are included in response to Item 14(c). Management contracts and compensatory plans are indicated by an asterisk (*).

Exhibit No.	Description	Reference
3-a	Certificate of Incorporation, as amended.	Exhibit 3-a to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1992.
3-b	Bylaws of GEICO Corporation, as amended.	Exhibit No. 3-b to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1993
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 or its successors and assigns.	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.

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10-a*	Form of Pension Plan for Non-Employee Directors, as amended.	Exhibit 10-a to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1988.
10-b*	Revised Stock Option Plan for Key Employees of GEICO Corporation and Its Subsidiaries ("1992 Plan").	Exhibit 10-b to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1992.
10-c*	Form of Non-Qualified Stock Option Agreement under the 1992 Plan, as amended.	Exhibit No. 10-c to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.
10-d*	Form of Incentive Stock Option Agreement under the 1992 Plan.	Exhibit 10-d to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1992.
10-e*	Notice of Election to Exercise Stock Options under the 1992 Plan.	Exhibit 10-e to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1992.
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 Non-Qualified Stock Option Agreement under the 1985 Plan, as amended.	Exhibit 10-e to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1989.
10-h*	Form of Incentive Stock Option Agreement under the 1985 Plan.	Exhibit 10-g to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1989.
10-i*	Form of Incentive Stock Option Agreement with Stock Appreciation Rights under the 1985 Plan.	Exhibit 10-h to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1989.

10-j*	Notice of Election to Exercise Stock Options and/or Stock Appreciation Rights under the 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-k*	Statement of 1994 Incentive Bonus Program.	Exhibit 10-l to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.
10-l*	Statement of 1995 Incentive Bonus Program.	Page No. 29.
10-m*	Deferred Compensation Plan, as amended.	Exhibit 10-m to GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1992.
10-n*	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.
10-o*	Equity Cash Bonus Plan.	Page No. 30.
13	Annual Report to Shareholders for the year ended December 31, 1994 (only as to material specifically incorporated herein by reference).	Page No. 34.
21	Subsidiaries of GEICO Corporation.	Page No. 85.
23	Consent of Accountants.	Page No. 86.
27	Financial Data Schedule (Submitted as an exhibit pursuant to the requirements of Item 601(b)(27) of Reg. S-K and not deemed filed for purposes of Section 11 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934.)	Page No. 87.
28P	Information from reports furnished to state insurance regulatory authorities.	Exhibit 28P to Form SE filed in connection with GEICO Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.

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99	Annual Report on Form 11-K for the Revised Profit Sharing Plan for the Employees of the Government Employees Companies for the fiscal year ended December 31, 1994.	To be filed by amendment.

(b) Reports on Form 8-K.

GEICO Corporation did not file a report on Form 8-K during the three months ended December 31, 1994.

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 II - Condensed Financial Information of Registrant	Page Nos. 19 - 22.
Schedule III - Supplementary Insurance Information	Page Nos. 23 - 24.
Schedule IV - Reinsurance	Page No. 25.
Schedule V - Valuation and Qualifying Accounts	Page No. 26.
Schedule VI - Supplemental Information Concerning Property/Casualty Insurance Operations	Page Nos. 27 - 28.

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.

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SIGNATURES

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

GEICO CORPORATION

March 31, 1995

By: /s/ W. Alvon Sparks, Jr.
W. Alvon Sparks, Jr.
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

March 31, 1995

By: /s/ Thomas M. Wells
Thomas M. Wells
Group Vice President and Controller
(Principal Accounting Officer)

SIGNATURES

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

/s/ Olza M. Nicely Olza M. Nicely President and Chief Executive Officer - Insurance Operations and Director (Co-Principal Executive Officer)	March 31, 1995 Date
/s/ Louis A. Simpson Louis A. Simpson President and Chief Executive Officer - Capital Operations and Director (Co-Principal Executive Officer)	March 31, 1995 Date
/s/ John H. Bretherick, Jr. John H. Bretherick, Jr. Director	March 31, 1995 Date
/s/ Norma E. Brown Norma E. Brown Director	March 31, 1995 Date
/s/ Samuel C. Butler Samuel C. Butler Director	March 31, 1995 Date
/s/ James E. Cheek James E. Cheek Director	March 31, 1995 Date
/s/ A. James Clark A. James Clark Director	March 31, 1995 Date
/s/ Delano E. Lewis Delano E. Lewis Director	March 31, 1995 Date
/s/ Coleman Raphael Coleman Raphael Director	March 31, 1995 Date
/s/ William J. Ruane William J. Ruane Director	March 31, 1995 Date

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SIGNATURES

/s/ W. Alvon Sparks, Jr. W. Alvon Sparks, Jr. Director	March 31, 1995 Date
/s/ W. Reid Thompson W. Reid Thompson Director	March 31, 1995 Date

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ANNUAL REPORT ON FORM 10-K

ITEM 14(d)

FINANCIAL STATEMENT SCHEDULES

YEAR ENDED DECEMBER 31, 1994

GEICO CORPORATION

WASHINGTON, D. C.

REPORT OF INDEPENDENT ACCOUNTANTS

To The Shareholders
GEICO Corporation

Our report on the consolidated financial statements of GEICO Corporation and subsidiaries has been incorporated by reference in this Form 10-K from page 27 of the 1994 Annual Report to Shareholders of GEICO Corporation. In connection with our audits of such financial statements, we have also audited the related financial statement schedules listed in the index on page 12 of this Form 10-K.

In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

As discussed in Note A to the consolidated financial statements, GEICO Corporation changed its methods of accounting for postemployment benefits in 1994 and for income taxes, postretirement benefits other than pensions, and investments in debt securities in 1993.

By:
COOPERS & LYBRAND L.L.P.

Washington, D.C.
February 17, 1995

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

GEICO CORPORATION AND SUBSIDIARIES
DECEMBER 31, 1994
In Thousands

Type of Investment	Cost(1)	Market value	Amount at which shown in the Balance Sheet
Fixed maturities available for sale:			
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 873,440	$ 842,086	$ 842,086
Obligations of states and political subdivisions	2,343,200	2,292,622	2,292,622
Public utility bonds	54,908	49,616	49,616
All other corporate bonds and notes	50,615	47,938	47,938
Redeemable preferred stocks	41,259	37,863	37,863
Total fixed maturities	3,363,422	$3,270,125	3,270,125
Equity securities available for sale:			
Common stocks:			
Banks, trusts and insurance companies	54,722	$ 54,215	54,215
Industrial, miscellaneous and all other	479,648	705,576	705,576
Nonredeemable preferred stocks	22,591	22,917	22,917
Total equity securities	556,961	$ 782,708	782,708
Short-term investments	50,033		50,033
Total investments	$3,970,416		$4,102,866

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

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SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

GEICO CORPORATION
(PARENT COMPANY)
BALANCE SHEETS
In Thousands

	December 31, 1994	1993
ASSETS		
Fixed maturities available for sale, at market		
U.S. Treasury securities (amortized cost $58,103 in 1993)	$ -	$ 58,991
Equity securities available for sale, at market		
Common stocks (cost $539,893 and $446,158)	602,505	481,751
Short-term investments	3,928	50,353
Total Investments	606,433	591,095
Cash	342	481
Notes receivable from subsidiaries (1)	900	1,725
Investment in consolidated subsidiaries (1)	1,244,333	1,275,735
Federal income taxes	-	3,855
Accrued investment income	610	2,894
Amounts receivable from sale of securities	565	864
Amount receivable from sale of subsidiary	-	21,945
Amounts due from subsidiaries (1)	605	76
Property and equipment, at cost less accumulated depreciation of $3,895 and $3,441	856	1,102
Other assets	2,506	2,755
Total Assets	$1,857,150	$1,902,527
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Accrued expenses and other liabilities	$ 65,211	$ 67,136
Federal income taxes	8,214	-
Amounts payable on purchase of securities	8,408	-
Amounts payable on purchase of Common Stock (Treasury)	248	1,715
Debt	329,128	299,097
Total Liabilities	411,209	367,948
Shareholders' Equity:		
Common Stock	71,565	71,495
Paid-in surplus	169,084	165,251
Unrealized appreciation of investments	91,167	192,239
Retained earnings	1,330,022	1,191,509
Treasury Stock, at cost	(167,115)	(36,740)
Unearned Employee Stock Ownership Plan shares	(48,782)	(49,175)
Total Shareholders' Equity	1,445,941	1,534,579
Total Liabilities and Shareholders' Equity	$1,857,150	$1,902,527

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

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SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

GEICO CORPORATION
(PARENT COMPANY)
STATEMENTS OF INCOME
In Thousands

	For The Year Ended December 31, 1994	1993	1992
Revenue:			
Dividends from consolidated subsidiaries (1)	$133,025	$175,375	$389,930
Dividends from unconsolidated affiliate	-	844	1,556
Interest from subsidiaries (1)	115	51	53
Management fees from subsidiaries (1)	16,701	15,942	16,325
Other investment income	11,439	8,513	3,644
Realized gains on investments	5,302	20,628	1,050
Other revenue	129	66	74
Total Revenue	166,711	221,419	412,632
Expenses:			
Management fees to subsidiaries (1)	2,800	2,200	1,950
General and administrative	21,142	8,885	68,421
Interest	21,440	13,267	16,125
Total Expenses	45,382	24,352	86,496
Income before income tax expense (benefit) and equity in undistributed income	121,329	197,067	326,136
Income tax expense (benefit)	(7,526)	5,886	(21,528)
Income before equity in undistributed income	128,855	191,181	347,664
Equity in undistributed income of consolidated subsidiaries (1)	79,960	92,309	(176,273)
Equity in undistributed income of unconsolidated affiliate	-	2,937	1,382
Net income before cumulative effect of changes in accounting principles	208,815	286,427	172,773
Cumulative effect of changes in accounting principles:			
Postemployment benefits, net of tax	(1,051)	-	-
Income taxes	-	(8,814)	-
Postretirement benefits, net of tax	-	(3,935)	-
Net Income	$207,764	$273,678	$172,773

(1) Eliminated in consolidation.

See accompanying note to condensed financial statements.

SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
GEICO CORPORATION
(PARENT COMPANY)
STATEMENTS OF CASH FLOWS
In Thousands

	For The Year Ended December 31, 1994	1993	1992
OPERATING ACTIVITIES			
Net income	$207,764	$273,678	$172,773
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of changes in accounting principles:			
Postemployment benefits, net of tax	1,051	-	-
Income taxes	-	8,814	-
Postretirement benefits, net of tax	-	3,935	-
Equity in undistributed net income of consolidated subsidiaries (1)	(97,956)	(92,309)	19,227
Equity in undistributed net income of unconsolidated affiliate	-	(2,937)	(1,382)
Federal income taxes	2,788	14,610	(11,034)
Realized gains	(5,302)	(20,628)	(1,050)
Change in amounts due from subsidiaries (1)	(529)	(1,047)	1,639
Accrual of discount on investments	(1,961)	-	-
Other	10,926	(6,613)	4,809
Net cash provided by operating activities	116,781	177,503	184,982
INVESTING ACTIVITIES			
Purchases of equity securities	(180,320)	(292,587)	(132,349)
Purchases of fixed maturities	(31,055)	(96,835)	(68,879)
Increase in payable on security purchases	8,408	-	-
Sales of fixed maturities	11,927	-	19,956
Maturities and redemptions of fixed maturities	79,036	38,732	48,625
Sales of equity securities	109,599	69,733	7,616
Net change in short-term investments	46,425	(48,702)	13,118
Change in receivable from security sales	299	(826)	(38)
Net investment in subsidiaries (1)	(7,700)	(1,000)	(14,500)
Proceeds from sales of affiliates and subsidiaries	9,686	74,282	-
Decrease in notes receivable from subsidiaries (1)	825	200	150
Purchase of property and equipment, net	(229)	(106)	34
Net cash provided (used) by investing activities	46,901	(257,109)	(126,267)
FINANCING ACTIVITIES			
Issuance of debt	-	149,458	-
Net change in short-term borrowings	30,000	-	-
Exercise of stock options	1,129	783	10,400
Purchase of Common Stock (Treasury)	(125,086)	(22,696)	(26,724)
Dividends paid to shareholders	(69,864)	(48,300)	(42,464)
Net cash provided (used) by financing activities	(163,821)	79,245	(58,788)
Change in cash	(139)	(361)	(73)
Cash at beginning of year	481	842	915

*** B11 ***

Cash at end of year	$ 342	$ 481	$ 842

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

*** B12 ***

SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

GEICO CORPORATION
(PARENT COMPANY)

NOTE TO CONDENSED FINANCIAL STATEMENTS

December 31, 1994

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.

In 1994 the parent company received $133.0 million of dividends from its consolidated subsidiaries, consisting of $115.0 million of cash and $18.0 million of equity securities. In 1992 the parent company received $389.9 million of dividends from its consolidated subsidiaries, consisting of $232.9 million of cash, $68.8 million of equity securities and $88.2 million of the common stock of GEICO Indemnity Company, a consolidated subsidiary. The noncash portion of the dividends in 1994 and 1992 related to the acquisition of equity securities and the consolidated subsidiary are excluded from the parent company's statements of cash flows.

*** C01 ***

SCHEDULE III - SUPPLEMENTARY INSURANCE INFORMATION

GEICO CORPORATION AND SUBSIDIARIES
In Thousands

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	Earned Premiums
Year Ended December 31, 1994					
Property and casualty insurance	$ 72,359	$1,954,308	$747,218	$ -	$2,473,230
Reinsurance	-	58,016	124	-	161
Life and health insurance	-	37,131	-	64,167	2,885
Total insurance segment	$ 72,359	$2,049,455	$747,342	$ 64,167	$2,476,276
Year Ended December 31, 1993					
Property and casualty insurance	$ 71,839	$1,798,665	$674,955	$ -	$2,281,147
Reinsurance	-	69,294	161	-	55
Life and health insurance	-	34,705	-	52,976	2,286
Total insurance segment	$ 71,839	$1,902,664	$675,116	$ 52,976	$2,283,488
Year Ended December 31, 1992					
Property and casualty insurance					$2,071,132
Reinsurance					125
Life and health insurance					13,245
Total insurance segment					$2,084,502

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SCHEDULE III - SUPPLEMENTARY INSURANCE INFORMATION

GEICO CORPORATION AND SUBSIDIARIES
In Thousands

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
$172,307	$1,999,682	$200,092	$189,645	$2,544,826
2,904	(3,164)	(48)	1,271	124
6,893	8,573(1)	-	351	N/A
$182,104	$2,005,091	$200,044	$191,267	$2,544,950
$174,985	$1,823,793	$197,619	$182,404	$2,129,038
3,360	(2,010)	(74)	1,326	(43)
7,229	13,521(1)	-	288	N/A
$185,574	$1,835,304	$197,545	$184,018	$2,128,995
$177,363	$1,720,953	$182,260	$162,895	$2,163,418
3,639	4,005	15	1,797	94
8,614	14,664(1)	1,380	2,912	N/A
$189,616	$1,739,622	$183,655	$167,604	$2,163,512

(1) Includes interest on policyholders' funds of $3,972, $3,565 and $3,239 forthe years ended December 31, 1994, 1993 and 1992, respectively.

*** C03 ***

SCHEDULE IV - REINSURANCE

GEICO CORPORATION AND SUBSIDIARIES
THREE YEARS ENDED DECEMBER 31, 1994
In Thousands

	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percentage of amount assumed to net
Year ended December 31, 1994:					
Life insurance in force	$ -	$ -	$ -	$ -	-
Premiums earned:					
*Accident and health insurance	$ 781	$ 781	$ -	$ -	-
Property and liability insurance	2,447,124	16,825	43,092	2,473,391	2%
Life insurance	2,885	-	-	2,885	-
Total premiums earned	$2,450,790	$ 17,606	$ 43,092	$2,476,276	
Year ended December 31, 1993:					
Life insurance in force	$ -	$ -	$ -	$ -	-
Premiums earned:					
*Accident and health insurance	$ 894	$ 894	$ -	$ -	-
Property and liability insurance	2,256,982	22,135	46,355	2,281,202	2%
Life insurance	2,286	-	-	2,286	-
Total premiums earned	$2,260,162	$ 23,029	$ 46,355	$2,283,488	
Year ended December 31, 1992:					
Life insurance in force	$ -	$ -	$ -	$ -	-
Premiums earned:					
*Accident and health insurance	$ 1,052	$ 630	$ (4)	$ 418	-
Property and liability insurance	2,062,741	32,074	40,589	2,071,256	2%
Life insurance	14,427	1,599	-	12,828	-
Total premiums earned	$2,078,220	$ 34,303	$ 40,585	$2,084,502	

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

*** C04 ***

SCHEDULE V - VALUATION AND QUALIFYING ACCOUNTS

GEICO CORPORATION AND SUBSIDIARIES
In Thousands

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
Year ended December 31, 1994:					
Allowance for loan losses	$2,475	$ 72	$ -	$ 150(1)	$2,397
Allowance for uncollectable premiums	1,850	6,260	-	5,620(1)	2,490
Year ended December 31, 1993:					
Allowance for loan losses	$2,661	$ 243	$ -	$ 429(1)	$2,475
Allowance for uncollectable premiums	1,850	4,326	-	4,326(1)	1,850
Year ended December 31, 1992:					
Allowance for loan losses	$2,993	$ 418	$ -	$ 750(1)	$2,661
Allowance for uncollectable premiums	1,970	4,646	-	4,766(1)	1,850

(1) Uncollectible Accounts Written Off, Net of Recoveries

*** C05 ***

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

GEICO CORPORATION AND SUBSIDIARIES
In Thousands

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, 1994	$72,359	$2,012,324	$ -	$747,342	$2,473,391
Year ended December 31, 1993	$71,839	$1,867,959	$ -	$675,116	$2,281,202
Year ended December 31, 1992					$2,071,257

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

GEICO CORPORATION AND SUBSIDIARIES
In Thousands

Column G	Column H		Column I	Column J	Column K
	Loss and Loss Adjustment Expenses Incurred Related to		Amortization of Deferred Policy Acquisition Costs	Paid Losses and Loss Adjustment Expenses	
Net Investment Income	(1) Current Year	(2) Prior Years			Premiums Written
$175,211	$2,097,853	$(101,335)	$200,044	$1,856,593	$2,544,950
$178,345	$1,899,571	$ (77,788)	$197,545	$1,681,183	$2,128,995
$181,002	$1,795,772	$ (70,814)	$182,275	$1,548,585	$2,163,512

*** C07 ***

Exhibit 13

GEICO
Corporation

Annual Report
1994

Front Cover

Table of Contents

GEICO Corporation
One GEICO Plaza
Washington, D.C. 20076-0001
Telephone (301) 986-3000

GEICO Corporation (the Corporation) is principally an insurance organization whose affiliates are personal lines property and casualty insurers. The largest subsidiary, Government Employees Insurance Company (GEICO), is engaged in writing preferred-risk private passenger automobile insurance for government employees and military personnel and also writes homeowners and other lines of insurance for all qualified applicants. GEICO General Insurance Company (GGIC), a subsidiary of GEICO, writes private passenger automobile insurance for preferred-risk applicants other than government employees and military personnel.

GEICO Indemnity Company (GI), a subsidiary of the Corporation, writes standard-risk private passenger automobile and motorcycle insurance. GEICO Casualty Company, a subsidiary of GI, writes nonstandard-risk private passenger automobile insurance.

Criterion Life Insurance Company, a subsidiary of GEICO, writes structured settlement annuities for its property and casualty affiliates. Government Employees Financial Corporation (GEFCO), a subsidiary of GEICO, engages in secured consumer and business lending and loan servicing.

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.

The Corporation and its subsidiaries are sometimes referred to as "the Company" in this report.

Inside front cover

*** C08 ***

FINANCIAL HIGHLIGHTS

(In thousands, except per share data)	1994	1993	1992
Premiums	$2,476,276	$2,283,488	$2,084,502
Net investment income (pretax)	$201,790	$201,851	$201,526
Net investment income (aftertax)	$173,092	$165,053	$165,388
Realized gains (pretax)	$12,898	$120,584	$98,535
Realized gains (aftertax)	$9,904	$81,292	$60,693
Net income	$207,764	$273,678	$172,773
Weighted average shares	69,992	71,417	72,387
Net income per share	$2.97	$3.83	$2.39
Realized gains per share (aftertax)	$.14	$1.14	$.84
Dividends paid per common share	$1.00	$.680	$.600
Assets	$4,998,105	$4,831,440	$4,525,091
Shareholders' equity	$1,445,941	$1,534,579	$1,292,511
Common shares outstanding	68,291	70,834	71,184
Book value per share	$21.17	$21.66	$18.16
Return on equity (three-year rolling)	16.4%	18.7%	19.4%
Property and casualty policyholders' surplus	$1,039,930	$916,943	$968,286

FINANCIAL HIGHLIGHTS

(In thousands, except per share data)	1991	1990
Premiums	$1,888,368	$1,692,518
Net investment income (pretax)	$191,226	$177,087
Net investment income (aftertax)	$161,510	$152,456
Realized gains (pretax)	$29,331	$19,587
Realized gains (aftertax)	$19,389	$13,002
Net income	$196,380	$208,441
Weighted average shares	72,855	76,397
Net income per share	$2.70	$2.73
Realized gains per share (aftertax)	$.27	$.17
Dividends paid per common share	$.456	$.400
Assets	$4,242,193	$3,719,019
Shareholders' equity	$1,184,261	$970,008
Common shares outstanding	71,047	74,253
Book value per share	$16.67	$13.06
Return on equity (three-year rolling)	24.6%	27.8%
Property and casualty policyholders' surplus	$1,104,564	$811,628

(GRAPHICS)
{At the bottom of page 1 are four, two-color charts which depict certain financial information. These charts are described as follow:}

{Chart Number 1 - Net Income and Realized Gains Per Share

This bar chart depicts net income and aftertax realized gains per share over a five year period. The vertical (y) axis is expressed in dollars (from zero to $4.00) and the horizontal (X) axis shows years (1990 through 1994). The data plotted is as follows:

	Net Income	Aftertax Realized Gains
1990	$2.73	$ .17
1991	$2.70	$ .27
1992	$2.39	$ .84
1993	$3.83	$1.14
1994	$2.97	$ .14}

*** C09 ***

{Chart Number 2 - Property and Casualty Policyholders' Surplus and GEICO Corporation Shareholders' Equity (millions of dollars)

This area chart depicts shareholders' equity and policyholders' surplus in millions of dollars over a five year period. The y-axis is expressed in millions of dollars (from zero to $1,600 and the x-axis shows years (1990 through 1994). The data plotted is as follows:

	Policyholders' Surplus	Shareholders' Equity
1990	$ 811.6	$ 970.0
1991	$1,104.6	$1,184.3
1992	$ 968.3	$1,292.5
1993	$ 916.9	$1,534.6
1994	$1,039.9	$1,445.9}

{Chart Number 3 - Book Value Per Share and Return on Equity

This area chart depicts book value per share over a five year period. There is also a line graph, imposed on the area graph, showing return on equity (three-year rolling) over a five year period. There are two y-axes. The left y-axis is expressed in dollars (zero to $25, in five dollar increments) and relates to the book value per share area graph. The right y-axis is expressed in percentage (zero to 30% in increments of 10) and relates to the return on equity. The x-axis shows years (1990 through 1994). The data plotted is as follows:

	Book Value Per Share	Return on Equity
1990	$13.06	27.8%
1991	$16.67	24.6%
1992	$18.16	19.4%
1993	$21.66	18.7%
1994	$21.17	16.4%}

{Chart Number 4 - Underwriting Ratios (after policyholder dividends)

This area chart compares the property casualty insurance industry underwriting ratios against GEICO Corporation underwriting ratios. The y-axis (truncated) is expressed in precentage running from 70% (implied) to 115% (in 15 point increments). The x-axis shows years (1990 through 1994). The data plotted is as follows:

	Industry	GEICO Corp.
1990	109.7%	96.4%
1991	108.8%	96.4%
1992	115.7%	100.1%
1993	106.9%	97 5%
1994	109.4%	96.4%}

*** C10 ***

TO OUR SHAREHOLDERS

(photo)

{On page two there are two pictures in the left margin. The top left picture shows O.M. Nicely, President and Chief Executive Officer, Insurance Operations. The bottom left picture shows Louis A. Simpson, President and Chief Executive Officer, Capital Operations.}

Overall financial results in 1994 were satisfactory. Underwriting results and aftertax net investment income improved while operating earnings per share were close to the 1993 results.

Management believes the underwriting ratio is the best indication of how well the property and casualty insurance operations are performing. The consolidated property and casualty statutory underwriting ratio was 96.4% in 1994 compared to an adjusted ratio of 96.7% in 1993. As you may recall, last year's ratio of 96.7% was adjusted from the statutory ratio of 99.1% to eliminate the effect of the California Proposition 103 premium refund, and also our changed method of recording written premium. These adjustments were necessary to give a better indication of 1993's underwriting performance.

While the overall underwriting results were satisfactory, 1994 was impacted significantly by a series of catastrophic losses including winter freezing in the northeast and the Northridge, California earthquake. Catastrophe losses were approximately $31 million in both 1994 and 1993 following 1992's gross losses (before reinsurance) of almost $200 million, the majority of which was Hurricane Andrew. Catastrophe losses contributed 1.3 points to the underwriting ratios in both 1994 and 1993, and 6.3 points in 1992. In 1994, we elected not to purchase catastrophe reinsurance. Following major catastrophe losses over the past few years, reinsurers raised their premiums to a level where we believe the prices in relation to the coverage provided do not represent a good bargain. We continue to entertain offers to limit our exposure to catastrophe losses and would purchase reinsurance if the rates were reasonable and justified. Meanwhile, we believe that the Corporation's capital base is sufficient to withstand substantial catastrophe losses.

Underwriting results in our core private passenger automobile business were quite satisfactory in 1994. Voluntary auto policies-in-force grew by 6.8%. Property and casualty premiums earned were up 8.4% in 1994 following a 10.1% increase in 1993. These growth rates reflect the strong auto growth and modest rate increases of the past two years. Our homeowner line, primarily written as an accommodation to our automobile business, had a modest underwriting gain with a small decline in policies-in-force.

Consolidated pretax net investment income of $201.8 million is essentially flat with income of $201.9 million in 1993. Investment income in 1994 reflects lower yields on fixed-income investments due to a shift to tax-exempt securities and a high rate of issuer redemptions and prepayments on older, higher yielding investments. However, the Corporation's aftertax investment income is a better indicator of performance. Aftertax investment income in 1994 was $173.1 million, up from $165.1 million in 1993, an increase of 4.9%. The chart displayed on the next page shows the aftertax net investment income per share over the past few years. The per share increase from 1993 to 1994 is 6.9%. The increase is greater on a per share basis because of lower shares outstanding.

Operating earnings, which exclude realized investment gains and losses and the cumulative effect of changes in accounting, were $2.84 per share, down slightly from $2.87 per share in 1993. Operating results in 1993 were increased by $.06 per share as the result of our settlement of California Proposition 103.

Net income was $207.8 million, down from $273.7 million a year earlier. Net income per share in 1994 was $2.97, down 22.5% from $3.83 in 1993. Net income reflects a lower level of realized gains in 1994. Aftertax realized gains in 1994 were $9.9 million ($.14 per share), down from 1993's $81.3 million ($1.14 per share). Net income was reduced $1.1 million ($.01 per share) in 1994 and $12.7 million ($.18 per share) in 1993 as the result of accounting changes discussed in detail in the Management's Discussion and Analysis section. Included in 1993's $1.14 of aftertax realized gains per share was $.22 from the sale of 3.3 million shares of AVEMCO stock. Net income, of course, is highly influenced by the level of investment gains realized. Our guiding investment principle is to invest for long-term total returns to enhance shareholder value. Therefore, we realize gains when it makes economic sense to do so and not to smooth our net income results.

For our purposes, we have defined long-term as a thirty-six month view and this is the basis on which we measure our investment success or failure against the market. This is not to suggest, however, that we are not mindful of shorter time periods. During 1994, your total investment portfolio achieved an aftertax return of 2.6%. The common stock segment had an aftertax total return of 9.1% as compared to an imputed aftertax return of 1.6% for the S&P 500 index. The fixed income segment of the portfolio also yielded a higher return than the market in 1994. Over the past three years, the Corporation's common stock portfolio earned a 6.8% compound annual rate of return after tax, compared to 4.7% for the S&P 500. For the same three year period, the total portfolio appreciated at a 4.6% annual rate after tax.

Shareholders' equity of $1,445.9 million at year-end 1994 represents a decrease of 5.8% from 1993's $1,534.6 million. The decline reflects the purchase of a net 2,613,498 shares of Treasury Stock for $130.3 million in 1994 and a $101.0 million decrease in the net unrealized appreciation of investments to $91.2 million at December 31, 1994. As noted, equity securities performed well in 1994 but this was more than offset by declines in fixed maturities due to a significant increase in interest rates during the year. Book value per share declined by 2.3% from year-end 1993 to $21.17 at December 31, 1994.

Return on equity, as measured over a rolling three-year period, was 16.4% in 1994 compared to 18.7% for 1993. The return on equity continues to be diminished as the Corporation's capital grows. For now, however, your management feels that the current capital level is prudent.

On February 22, 1995 your Board of Directors increased the quarterly cash dividend on the Corporation's Common Stock to $.27 per share, up 8% over the dividend paid in each of the previous four quarters.

{On page 3 there are three bar charts. The first chart, located in the lower left position displays aftertax net investment income on a per share basis. The Y-axis is stated in dollars running from 0 to $3.00, in increments of one dollar. The x-axis is years (1990 through 1994). The data plotted is as follows:

	Aftertax Net Investment Income Per Share
1990	$2.00
1991	$2.22
1992	$2.28
1993	$2.31
1994	$2.47}

{The second, in the bottom center position, is intended to compare rates of return between GEICO's common stock portfolio and the S&P 500. The chart is labeled "Common Stock Annualized Total Rate of Return After Tax (thirty-six months ending)." The y-axis is stated in percent, runing from zero to 20, in increments of 5. The x-axis is years (1990 through 1994). The data is as follows:

	Common Stock Portfolio	S&P 500
1990	12.1%	10.1%

*** C12 ***

1991	17.1%	12.9%
1992	11.8%	7.9%
1993	14.9%	10.7%
1994	6.8%	4.7%}

{The third, a stacked bar chart, in the lower right position, is entitled, "Invested Assets (Millions of Dollars)," and depicts the dollars invested in three categories. The y-axis is expressed in millions of dollars running from zero to $4,200 in increments of 700. The x-axis is years (1990 through 1994). The data plotted for the three separate categories is as follows:

	Fixed Maturities	Equity Securities	Short-term Investments
1990	$1,885.0	$657.3	$151.7
1991	$2,275.0	$807.1	$110.0
1992	$2,476.7	$740.3	$223.0
1993	$3,175.4	$727.2	$116.0
1994	$3,270.1	$782.7	$ 50.0}

(Page 3)

*** D01 ***

{On page 4 there are two bar charts in the left margin which are intended to depict GEICO policyholder satisfaction over a five year period, with auto policy and claim service, respectively. The vertical (y) axis for both charts is expressed as percent running 0, 50 and 100. The horizontal (x) axis for both charts is years (1990 through 1994). The data plotted is as follows:

	Policy Service	Claims Service
1990	91%	87%
1991	91%	89%
1992	92%	89%
1993	94%	90%
1994	94%	90%}

In our 1986 Annual Report we discussed our five operating principles.
To remind you, those principles are:

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

Realizing that superior customer satisfaction is critical to our financial success and future growth, management spends much time and effort promoting to our associates the importance of being fanatics for good service. Through an annual policyholder survey, we solicit direct feedback from our customers to assess how pleased they are with the service we provide. As the charts at the left illustrate, our policyholders tell us they continue to be quite satisfied with our auto policy and auto claim service. Last year we also began to keep track of the complimentary letters and phone calls from our customers. We are pleased to report that during 1994 these compliments received were 17.5% above 1993's level.

Over the years, management has fostered a strong customer service culture stressing the need to make it easy for our customers to do business with GEICO. We intensified our efforts through a Quality Improvement Process, whose basic premise is that our front line associates are in the best position to identify and correct customer dissatisfiers. Given a mechanism, referred to as Ideas for Quality (IQs), these associates are able to alert management to customer service problems and either suggest solutions themselves or work together with other associates in teams to make recommendations. The Quality Improvement Process concept is not unique to GEICO and different companies report varying degrees of success. Sustained commitment and involvement are the keys to continuous improvement. In 1994 our associates submitted over 19,000 IQs. We have made progress in our efforts to be fanatics for good service and must keep our focus to achieve our ultimate objective of delighting our customers.

If you refer to the chart on pages six and seven you will see that we have achieved an underwriting ratio of less than 100% in all but two years since 1985. As a reminder, an underwriting ratio of less than 100% indicates an underwriting profit. Our best assurance of achieving an underwriting profit is to maintain our expense discipline at all times. The low-cost provider principle speaks to this.

The direct response distribution system should provide us with a competitive cost advantage since GEICO does not usually pay a commission on business acquired. We can pass this cost savings on to our customers and charge less for our products. Quite frankly, since some companies are willing to operate at an underwriting loss, this commission advantage alone is not enough to reduce our prices to the level we think they must be. We are constantly searching for ways to reduce our other operating expenses.

Assets and liabilities must be accurately stated in the Corporation's accounting records to properly reflect its capacity to pay losses and expenses. Disciplined loss reserves are one of management's greatest challenges since it may take years for claims to settle, and

*** D02 ***
reducing the reserves a little can improve reported financial results a lot.
Over time, however, understating
(page 4)

*** D03 ***

the ultimate claims liabilities can lead to financial collapse. The Corporation goes to great length to ensure that its reserves are accurate and adequate to meet foreseeable claims. It is management's responsibility to maintain a disciplined balance sheet to properly reflect the Corporation's financial position and measure its results of operations. Additional comments on the Corporation's loss reserves and methodology are contained in the Management's Discussion and Analysis section on pages 22 through 24.

As we have said many times, we think that over time, shareholder value is most enhanced by investing for long-term total returns. We feel this approach helps keep us from making poor short-term decisions when it comes to sector allocation or investing in the latest Wall Street craze. Over the years, the superior performance of your common stock portfolio segment in particular has added much value to the Corporation. In the selection of common stocks, we continue to be guided by the same five criteria that we detailed in our 1986 Annual Report:

* Think independently
* Invest in high-return businesses run for the shareholders
* Pay only a reasonable price, even for an excellent business
* Invest for the long term
* Do not diversify excessively

Since we last mentioned these principles in 1986, the Corporation has seen its ups and downs, but mostly ups. In reviewing this history, management asks itself what we could have done better. As the expression goes, hindsight is always 20-20, and we would possibly have done certain things differently. We can assure you, however, that we would not have changed any of our five operating principles or our dedication to them. They have served us well in the past and we expect to be guided by them in the future.

We intend to continue to focus our concentration on profitably growing our core personal lines automobile business, through concentrating on providing superior customer service and achieving greater operating efficiencies.

O. M. Nicely
President and Chief Executive Officer
Insurance Operations
February 24, 1995

Louis A. Simpson
President and Chief Executive Officer
Capital Operations
February 24, 1995

*** D04 ***

SELECTED FINANCIAL DATA

GEICO CORPORATION
(In thousands, except per share data)

	1994	1993	1992
OPERATING RESULTS			
Premiums	$2,476,276	$2,283,488	$ 2,084,502
Net investment income	201,790	201,851	201,526
Realized gains on investments	12,898	120,584	98,535
Interest on loans receivable	10,347	11,519	16,528
Equity in earnings of unconsolidated affiliates	-	3,306	2,292
Other revenue	14,698	17,552	16,619
Total revenue	2,716,009	2,638,300	2,420,002
Total benefits and expenses	2,507,194	2,351,873	2,247,229
Net income before cumulative effect of changes in accounting principles	208,815	286,427	172,773
Cumulative effect of changes in accounting principles	(1,051)	(12,749)	-
Net income	$207,764	$273,678	$172,773
WEIGHTED AVERAGE SHARES OUTSTANDING	69,992	71,417	72,387
PER SHARE RESULTS			
Net income*	$2.97	$3.83	$2.39
Common Stock dividends	$1.00	$.680	$.600
FINANCIAL CONDITION			
Assets	$4,998,105	$4,831,440	$4,525,091
Debt	$391,378	$418,085	$287,007
Shareholders' equity	$1,445,941	$1,534,579	$1,292,511
Common shares outstanding	68,291	70,834	71,184
Book value per share	$21.17	$21.66	$18.16

SIGNIFICANT STATUTORY INDICATORS
(In thousands, except ratios)

	1994	1993	1992
PROPERTY AND CASUALTY OPERATIONS**			
Surplus for protection of policyholders	$1,039,930	$916,943	$968,286
Ratio of twelve months written premiums to surplus	2.4:1	2.2:1	2.2:1
Loss ratio	82.1%	81.9%	84.8%
Expense ratio	14.3%	17.2%	15.3%
Underwriting ratio	96.4%	99.1%	100.1%
Underwriting ratio after policyholder dividends	96.4%	99.1%	100.1%
Adjusted ratios:			
Expense ratio		15.6%	
Underwriting ratio		97.5%	

SELECTED FINANCIAL DATA

GEICO CORPORATION
(In thousands, except per share data)

	1991	1990
OPERATING RESULTS		
Premiums	$1,888,368	$1,692,518
Net investment income	191,226	177,087
Realized gains on investments	29,331	19,587
Interest on loans receivable	20,019	23,606
Equity in earnings of unconsolidated affil-		

*** D05 ***

iates	4,139	3,303
Other revenue	13,944	18,776
Total revenue	2,147,027	1,934,877
Total benefits and expenses	1,950,647	1,726,436
Net income before cumulative effect of changes in accounting principles	196,380	208,441
Cumulative effect of changes in accounting principles	-	-
Net income	$196,380	$208,441
WEIGHTED AVERAGE SHARES OUTSTANDING	72,855	76,397
PER SHARE RESULTS		
Net income*	$2.70	$2.73
Common Stock dividends	$.456	$.400
FINANCIAL CONDITION		
Assets	$4,242,193	$3,719,019
Debt	$299,081	$280,799
Shareholders' equity	$1,184,261	$970,008
Common shares outstanding	71,047	74,253
Book value per share	$16.67	$13.06

SIGNIFICANT STATUTORY INDICATORS
(In thousands, except ratios)

PROPERTY AND CASUALTY OPERATIONS**		
Surplus for protection of policyholders	$1,104,564	$811,628
Ratio of twelve months written premiums to surplus	1.7:1	2.1:1
Loss ratio	79.0%	80.8%
Expense ratio	15.9%	15.2%
Underwriting ratio	94.9%	96.0%
Underwriting ratio after policyholder dividends	96.4%	96.4%
Adjusted ratios:		
Expense ratio		
Underwriting ratio		

*The cumulative effect of changes in accounting principles reduced net income per share by $.01 in 1994 and $.18 in 1993.

**Property and casualty includes Government Employees Insurance Company, GEICO General, GEICO Indemnity, GEICO Casualty, Resolute, and during their respective ownership periods, Southern Heritage and Merastar.

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

Adjusted ratios for 1988 and 1987 are calculated to eliminate the effect of converting to six-month premiums and for 1993 are calculated to eliminate the effect of the change in accounting for advance premiums.

(page 6)

*** D06 ***

SELECTED FINANCIAL DATA

GEICO CORPORATION

(In thousands, except per share data)

	1989	1988	1987
OPERATING RESULTS			
Premiums	$1,621,361	$1,548,989	$1,429,208
Net investment income	152,422	143,502	130,691
Realized gains on investments	109,133	82,351	42,019
Interest on loans receivable	29,215	31,159	27,100
Equity in earnings of unconsolidated affiliates	10,462	11,246	8,785
Other revenue	16,796	14,129	17,916
Total revenue	1,939,389	1,831,376	1,655,719
Total benefits and expenses	1,726,336	1,642,338	1,477,805
Net income before cumulative effect of changes in accounting principles	213,053	189,038	177,914
Cumulative effect of changes in accounting principles	-	-	-
Net income	$213,053	189,038	177,914
WEIGHTED AVERAGE SHARES OUTSTANDING	77,522	79,303	83,363
PER SHARE RESULTS			
Net income*	$2.75	$2.38	$2.13
Common Stock dividends	$.360	$.328	$.272
FINANCIAL CONDITION			
Assets	$3,582,156	$3,189,095	$3,101,993
Debt	$302,152	$299,955	$260,313
Shareholders' equity	$898,135	$707,390	$634,678
Common shares outstanding	75,882	77,198	80,993
Book value per share	$11.84	$9.16	$7.84

SIGNIFICANT STATUTORY INDICATORS
(In thousands, except ratios)

	1989	1988	1987
PROPERTY AND CASUALTY OPERATIONS**			
Surplus for protection of policyholders	$814,806	$650,880	$548,408
Ratio of twelve months written premiums to surplus	2.0:1	1.9:1	2.6:1
Loss ratio	81.8%	83.2%	81.2%
Expense ratio	15.2%	17.5%	15.5%
Underwriting ratio	97.0%	100.7%	96.7%
Underwriting ratio after policyholder dividends	97.4%	100.7%	96.7%
Adjusted ratios:			
Expense ratio		14.6%	15.2%
Underwriting ratio		97.8%	96.4%

SELECTED FINANCIAL DATA

GEICO CORPORATION
(In thousands, except per share data)

	1986	1985
OPERATING RESULTS		
Premiums	$1,289,856	$1,073,937
Net investment income	125,129	124,627
Realized gains on investments	146,729	142,549
Interest on loans receivable	27,051	25,124
Equity in earnings of unconsolidated affiliates	5,990	2,774

*** D07 ***

Other revenue	15,792	25,361
Total revenue	1,610,547	1,394,372
Total benefits and expenses	1,392,805	1,223,793
Net income before cumulative effect of changes in accounting principles	217,742	170,579
Cumulative effect of changes in accounting principles	-	-
Net income	$217,742	$170,579
WEIGHTED AVERAGE SHARES OUTSTANDING	86,305	92,149
PER SHARE RESULTS		
Net income*	$2.52	$1.85
Common Stock dividends	$.216	$.200
FINANCIAL CONDITION		
Assets	$2,982,149	$2,603,803
Debt	$250,244	$255,292
Shareholders' equity	$623,997	$515,636
Common shares outstanding	83,580	88,484
Book value per share	$7.47	$5.83
SIGNIFICANT STATUTORY INDICATORS (In thousands, except ratios)		
PROPERTY AND CASUALTY OPERATIONS**		
Surplus for protection of policyholders	$671,414	$583,000
Ratio of twelve months written premiums to surplus	2.0:1	2.0:1
Loss ratio	81.4%	87.9%
Expense ratio	14.7%	15.0%
Underwriting ratio	96.1%	102.9%
Underwriting ratio after policyholder dividends	96.9%	102.9%
Adjusted ratios:		
Expense ratio		
Underwriting ratio		

*The cumulative effect of changes in accounting principles reduced net income per share by $.01 in 1994 and $.18 in 1993.

**Property and casualty includes Government Employees Insurance Company, GEICO General, GEICO Indemnity, GEICO Casualty, Resolute, and during their respective ownership periods, Southern Heritage and Merastar.

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

Adjusted ratios for 1988 and 1987 are calculated to eliminate the effect of converting to six-month premiums and for 1993 are calculated to eliminate the effect of the change in accounting for advance premiums.

COMMON STOCK

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 Common Stock at January 31, 1995 was 2,998.

The following table shows the quarterly high and low prices for the Common Stock, as published in the tabulation of the New York Stock Exchange

*** **D08** ***

Composite Transactions. The table also shows dividends paid to shareholders of record in each quarter of 1994 and 1993.

1994	High	Low	Dividends Paid
Fourth Quarter	$51.25	$49.00	$ .25
Third Quarter	51.50	47.63	.25
Second Quarter	57.63	49.63	.25
First Quarter	57.50	51.13	.25

1993	High	Low	Dividends Paid
Fourth Quarter	$56.00	$50.75	$ .17
Third Quarter	58.88	49.75	.17
Second Quarter	61.13	47.38	.17
First Quarter	67.63	59.25	.17

*** D09 ***

CORPORATE CITIZENSHIP

{In the upper right corner is a picture of three individuals with the following caption:

Educators for Excellence is a product of our associates' active involvement in the Fredericksburg, Va., community. Pictured above are GEICO claims manager Michael Rutland (left), Stafford County school board member H. Carson Rhyne, Jr. (center), and Superintendent of Stafford County Public Schools Dr. Russell Watson.}

GEICO's strong record of profitability and its 58-year commitment to serving its customers reflect the seriousness of its responsibilities to shareholders and policyholders. But the Corporation also takes seriously its responsibility as a good corporate citizen in the communities of which it is a part. GEICO demonstrates its citizenship role in two primary areas. First, through financial support and active involvement, the Corporation participates in various activities to improve the quality of life in the local community. The GEICO Philanthropic Foundation, which provides much of the financial support, is funded primarily by the GEICO group of property and casualty insurance companies. Second, GEICO supports and encourages associate participation in various civic and community groups.

Corporate Community Involvement
Because GEICO is headquartered in the Washington, D.C., area, which includes suburban Virginia and Maryland, much of the Corporate activity occurs there. But many of the organizations GEICO supports have a national outreach. One example is the New York Neighborhood Housing Services (NHS), which works with residents, local business and city governments to help low and moderate-income residents purchase and renovate homes through loans to families who may be unable to obtain credit through traditional means. The Corporation serves on the advisory board of the New York NHS and the Foundation made a financial contribution to that organization in 1994.

The Corporation also supports the Boy Scouts (and helps organize the Washington area annual golf tournament), the Salvation Army, the Armed Services YMCA and the USO of Metropolitan Washington and serves on the YMCA and USO boards. For the past few years GEICO has been a sponsor of the annual National Wheelchair Games, a major event of the Paralyzed Veterans of America.

As a member of its board of directors, GEICO provides active assistance to the Greater Washington Metropolitan Area Urban League, which offers job training and placement, tutoring and educational enrichment programs for youth, a comprehensive program for the elderly, counseling to families in crisis and assistance in community development. GEICO also participates in the programs and operations of the Greater Washington Boys and Girls Clubs and serves on the board. The clubs help children, especially those at risk, build confidence, develop character, and acquire the skills needed to grow into productive, civic- minded and responsible adults. The Foundation provides financial support to the nonprofit Jubilee Jobs, a Washington, D.C., organization which has been quite successful in taking unemployed inner-city residents off the streets and off welfare by finding them jobs and helping them become contributors to, rather than dependents of, society. GEICO serves on the Jubilee Jobs Corporate Action Committee.

In support of education, the Foundation matches associate contributions to colleges and universities and many associates participate in this program. Another example of support to education is the long relationship GEICO has maintained with Howard University in Washington, D.C., and its participation on the insurance advisory board of the College of Insurance Education at the University's School of Business. GEICO has participated in a variety of other activities at Howard University, provided financial support and hired students as summer interns. In further support of education, the Corporation offers modest scholarship programs to select students who live and attend college in the vicinity of the regional offices.

GEICO takes a special interest in military and government employees, one indication of which is the Foundation's substantial financial support to the Federal Employees Education/Assistance Fund. Another indication of that interest is GEICO's annual Public Service and Military Service Awards which recognize four active and one retired federal employee and five active military members who have made exceptional contributions to safety, health and welfare programs.

The recently opened Fredericksburg, Va., regional office honors Fredericksburg area school teachers with an awards program, Educators for Excellence, created through the cooperative efforts of GEICO associates and local school boards. One teacher will be selected annually from each of five neighboring school districts to receive $1,000 in recognition of superior performance. In Montgomery County, Md., the GEICO corporate home, GEICO is a participant in a county government program that provides for the construction of affordable housing for county residents.

{In the upper right corner is a picture of three associates with the following caption:

Daryl Glover (seated), Katy Radin, and Carlos Acker are just three of GEICO's corporate headquarters associates who participate in Mentors Inc. The program provides academic coaching and career focus for Washington, D.C., public high school students.}

Associate Involvement

At each location, GEICO associates support a wide variety of local charities and participate in public service organizations. They volunteer their time in a multitude of ways such as organizing Special Olympics events for handicapped children, rehabilitating homes, and speaking about safety at school and civic group meetings. Twenty-one GEICO associates are making a significant difference in many young lives through Mentors Inc., an organization that matches volunteer adults one-on-one with District of Columbia public high school students.

The Corporation honors the helpful spirit of its associates with an annual GEICO Volunteer Service Award. The 1994 winner was a volunteer fire fighter from the Woodbury, N.Y. , office. Activities of past winners have been varied; they have included a day care center board member, an emergency medical technician, a community dental care president, a Special Olympics volunteer, and an AIDS clinic volunteer.

In the fall of each year, all locations participate in their local United Way campaigns, raising money either by pledges or creative fund raising activities. The Foundation matched associate contributions dollar-for-dollar in 1994, bringing the total contribution to local United Way organizations to more than $900,000. By contributing to United Way, whose member agencies address such a broad spectrum of needs, GEICO and its associates make sure their dollars benefit many different organizations at every level from local to national. In addition to the United Way Campaign, GEICO associates in the Washington office annually conduct their own campaign to raise funds for the local Children's Hospital. Associates' gifts to other qualifying organizations of their choosing are also matched to encourage associates' support of worthy community activities.

Occasionally, there arises a need so severe that the companies and their associates make extraordinary efforts to help. Tropical Storm Alberto created such a need in 1994 when the storm hit particularly hard the Macon, Ga., area, home of a GEICO regional office. GEICO, through the Foundation, contributed $50,000 to the American Red Cross flood relief effort. GEICO associates across the country raised thousands of dollars more to aid 13 of their Macon colleagues whose homes were damaged in the flood.

The many associates who donate their own time and effort to improve their communities and to help in times of crisis reflect well upon the Corporation and have earned praise and thanks from GEICO and those they assist.

*** **D11** ***

SAFETY

Beginning with its founder, GEICO has a long, proud history of promoting highway safety. Its efforts have contributed to automobile travel that is much safer today than even 10 years ago.

In 1993 there were 6 percent fewer traffic fatalities than in 1983, despite 16 percent more vehicles registered, 38 percent more miles driven annually and 14 percent more drivers. Anyway you look at it, death rates were lower, whether measured by 10,000 motor vehicles (down 19 percent), 100 million vehicle miles (down 32 percent) or 100,000 population (down 14 percent).

Several factors contribute to this change. Many cars now have air bags, and by the 1996 model year virtually all new passenger vehicles will have air bags for both drivers and front-seat passengers. Research by the Insurance Institute for Highway Safety (IIHS) showed that driver deaths in frontal crashes were 28 percent lower in air bag-equipped cars than in comparable cars with manual lap/shoulder belts only.

Air bags work best when safety belts are used, and 66 percent of the population has now gotten the message to buckle up. A total of 48 states now require those in cars to use safety belts. Nine of those states have primary enforcement laws, meaning that police can stop a car simply for non-use rather than only for another traffic infraction.

Fewer people now drink and drive. In 1993, 37 percent of the drivers fatally injured in traffic crashes had a blood alcohol content (BAC) of .10 or more, compared to 50 percent of the drivers in 1980. New legislation placed tougher penalties on impaired driving, and the laws were accompanied by tougher enforcement. At the same time public awareness campaigns enlightened residents to the problem and mobilized public support.

These changes would not have happened without the work of GEICO and its allies in the auto and highway safety field. The insurance industry pushed for air bag requirements, safety belt laws and stricter drunk driving legislation, and joined forces with many other groups to help bring about these changes.

One group, IIHS, has used its prestigious research abilities to document the need for many safety changes. Its work on air bags, safety belts, automobile safety and drunk driving issues are among those where it has been influential. The independent research organization receives financial support from the nation's insurance companies, including GEICO, and GEICO officers serve on the boards of IIHS and its Highway Loss Data Institute.

In its safety work, GEICO usually backs financial contributions in the safety area with people power. By assuming leadership positions in these organizations, GEICO helps ensure the effectiveness of the organizations. Here's what is happening, with GEICO's help, through some of these groups.

* After a countrywide fact-finding mission, the National Commission Against Drunk Driving has focused its efforts on the 21 to 34 year-old driving group, which represents more than 50 percent of the drivers involved in alcohol-related fatal crashes.

* The National Association of Independent Insurers Safety Foundation has launched a program that urges states to adopt a graduated license program to reduce the number of accidents that occur because of young, inexperienced drivers.

* The Network of Employers for Traffic Safety, or NETS, now has 11 statewide organizations to help involve employers in extending the auto and highway safety message to their workers.

* On the local level, the Washington Regional Alcohol Program uses seasonal programs to reach high school students with the drunk or drugged driving message. In addition, GEICO and its associates supported several First Night celebrations. These alcohol-free community-based programs offer a safe, creative alternative to New Year's revelry.

*** D12 ***

Apart from these efforts, GEICO has helped assure safe travel for children of young military families with donations of hundreds of infant safety seats to military and naval installations in the U.S. and overseas.

Though much progress has been made to assure safer travel, much remains to be done. These areas will draw the attention of GEICO and its highway safety allies:

* Drunk driving. Despite a reduction in drunk driving, progress has slowed and alcohol-impaired driving remains one of the most serious highway safety problems. Male drivers 21 to 40 years of age constitute the majority of fatally injured drivers with high blood alcohol contents, and the group has recorded only a modest decline in the 1980s. Laws now on the books have been instrumental in reducing the drunk driving problems; the key to making further progress is enforcement, which must be both widespread and visible.
(Page 10)

*** E01 ***

{In the upper left portion of the page is a picture of two associates with the following caption:

Vince Giampietro and Gary Burns, from our government liaison program, along with associates from each of our regional and branch office locations spread the auto safety message in local communities.}

* Teenage drinking and driving. The adoption of 21 year-old alcohol purchase age laws helped reduce drunk driving in this age group, but in recent years adherence to minimum purchase age laws appears to be declining.

* Graduated licensing. An intermediate stage between the learner's permit and an adult license, graduated licensing can help get 16 to 18 year-olds through their most dangerous driving years alive and uninjured by gradually giving them added training and on-the-road experience and monitoring their performance more closely. The focus on this group comes because 16 and 17 year-olds have four times as many crashes as other drivers. Graduated licensing will not resolve this problem alone, but it would deal with the factors that lead to these crashes: inexperience, inadequate skills, excessive driving during high-risk hours of darkness, risk-taking, and misjudgment.

* The aging driver. Drivers over 40 are generally more cautious and have fewer accidents, but those over the age of 65 have more accidents per miles driven than any other age group except teenagers. Running red lights, failing to yield right of way and making improper turns are the most common causes of their accidents. Because older drivers are more vulnerable to trauma, their injuries tend to be more serious.

* Daytime running lights. Studies have shown that the use of automobile lights during daylight hours increases a car's visibility to other drivers and thus can lead to accident reduction. General Motors is experimenting with running lights, which are slightly less bright than a headlamp's lowbeam. These lights are already prevalent in Canada.

Does GEICO make a difference? By taking a leadership role in its work on safety issues, GEICO and its highway safety allies have contributed significantly to the reduction in deaths and injuries on our nation's highways. It is a role that GEICO, with fervor, will continue to play. (Page 11)

*** E02 ***

SERVICE

{In the upper right portion of the page is a picture of three associates with the following caption:

Wendy Collins, Sharon MacDonald (center) and John Walsh are representative of GEICO's sales and service associates who give customers competent and knowledgeable insurance service 24 hours a day, seven days a week.}

After a hectic day, have you ever arrived at the dry cleaner or the drug store just minutes after it has closed for the day? It really is frustrating not to be able to conduct business when it is most convenient for you. Some businesses seem to operate for their convenience, not the customer's.

GEICO realizes how much you value your time and is prepared to respond to your insurance needs at your convenience. You can request a rate quote, make a change to an existing policy or report a claim, around the clock, 365 days a year. Other companies advertise 24-hour service, but their idea of providing service at 3 a.m. or on weekends is with an answering machine. GEICO will answer your call with a trained insurance professional each and every time you call, day or night, weekends or holidays.

Such a complete customer-focused organization does not happen overnight. There are two ingredients that must come together in order to make it easy for the customer to do business with GEICO. The associates themselves are the first ingredient, of course. GEICO carefully selects and then thoroughly trains each associate who interacts with the public. In GEICO's annual survey of policyholders, a question is asked about the level of courtesy provided by the representatives. The favorable responses received indicate that policyholders feel they are being treated with courtesy and respect by GEICO counselors.

Technology is the second important ingredient in providing excellent service. Since the majority of the business is conducted by telephone, GEICO must have the absolute, ultimate capability that telecommunications technology can offer. This state-of-the-art telecommunications technology must be coupled to a computerized network that can provide instant access to a rate quote system, claims systems or a policyholder's records. Systems are expensive to develop and maintain but must remain top-notch to provide service that delights customers.

Your management is committed to providing the ultimate in 24-hour insurance accessibility and service. A key component of that commitment to service is the Quality Improvement Process launched in 1991.

GEICO's Quality Improvement Process depends on every associate's commitment to search for new and better ways to provide the best customer service in the industry. GEICO established the Corporate Quality Awards in 1993 to honor individuals and groups of associates who produced extraordinary Ideas for Quality (IQs) or provided outstanding service during the previous year. Up to six awards may be given each year. Following are profiles of the GEICO Corporate Quality Award winners for 1994.

*** E03 ***

Most Noteworthy IQ Accepted
Kit Johnston, senior employment specialist, Dallas, Texas, office

In the course of her recruiting duties, Kit Johnston perceived a need for a more visual means of communicating the duties and responsibilities of entry-level positions in sales and claims. She suggested using videos, then wrote down ideas for scenes and scripts.

She was prepared to shoot the video herself, but realized the potential benefit of having the professional videographers in GEICO's media center produce and distribute the films to all GEICO human resources departments. The project will be completed early in 1995.

Most IQs Accepted
Kathleen Lottman, senior all-lines counselor, Virginia Beach, Va., office

Kathy Lottman submitted 189 IQs during 1994, of which 160 were accepted-a rate of nearly 85 percent! This was Lottman's second consecutive year as the office's leading submitter of IQs. Lottman's IQs addressed a wide range of issues-everything from policies, procedures and systems to associate and customer safety. Many of her ideas come from the best possible source-her customers.

Quality Assurance of Products and Systems (Team)
Virginia Beach Phone Check Committee, Virginia Beach, Va., office

A team of Virginia Beach associates brought a money-saving idea to fruition. Janet Lewis, Ann Van Vleet, Sherry Tiaba, Sandy Richardson, Linda Shipley, Joe Thomas and John Izzo implemented the Phone Check system whereby prospective policyholders give GEICO counselors their checking account information over the phone. GEICO then withdraws the initial premium payment from the new policyholder's checking account at a much lower processing cost than if a credit card were used.

Quality and Leadership
Ken Lalia, auto damage field supervisor, Woodbury, N.Y., office

Ken Lalia's staff of seven adjusters handles approximately 800 claims a month, in addition to which Lalia performs 35 reinspections per month. His performance of these duties, according to home office claim department audits, exceeds company standards. In addition to his regular duties, Lalia has restructured and coordinated his region's auto damage basic training program since 1992. Under his direction, the program has achieved a 100 percent success rate over the past two years.

Make It Easy Award (Individual)
Jim Pennisten, resident adjuster, Rochester/Buffalo, N.Y., office

When GEICO's Rochester resident adjuster transferred to another region in May, Jim Pennisten took action. He voluntarily took on the Rochester claims in addition to his regular Buffalo assignments. From June through September, he worked up to 12 hours a day, traveled up to 800 miles a week, and closed over 100 claims per month, allowing GEICO to avoid using independent adjusters during this period.

Make It Easy Award (Team)
Engineering staff and Bobbie Hutto, staff services, Macon, Ga., office

On July 6, Tropical Storm Alberto caused floods that forced evacuation of the GEICO building in Macon and shut down the area's water supply for more than two weeks. In the days that followed, the engineering staff-John Bates, Simon Cullins, Michael Donaldson, Samuel Hester, Jimmy Jones, Tony Rutherford, Danny Simmons and Juston Trivett-worked tirelessly to keep the GEICO building's water-cooled air conditioning system functioning and provide as comfortable a working environment as possible. Meanwhile, Bobbie Hutto made sure the associates had drinking water, portable toilets, hotel rooms for showers, and countless other necessary items and services. Thanks to their efforts, nearly all the associates were able to return to work within a day or two after the flood.

*** E04 ***

BUSINESS SEGMENTS

PROPERTY AND CASUALTY INSURANCE

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

The principal business of the Corporation is personal lines (auto, homeowners and other personal lines) property and casualty insurance, which is offered to the insuring public through four affiliated companies. Government Employees Insurance Company and GEICO General Insurance Company serve our primary market, the preferred-risk direct-response customer. These two companies accounted for 91.6% of the Corporation's total premium in 1994. GEICO Indemnity Company (GI) writes automobile insurance for standard risks and motorcycle insurance. GEICO Casualty, a GI subsidiary, offers nonstandard-risk automobile insurance to those not qualifying for preferred or standard-risk insurance. GI and GEICO Casualty accounted for an additional 8.3% of the Corporation's total premium in 1994.

Government Employees Insurance Company was founded in 1936 to provide private passenger automobile insurance to government employees and military personnel and, in 1958, also began providing auto insurance to other eligible preferred-risk drivers. In 1987 Government Employees Insurance Company returned to marketing new auto policies to preferred-risk government employees and military personnel only, while GEICO General Insurance Company (GGIC) commenced serving all other preferred-risk drivers. In 1954 Government Employees Insurance Company also began offering additional types of personal lines property insurance and now offers homeowners, personal umbrella liability, boatowners, and fire insurance.

Government Employees Insurance Company is licensed and operates in the District of Columbia and in all states except New Jersey. GGIC, which primarily writes private passenger auto insurance, conducts business in 44 states and the District of Columbia and is licensed in the District of Columbia and in all states except New Jersey. The acronym "GEICO" is used in the remainder of this report to refer to the combined activities and financial results of the two primary preferred-risk companies, Government Employees Insurance Company and GEICO General Insurance Company.

GEICO Indemnity was organized in 1961 with the primary responsibility for meeting the automobile insurance needs of younger enlisted military personnel not meeting GEICO's preferred-risk underwriting standards. New customers were acquired and service was provided primarily through commissioned contract agents, referred to as General Field Representatives (GFRs). While GFRs remain important to the military market, GI policies are now also being sold to the general standard-risk market through direct response channels as well as by GFRs. GI operates in the District of Columbia and all states except Massachusetts, New Jersey and South Carolina.

GEICO Casualty was formed in 1982 to offer nonstandard-risk automobile insurance to the military market principally through GFRs. As is the case with GI, GEICO Casualty policies are also now being sold through direct response sources to the general nonstandard-risk market. GEICO Casualty operates in 36 states.

GEICO markets its insurance products using primarily direct-response marketing methods, which means the prospective customer responds directly over the phone or through the mail to various forms of marketing. GEICO also relies heavily upon the referral of prospects by current policyholders, a low cost method of acquiring new customers. By insuring preferred risks and managing expenses efficiently, GEICO can offer a price advantage to most of its customers.

GEICO also manages a sponsored marketing program through which various groups and associations allow GEICO to market to their members directly by mail and through membership publications.

GEICO's marketing efforts have been concentrated primarily in geographic areas where it has established a presence and where the business

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can be managed efficiently and profitably while providing quality service. Approximately 70% of GEICO's preferred-risk auto customers are located in eight states, California, Connecticut, Florida, Georgia, Maryland, New York, Texas and Virginia. In 1994, GEICO began testing national cable television advertising. The initial response was encouraging and this form of solicitation may prove to be cost effective in reaching additional markets where the Company would like to grow.

As part of its efforts to expand its direct-response business, the Company has begun providing GEICO Indemnity or GEICO Casualty rate quotes to those inquirers who do not meet the GEICO preferred-risk guidelines. By placing prospects in the standard and nonstandard-risk companies, GEICO is making more efficient use of marketing resources used to generate the inquiry.

Military and military-base civilian personnel are served primarily through 96 GFRs operating in 33 states. These GFRs are a significant source of new business for GEICO Indemnity and GEICO Casualty.

The Corporation's consolidated property and casualty statutory underwriting ratio was 96.4% in 1994 compared to 99.1% in 1993 and 100.1% in 1992 (largely a result of record weather-related losses). However, after adjusting to eliminate the effect of the change in accounting for advance premiums during 1993, the adjusted ratio for that year was 97.5% including .8% for the payment of California Proposition 103 refunds of $21.0 million. Property and casualty operations, including reinsurance, produced a GAAP underwriting gain of $85.9 million in 1994 compared to $78.1 million in 1993 and a loss of $.5 million in 1992 due to Hurricane Andrew.

Surplus for the protection of policyholders of the property and casualty insurance company subsidiaries at December 31, 1994 was $1,039.9 million, up 13.4% from $916.9 million at the end of 1993, resulting in a 2.4 to 1 premiums-to-surplus ratio. The Corporation intends to manage GEICO to a ratio of approximately 2.5 to 1 in the future, which is deemed to represent a prudent degree of leverage. The Corporation has significant assets at the parent company level which are available to provide capital as necessary to support the operations of its insurance subsidiaries. The policyholders' surplus of the property and casualty subsidiaries is well in excess of the risk-based capital requirements prescribed by the National Association of Insurance Commissioners.

Private Passenger Automobile Insurance

The Corporation's principal product line is private passenger automobile insurance, accounting for 92.8% of the property and casualty earned premium in 1994. Based on the A. M. Best report of premiums written in 1993, the Corporation is the nation's sixth largest provider of such insurance. In 1994 automobile insurance premiums earned, including service charges, totaled $2,295.3 million, up 8.6% from $2,114.5 million a year earlier. Approximately 3.5 million automobiles were insured by the Companies at the end of 1994. Automobile premiums earned included $113.1 million in 1994 for residual market (involuntarily written policies) compared to $110.8 million in 1993.

The number of regular automobile claims reported to GEICO, GI and GEICO Casualty increased 10.0% in 1994, following increases of 4.1% in 1993 and 10.8% in 1992. The increases are attributable in part to the increase in units insured, higher bodily injury claims frequency and continued high levels of catastrophe-related claims.

The cost of settling bodily injury claims continues to rise due largely to higher medical and medical-related costs. Bodily injury claim costs in GEICO increased an estimated 2 to 4% in 1994 (precise costs may not be known for several years), following 4 to 5% increases in both 1993 and 1992. Costs associated with repairing damaged automobiles increased about 5% in 1994 after increases of approximately 2% in both 1993 and 1992. Medical coverage costs rose about 4% in 1994, compared to increases of approximately 7% in 1993 and 9% in 1992.

GEICO and others have estimated for some time that fraudulent claims and other fraudulent activities related to insurance, particularly auto insurance, may add at least 10 to 15% to the cost of insurance losses. This, of course, ultimately drives up insurance premiums. GEICO continues its aggressive programs designed to detect and prevent both claims and underwriting fraud. These programs include inspecting vehicles when insuring them initially, reviewing claimants' medical bills, reviewing underwriting data for integrity, and using special investigation units to review and investigate all types of suspicious claims. GEICO's anti-fraud programs annually pay for themselves many times over by reducing fraudulent claims costs, thereby holding down our insureds' premium rates.

Homeowners Insurance

Government Employees Insurance Company provides homeowners insurance principally as an accommodation line to existing automobile policyholders. Homeowners premiums earned totaled $149.8 million, up from $142.1 million in 1993, and accounted for 6.1% of the property and casualty premiums earned in 1994. Homeowner new business sales decreased substantially in 1994 and

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policies-in-force dropped 3.8%.

Homeowners insurance produced statutory underwriting gains of $1.6 million in 1994 and $9.1 million in 1993 following a loss of $81.1 million in 1992 due primarily to Hurricane Andrew. Gross incurred homeowner losses from major weather-related storms totaled $19.4 million in 1994, $14.0 million in 1993 and $151.4 million ($86.3 million after reinsurance) in 1992. The $19.4 million of catastrophe losses in 1994 were the second highest in GEICO's homeowner history behind only 1992 (Hurricane Andrew). Catastrophic losses in 1994 include just over $8 million in freezing losses due to the severe winter weather in the northeast and $4.5 million for the Northridge, California earthquake in January.

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Other Property and Casualty Lines
In addition to its automobile and homeowners lines, GEICO offers fire, boat, yacht and personal umbrella liability. The marketing of separate mechanical breakdown insurance (MBI) policies, a single premium coverage that provides warranty protection for new automobiles, was discontinued in 1994. All of these other property and casualty lines accounted for approximately one percent of property and casualty premiums earned in 1994.

Reinsurance
Resolute Group, Inc. reported net income of $3.2 million in 1994 and $3.3 million in 1993. No new business has been written since 1987 and the company is in the process of running off its claims obligations.

LIFE INSURANCE

Criterion Life Insurance Company

Criterion Life Insurance Company (Criterion Life) was formed in 1991 to make available single premium annuities, which are used to fund structured payouts of liability insurance claim settlements, to its property and casualty company affiliates. Criterion Life received $18.8 million in premium and deposits from this source in 1994 compared to $16.5 million in 1993. Life insurance operations reported net income of $.7 million in 1994 compared to a net loss of $.9 million in 1993. Garden State Life Insurance Company, which primarily marketed term life insurance, was sold in June 1992.

FINANCE

Government Employees Financial Corporation

Government Employees Financial Corporation (GEFCO), headquartered in Denver, Colorado, engages in secured consumer and business lending and loan servicing. In 1994, GEFCO had a net loss of $4.1 million, compared with net income of $1.9 million the prior year. The loss in 1994 includes establishing valuation allowances for anticipated sales of GEFCO's finance receivables.

GEFCO's operations have been contracted in recent years, including the sale of its industrial bank charter in 1992. Loans receivable have been substantially reduced and, in January 1995, GEFCO signed a letter of intent to sell approximately $44 million of its remaining receivables and other assets. GEFCO has returned excess capital to its parent, GEICO, and its shareholder's equity was $7.9 million at December 31, 1994.

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

RESULTS OF OPERATIONS

Revenue

Premiums - Consolidated premiums earned in 1994 were $2,476.3 million, up 8.4% from a year ago when premiums were $2,283.5 million which, in turn, was an increase of 9.5% over 1992. Premium growth reflects increases of 4.8% and 6.3% in total policies-in-force in 1994 and 1993, respectively, and modest average rate increases in both years.

Voluntary auto policies-in-force increased a satisfactory 6.8% during 1994 following a 6.0% increase in 1993. Voluntary auto new business sales in 1994 increased 11.3% after a slight decline in 1993. Preferred-risk voluntary automobile rates increased 3.5% in 1994 compared to an increase of 3.8% in 1993. Renewal persistency in the auto lines continued to be quite satisfactory, with preferred-risk exceeding 92%.

Residual market (involuntarily written assigned-risk business) policy counts increased 12.9% during 1994 after a slight decrease in 1993. The business continues to remain unprofitable due to the inadequate rates dictated by the regulators. The premium rates for involuntarily written business in GEICO increased an average of 4.1% during 1994, compared to 1.6% in the previous year.

Homeowners policy counts declined 3.8% in 1994 after growing 7.4% in 1993. However, homeowner rates increased 11.7% in 1994 compared to 5.1% in 1993 as the Company tries to more accurately reflect catastrophe loss exposure in its rates. The decline in policies reflects reduced marketing and a reunderwriting and inspection program for properties in coastal areas exposed to catastrophic losses.

Life insurance premiums from the sale of structured settlement annuities with life contingencies by Criterion Life were $2.9 million in 1994 compared to $2.3 million in 1993. Life insurance premiums of $13.2 million in 1992 included the operations of Garden State Life Insurance Company prior to its sale on June 26, 1992. Structured settlement sales without life contingencies, which are accounted for as investment contracts, totaled $16.2 million in 1994 and $14.5 million in 1993.

On November 8, 1988 California voters passed Proposition 103 which called for premium refunds, significant rate reductions and certain changes in the state's insurance laws. In May 1993, the Corporation's insurance subsidiaries affected by Proposition 103 entered into an agreement with the California Insurance Department as to their California insurance premium refund obligations. The GEICO Companies agreed to pay an aggregate of $21 million to policyholders affected and these payments fully discharged and extinguished their obligations to roll back rates, make refunds or pay interest. Additionally, the rates and rate levels in use since November 8, 1988 were deemed approved. During 1989 and 1990 the Companies had accrued $14.3 million and $13.4 million, respectively, for potential premium refunds. As a result of the settlement, premium refunds of $21.0 million were paid, resulting in a $6.7 million pretax increase in operating earnings in 1993.

Each of the Corporation's insurance company subsidiaries is subject to regulation and supervision of its insurance businesses in each of the jurisdictions in which it does business. In general, such regulation is for the protection of policyholders rather than shareholders. Legislation has been introduced in recent sessions of Congress proposing modification or repeal of the McCarran-Ferguson Act which reaffirms the proposition that it is the responsibility of state governments to regulate the insurance industry and provides a limited exemption to the "business of insurance" from federal anti-trust laws. Whether any changes to the current statute will be made, and the effect of such changes, if any, cannot be determined. The Congress and certain state legislatures are also considering the effects of the use of sex, age, marital status, rating territories and other traditional rating criteria as a basis for rating classification; certain of such criteria no longer can be used in some states, and have been and are being challenged in the courts of other states.

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Clinton administration proposals to integrate the medical benefits portion of both workers compensation and automobile insurance into a general health care insurance system were not enacted during 1994 and, in fact, met with a certain amount of public resistance. The Corporation believes these recommendations were without merit but, at this time, cannot predict with certainty whether similar proposals will be forthcoming from the newly seated Congress. Additionally, some individual states are considering various health care reform proposals and the Corporation cannot predict the outcome of such initiatives at this time.

Net Investment Income - Consolidated pretax net investment income of $201.8 million in 1994 is flat compared to $201.9 million in 1993 and $201.5 million in 1992. Investment income reflects lower yields on fixed-income investments due to a high rate of issuer redemptions and prepayments on old, higher yielding investments and increased acquisitions of tax-exempt securities. Aftertax net investment income in 1994 increased 4.9% to $173.1 million from $165.1 million in 1993 reflecting the shift to tax-exempt securities.

Realized Gains on Investments - Pretax net realized gains were

$12.9 million in 1994, compared to $120.6 million in 1993 and $98.5 million in 1992. Realized gains include a $23.5 million gain in 1993 on the sale of AVEMCO shares and a $14.0 million loss in 1992 on the sale of Garden State Life Insurance Company. Realized gains are primarily from the sale of equity securities. Such gains are a result of financial market conditions and can, therefore, fluctuate widely from period to period. The components of realized and unrealized gains and losses on investments are detailed in Note D to the financial statements.

Interest on Loans Receivable - Interest on loans receivable decreased 10.2% in 1994 to $10.3 million as Government Employees Financial Corporation (GEFCO), our finance subsidiary, continues to reduce its loans receivable. In January 1995, GEFCO signed a letter of intent to sell the bulk of its remaining loans receivable.

Equity in Earnings of Affiliate - Equity in earnings of affiliate of $3.3 million in 1993 and $2.3 million in 1992 reflects the Corporation's equity in earnings of AVEMCO, previously a 34% owned general aviation insurance company. In October 1993 the Corporation sold 3.3 million shares of its 3.9 million shares of AVEMCO and the remaining shares were accounted for as an equity security available for sale, until sold in 1994.

Other Revenue - Other revenue was $14.7 million in 1994, compared to $17.6 million in 1993 and $16.6 million in 1992. Other revenue consists primarily of oil and gas revenue, commissions, and motor club dues.

Benefits and Expenses

Losses and loss adjustment expenses incurred increased 9.6% to $1,996.5 million in 1994, up from $1,821.8 million in 1993 and $1,725.0 million in 1992. The statutory loss ratio for property and casualty insurance, which measures the portion of premiums earned paid or reserved for losses and related claims handling expenses, was 82.1% in 1994, compared to 81.9% a year ago and 84.8% in 1992. For statutory accounting purposes in 1993 the California Proposition 103 refund was treated as a $21.0 million reduction in both written and earned premium. The loss and LAE ratio excluding the effect of the California Proposition 103 premium refunds in 1993 was 81.1%.

Gross incurred losses from 1994 catastrophe events totaled approximately $31 million, up slightly from last year. Catastrophe losses in 1992 were a record high totaling $198.4 million, including $150.4 million from Hurricane Andrew. Net of reinsurance recoveries, 1992 catastrophe losses were $125.9 million. Catastrophe losses added 1.3 points to the loss ratio in both 1994 and 1993 and 6.3 points in 1992.

The Corporation is susceptible to large losses from a severe storm or earthquake in any area in which it has a large business concentration. The Corporation's greatest areas of concentration, which may be especially subject to hurricanes, are along the east coast of the United States. Over 75 percent of the Corporation's country-wide auto and homeowners premium in 1994 was written in 17 states that border on the Atlantic Ocean or Gulf of Mexico, with large concentrations in Florida, the Maryland/Virginia/District of Columbia area, and the New York City/Long Island/Connecticut area. Hawaii is another location that is vulnerable to hurricanes and in which the Corporation has a modest amount of auto business and a small amount of homeowner business. The Corporation generally does not, however, write high-risk properties close to the water's edge. While hurricanes are considered a major threat to coastal states, other regions, such as the midwest (which frequently experiences tornadoes and hailstorms), are also potentially subject to occasional storms or natural disasters.

Recognizing the potential for large losses from a natural disaster, the Corporation historically sought to protect its capital base (surplus for the protection of policyholders within the insurance companies) by purchasing reinsurance coverage. GEICO purchased $15 million of catastrophe reinsurance for homeowners coverage in 1993, significantly less than in prior years due to large rate increases requested by reinsurers in response to Hurricane Andrew and other recent catastrophes. This coverage expired at the end of April 1994. In response to concerns of the insurance industry and various consumer groups, the Florida Hurricane Catastrophe Fund became effective June 1, 1994. In return for an annual premium, 75% of homeowners losses in excess of $26 million (two times Florida homeowner yearly written

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premiums) are covered subject to a constraint of overall money available to the Fund. The Corporation's insurance subsidiaries currently have no other catastrophe reinsurance effective in any other states.

The Corporation's insurance subsidiaries reinsure excess risks on any single loss. GEICO's principal reinsurer for this coverage is General Reinsurance Corporation which is rated A++ (Superior) by A. M. Best. GEICO has also reinsured a significant portion of its commercial umbrella liability business which was written from 1981 to 1984. The largest anticipated amount recoverable for this coverage is from Constitution Reinsurance Corporation which is rated A+ (Superior) by A. M. Best.

Excluding the weather-related catastrophes, auto claims frequency (that is, the number of claims in a given period relative to the car count) for property damage coverages was up 4% when compared with 1993, while bodily injury and uninsured motorists claim frequency was up about 3 to 5% for the year. The average auto claims severity (the average amount paid per claim) for all coverages was up, including about 5% for property damage.

Life benefits and interest on policyholders' funds declined to $8.6 million from $13.5 million in 1993, which included a provision of $5.5 million to reflect lower yields anticipated in the related investment portfolio.

Policy acquisition expenses of $200.0 million in 1994, increased 1.3% from $197.5 million in 1993, reflecting the growth in business offset by a lower general expense ratio. In 1992 such expenses were $183.7 million.

Other operating expenses were $232.0 million compared to $213.6 million in 1993 and $251.1 million in 1992. Other operating expenses increased 8.6% in 1994 due in part to $8.5 million of incentive compensation expense related to the significant overperformance of the Corporation's common stock portfolio compared to the S&P 500. The expense was a negative $4.1 million in 1993 when the portfolio underperformed the S&P 500, and $1.7 million for overperformance in 1992. Other operating expense in 1994 also include $8.3 million to write down GEFCO's assets to estimated realizable values, and accrue expenses related to settlements and winding down GEFCO's operations.

Other operating expenses in 1992 included stock appreciation rights (SARs) expense of $44.8 million, reflecting the increase in the Corporation's stock price from $39.80 to $65.00 per share during the year. The majority of SARs were exercised in 1992 and the remainder were canceled in January 1993. Performance shares expense, which also varies with the price of the Corporation's Common Stock, was $1.8 million in 1994 compared to $3.1 million and $7.3 million for 1993 and 1992, respectively.

The consolidated statutory underwriting ratio was 96.4% in 1994 compared to 99.1% in 1993 and 100.1% in 1992. These ratios include weather-related losses of 1.3 points in both 1994 and 1993 and 6.3 points in 1992. In 1993 the property and casualty companies changed their accounting to record premiums written on the policy effective date instead of the date the initial billing is processed. The statutory underwriting ratio, after adjusting to eliminate the effect of this change in accounting, was 97.5% in 1993 and includes .8% for the payment of $21.0 million of California Proposition 103 refunds during the year.

Corporate and other interest expense increased to $24.6 million in 1994 from $17.0 million a year earlier and $20.7 million in 1992. This increase is due to the issuance of $150 million of 7.35% Debentures on July 14, 1993. Corporate and other interest expense also includes interest on deferred compensation which is linked to changes in the Corporation's stock price for those individuals who choose that option. Such interest expense increased significantly in 1992 when the price of the Corporation's stock went from $39.80 to $65.00 and was negative in 1993 and 1994 as the price declined to $49.00. Finance company interest expense reflects lower levels of borrowings by GEFCO.

Income Taxes

Federal income taxes were $42.4 million in 1994 compared to $92.2 million in 1993 and $45.2 million in 1992. The decline in 1994 is due to less realized gains and a shift of the bond portfolio to tax-exempt securities. Federal income taxes in 1993 include the effect of adjusting current and deferred taxes to 35% from 34% due to the enactment of the Omnibus Budget Reconciliation Act of 1993 in the third quarter. The "fresh start" benefit for discounting reserves was $1.9 million in 1992.

Effective January 1, 1993 the Corporation adopted Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes." The statement required a change to the liability method of accounting for deferred taxes and also establishes guidelines for recognizing deferred tax assets. Under the liability method, deferred tax accounts are adjusted to reflect the most recently enacted tax rates at which deferred amounts will be eventually paid or recovered. The Corporation has not established a valuation allowance because it believes it is "more likely than not" that

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all deferred tax assets will be fully realized based upon the Corporation's past history of profitability and anticipated future earnings. The Corporation's level of taxable income during the last three years has resulted in current tax expense totaling approximately $234.2 million.

The Tax Reform Act of 1986 included provisions to increase significantly property and casualty insurance companies' current taxes payable by accelerating the reporting of taxable income and prorating investment income to tax indirectly 15% of the tax-exempt interest and the amount of 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 in unearned premiums as a tax deduction, and reporting 20% of the reserve for unearned premiums at December 31, 1986 as taxable income ratably over six years beginning in 1987. The increase in current taxes resulting from 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 net income was $58.1 million in 1994, $108.6 million in 1993 and $67.6 million in 1992 reflecting these provisions.

Changes in Accounting Principles

In the first quarter of 1994 the Corporation adopted Statement of Position No. 93-6 "Employers' Accounting for Employee Stock Ownership Plans" which requires employers to recognize compensation cost based on the fair value of the ESOP shares as of the date the shares are committed-to-be-released, beginning with shares acquired after December 31, 1992. This statement was adopted effective January 1, 1994 on a prospective basis. Accordingly, the Corporation's income statement will reflect a charge or benefit to earnings for the appreciation or depreciation on shares purchased by the ESOP after 1992 when such shares are committed-to-be-released for allocation to participant accounts. No tax benefit is recorded for net charges since such amounts are not deductible for tax purposes.

In the first quarter of 1994 the Corporation adopted Statement of Financial Accounting Standards No. 112 "Employers' Accounting for Postemployment Benefits." The cumulative effect of adopting this statement at January 1, 1994 was a charge of $1.1 million, net of tax, which was included in the statements of income as a change in accounting principle. This statement will not have a significant impact on future operating expenses.

The cumulative effect of adopting Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" at January 1, 1993 was a charge of $8.8 million which is included in the consolidated statements of income as a change in accounting principle. A substantial part of the cumulative adjustment results from increasing the deferred tax liability related to unrealized appreciation of equity securities that existed at December 31, 1986 from 28% to 34% due to the increase in the capital gains tax rate for years beginning in 1987. The cumulative adjustment also includes immediate recognition of the remaining $1.9 million "fresh start" benefit for discounting of reserves.

Effective January 1, 1993 the Corporation also adopted Statement of Financial Accounting Standards No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions." This statement requires employers to accrue postretirement benefits, such as health care and life insurance plans for retirees, over the period the employee works to earn the benefit rather than using a pay-as-you-go cash basis. The cumulative effect of adopting this statement at January 1, 1993 was a charge of $3.9 million, net of tax, which is included in the consolidated statements of income as a change in accounting principle.

Effective December 31, 1993, the Corporation adopted Statement of Financial Accounting Standards No. 115 "Accounting for Certain Investments in Debt and Equity Securities" which requires the classification of securities into one of three categories: held to maturity, available for sale, or trading. At December 31, 1993 all fixed maturities were classified as available for sale and reported at market value since the Corporation may not hold those securities to maturity. Fixed maturities were previously carried at amortized cost. All equity securities (common stocks and nonredeemable preferred stocks) are also classified as available for sale and reported at market value, as in prior years. The unrealized gains and losses on securities available for sale are reported as a separate component of shareholders' equity, net of applicable deferred income taxes.

Net Income

Net income totaled $207.8 million ($2.97 per share), compared to $273.7 million ($3.83 per share) in 1993 and $172.8 million ($2.39 per share) in 1992. Net income in 1994 included net aftertax realized gains of $9.9 million ($.14 per share), compared to 1993 and 1992 gains of $81.3 million ($1.14 per share) and $60.7 million ($.84 per share), respectively. The cumulative effect of changes in accounting principles reduced net income per share by $.01 in 1994 and $.18 during 1993. Per share earnings included a

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special tax benefit of $.03 in 1992 for the "fresh start" provisions for discounting reserves. The weighted average shares outstanding were 69,992,442 in 1994 compared to 71,417,006 in 1993 and 72,386,572 in 1992.

Net unrealized appreciation of investments, which is reflected in shareholders' equity but not in net income, decreased $101.0 million in 1994 to $91.2 million compared to $192.2 million at December 31, 1993. Effective December 31, 1993, investments in fixed maturities were classified as available for sale and reported at market value. The unrealized appreciation, net of deferred taxes, on fixed maturities of $81.8 million at December 31, 1993 was reflected directly in shareholders' equity in 1993. The unrealized appreciation on fixed maturities decreased $142.5 million during 1994 resulting in unrealized depreciation of $60.6 million as of December 31, 1994 due to a significant increase in interest rates during the year. Unrealized appreciation on equity securities increased $41.4 million during 1994 to

$151.8 million.

As part of the Corporation's effort to concentrate on its core direct-response business, Merastar Insurance Company and Southern Heritage Insurance Company were sold effective December 31, 1993 to a partnership of which a former chairman of GEICO Corporation is the general partner. The aggregate proceeds from the sales approximated shareholder's equity resulting in no material aftertax gain or loss. These two subsidiaries had approximately $96 million of assets and $42 million of shareholder's equity at the date of sale and premiums of $41 million in 1993.

On June 26, 1992 the Corporation completed the sale of Garden State Life Insurance Company for $40.0 million. Garden State's operations are included in the consolidated results up to the date of sale. Garden State had approximately $91 million of assets and $53 million of shareholder's equity at the date of sale and premium revenue of $10.7 million for the first six months of 1992.

CAPITAL STRUCTURE

On May 20, 1992, the Corporation's shareholders approved an increase in the number of authorized shares of Common Stock from 60 million to 150 million and the Corporation's Common Stock was split five-for-one. The stock split resulted in the issuance of an additional 56,668,048 shares of $1 par value Common Stock and $56,668,048 was transferred from paid-in surplus to the common stock account. At the same time, all Treasury Stock was retired and an authorization was granted to repurchase up to 7,000,000 shares. All share and per share data presented have been restated to reflect the five-for-one stock split.

On December 31, 1994, the Corporation's common shares outstanding totaled 68,291,463, reduced through repurchases from the 71,047,460 shares outstanding on December 31, 1991. The Corporation acquired through open market and private transactions a net 2,613,498 shares for $130.3 million in 1994, 389,857 shares for $22.1 million in 1993 and 482,941 shares for $24.1 million in 1992. In 1992, 619,374 shares were issued upon exercise of stock options for $10.4 million. Subsequent to December 31, 1994, the Corporation has purchased an additional 138,484 shares for $6.8 million. As of December 31, 1994 and February 17, 1995, a total of 3,726,104 and 3,587,620 shares, respectively, remained under the current repurchase authorization.

Book value per share at December 31, 1994 was $21.17 based on 68,291,463 shares outstanding and shareholders'equity of $1,445.9 million, down 2.3% from $21.66 per share at the end of 1993. The decline reflects a decrease in unrealized appreciation of investments and substantial repurchases of shares at a cost in excess of book value per share. The Corporation paid dividends per share of $1.00 in 1994 compared to $.68 in 1993 and $.60 in 1992.

On July 14, 1993, GEICO Corporation issued $150 million of 7.35% Debentures due 2023. The Corporation used the net proceeds for investment in marketable securities and general corporate purposes, such as the repayment of $92 million of short-term debt which had been borrowed earlier in 1993. The Debentures provided additional funds which could also be used to make capital contributions to the insurance subsidiaries in the event of large catastrophe losses.

In July 1994 the Corporation entered a new three year revolving credit agreement under which the Corporation, Government Employees Insurance Company and GEFCO can borrow up to $150 million with total borrowings not to exceed $150 million. At December 31, 1994, GEFCO had borrowed $51 million under the facility which is due in 1995. GEFCO may pay the debt by reborrowing under the agreement or using proceeds from the collection or sale of loans receivable.

During 1994 the Corporation's real estate subsidiaries prepaid $34.6 million of collateralized debt.

The GEICO Companies Employee Stock Ownership Plan (ESOP) 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

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contributions to the ESOP which are used to pay the interest and to reduce the principal. As principal and interest payments are made, a prorated number of shares is released to the accounts of all participating associates.

The ESOP borrowed $9.2 million in 1994, $6.5 million in 1993 and $5.9 million in 1992. In the same period, the Corporation charged $29.8 million to expense for the ESOP including contributions to enable the ESOP to make interest payments and repay $25.8 million of the loan principal. On December 31, 1994, the loan balance was $50 million with principal payments due each year to the year 2004. The obligations of the ESOP are included in the Corporation's debt. An amount representing the obligations of the ESOP, which has not been charged to compensation expense, is 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 cost of reported claims and estimated "incurred but not reported" (IBNR) claims arising from accidents which had occurred by that date. Property and casualty loss reserves on unsettled claims are based on averages for all automobile physical damage, property damage liability and medical payments claims, and for other automobile liability claims reported within the most recent three months. Case-basis estimates are established for automobile bodily injury liability, uninsured motorist and personal injury protection claims in the third month 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 IBNR claims and for claims while on average are based on selected average claim costs which reflect the costs and inflation trends observed in claims closed in recent quarters. Case-basis reserves are established by claims personnel based upon the projected cost of settling each claim in today's dollars plus an explicit provision for inflation through the anticipated claim settlement date.

Reserves are tested for adequacy using many analyses and actuarial projections. Some projections, using claim closure models, use an assumed rate of inflation by which the historical cost of settling claims is expected to increase in the future. Other tests, such as incurred loss and payment projections, reflect the inflation which is implicit in the historical data. Assumed inflation rates are selected after giving consideration to each of our Companies' 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, before selecting the reserve amount for loss and loss adjustment expenses.

Loss and LAE reserves at December 31, 1994 include $100 million ($53 million net after reinsurance) for commercial umbrella liability business, which was issued by GEICO from 1981 to 1984. The ultimate development of losses related to the significant risks of this long-tail business, which includes certain environmental and product liability risks, is uncertain. Losses for GEICO's commercial umbrella cannot be projected using the traditional actuarial methods described above. The reserve for loss and LAE for this business represents management's estimate of the ultimate liability which will emerge from a small number of potentially large claims.

Reconciliation of Claim Reserves

Property and casualty loss reserves under generally accepted accounting principles (GAAP) reporting differ from statutory reserves because GAAP reserves are reduced for anticipated salvage and subrogation recoveries and exclude certain reserves which were assumed under a statutory reinsurance contract. Reinsurance recoverable on unpaid losses and LAE are also reported as assets for GAAP purposes rather than netted against reserves. A reconciliation of statutory reserves for loss and LAE to GAAP reserves for loss and LAE is shown below.

An analysis of the changes in property and casualty aggregate GAAP reserves for losses and LAE, net of reinsurance on unpaid losses and LAE, for each of the last three years is presented on the next page. Since reserves are necessarily based on estimates, the ultimate cost may vary from the original estimates. As adjustments to these estimates become necessary, they are reflected in current operations.

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PROPERTY AND CASUALTY RESERVES
(In millions)

	December 31, 1994	1993	1992
Statutory reserves for loss and LAE	$1,992.9	$1,844.6	$1,720.6
Anticipated salvage and subrogation recoveries	(85.4)	(77.0)	(73.3)
Statutory reinsurance contract	(20.6)	(20.6)	(20.6)
GAAP reserves for loss and LAE, net of reinsurance	1,886.9	1,747.0	1,626.7
Reinsurance recoverable on unpaid loss and LAE reserves	125.4	121.0	129.5
GAAP reserves for loss and LAE	$2,012.3	$1,868.0	$1,756.2

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 the original estimate of reserves can be developed.

The development of reserves is represented by the difference between estimates of reserves as of the original year's end and the re-estimated liability at each subsequent year's end. This is 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 (IBNR). Downward development means that the original reserve estimates were higher than subsequently indicated, while 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, net of reinsurance recoverable on unpaid loss and LAE, as originally estimated for the years 1984 through 1994, 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 1984 through 1993 as evaluated through December 31, 1994.

The Corporation strives to establish adequate reserves at the original valuation date; however, as the table shows, reserves may subsequently develop substantially upward or downward. The upward development of reserves, net of reinsurance, for 1984 through 1987 is primarily due to increased estimates of incurred losses for Resolute and commercial umbrella liability insurance for prior years. Reserves, net of reinsurance, for Resolute and commercial umbrella liability insurance at December 31, 1984, 1985, 1986, and 1987 have developed upward approximately $110 million, $118 million, $113 million and $84 million, respectively. Reinsurance ceded has reduced the upward development on these two lines of business by approximately 50%.

Management believes that its aggregate reserves for loss and loss adjustment expenses at December 31, 1994 are reasonable and adequate to cover the ultimate cost of losses on reported and unreported claims which had occurred by that date. However, given the inherent variability of conditions which affect future claim settlements, such reserves are necessarily based on estimates and ultimate costs may vary from such estimates.

RECONCILIATION OF CLAIM RESERVES
(In millions)

	1994	1993	1992
Reserves for loss and LAE, net of reinsurance, at January 1	$1,747.0	$1,626.7	$1,450.4
Reserves of subsidiaries sold	-	(21.5)	-
Cumulative effect of accounting change for postretirement benefits on LAE	-	1.2	-
	1,747.0	1,606.4	1,450.4
Incurred loss and LAE			
Provision for current accident year claims	2,097.8	1,899.6	1,795.8
Decrease in provision for prior accident years claims	(101.3)	(77.8)	(70.8)
Total loss and LAE incurred	1,996.5	1,821.8	1,725.0
Payments for loss and LAE			
Payments on current accident year claims	(1,128.2)	(973.7)	(950.9)
Payments on prior accident years claims	(728.4)	(707.5)	(597.8)

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Total payments for loss and LAE	(1,856.6)	(1,681.2)	(1,548.7)
Reserves for loss and LAE, net of reinsurance, at December 31	$1,886.9	$1,747.0	$1,626.7

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CONSOLIDATED PROPERTY AND CASUALTY RESERVE DEVELOPMENT
(In millions)

As of December 31,	1984	1985	1986	1987	1988	1989
Net Reserves for Loss and LAE	$580.2	$698.6	$831.5	$993.4	$1,117.4	$1,214.9
Cumulative Payments as of:						
One year later	274.3	329.7	376.8	453.7	472.0	518.5
Two years later	393.3	478.5	563.2	660.3	692.5	764.2
Three years later	461.7	569.7	666.9	774.8	819.2	896.2
Four years later	503.8	619.0	727.7	836.6	884.4	965.3
Five years later	524.8	654.7	761.0	869.9	915.9	997.8
Six years later	549.0	673.6	778.5	885.8	934.1	
Seven years later	560.6	684.3	788.7	894.4		
Eight years later	567.7	691.3	793.1			
Nine years later	572.7	694.7				
Ten years later	576.2					
Net Reserves Re-estimated as of:						
End of year	580.2	698.6	831.5	993.4	1,117.4	1,214.9
One year later	563.6	694.2	834.5	1,009.1	1,070.1	1,181.7
Two years later	562.5	707.8	862.2	990.5	1,068.6	1,171.9
Three years later	580.7	729.7	854.0	1,003.4	1,068.9	1,167.4
Four years later	597.4	730.1	878.5	1,008.5	1,071.9	1,155.3
Five years later	598.6	765.5	886.1	1,013.0	1,067.4	1,172.7
Six years later	635.5	775.7	893.9	1,013.9	1,088.4	
Seven years later	645.4	784.3	897.9	1,034.3		
Eight years later	653.1	791.0	921.4			
Nine years later	661.3	816.0				
Ten years later	686.5					
Upward (Downward) Development	$106.3	$117.4	$89.9	$40.9	$(29.0)	$(42.2)

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CONSOLIDATED PROPERTY AND CASULATY RESERVE DEVELOPMENT

(In millions)

As of December 31,	1990	1991	1992	1993	1994
Net Reserves for Loss and LAE	$1,306.5	$1,450.4	$1,626.7	$1,747.0	$1,886.9
Cumulative Payments as of:					
One year later	550.7	597.8	707.5	728.4	
Two years later	812.3	897.9	1,012.6		
Three years later	956.5	1,041.7			
Four years later	1,024.3				
Five years later					
Six years later					
Seven years later					
Eight years later					
Nine years later					
Ten years later					
Net Reserves Re-estimated as of:					
End of year	1,306.5	1,450.4	1,626.7	1,747.0	1,886.9
One year later	1,265.9	1,379.6	1,548.9	1,645.7	
Two years later	1,255.0	1,354.1	1,531.5		
Three years later	1,237.4	1,357.2			
Four years later	1,247.0				

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Five years later
Six years later
Seven years later
Eight years later
Nine years later
Ten years later

Upward (Downward) Development	$(59.5)	$(93.2)	$(95.2)	$(101.3)	-

Upward development of reserves for 1984 through 1987 is substantially due to increased estimates of liability losses incurred from Resolute's reinsurance operations and commercial umbrella liability claims described herein.

LIQUIDITY
Cash Flow
Cash flow from operations of the Corporation and its subsidiaries increased to $460.6 million in 1994 compared to $351.5 million in 1993 and $262.2 million in 1992. Operating activities in 1993 included the receipt of $31.2 million of income tax refunds resulting from the overpayment of taxes in 1992, and the payment of $21 million of California Proposition 103 refunds. Cash flow in 1992 was reduced by increased disbursements for weather-related catastrophe losses including Hurricane Andrew, the exercise of stock appreciation rights, and dividends to policyholders which were declared in 1991 but paid in 1992.

During the most recent three-year period, the Corporation's financing activities used $174.5 million net to repurchase its Common Stock and $160.6 million to pay dividends to its shareholders. Financing activities in 1994 included the prepayment of $34.6 million of collateralized debt of the Corporation's real estate subsidiaries and the repayment of $20.7 million of GEFCO's short term debt. Additionally in October 1994 the Corporation borrowed $40 million under a bank note to partially finance Treasury Stock purchases, of which $10 million was repaid in December 1994. Financing activities in 1993 included the issuance of $150 million of 7.35% Debentures due 2023 and the repayment of $12.6 million of GEFCO's short term debt.

During the same three-year period, the Corporation used a net $835.1 million in investing activities, including significant increases in obligations of states and political subdivisions in 1994 and 1993 and U. S. Government corporations and agencies in 1992. Investing activities also included proceeds of $12.7 million in 1994 from the sale of Southern Heritage, $74.3 million in 1993 from the sale of Merastar Insurance Company and AVEMCO shares and $40.0 million in 1992 from the sale of Garden State Life Insurance Company.

The Corporation's construction of a new 350,000 square foot regional office building in Stafford County, Virginia costing approximately $35 million was completed early in 1994. Purchases of property and equipment included $6.2 million in 1994, $23.2 million in 1993 and $5.6 million in 1992 for the building and land.

The Corporation receives dividends in cash and/or securities from Government Employees Insurance Company (GEICO), its principal subsidiary, and GEICO Indemnity Company (GI) which provide a portion of the funds necessary for parent company operations. In 1994 the Corporation received dividends of $132.0 million from GEICO compared to $161.1 million in 1993 and $298.9 million in 1992 from GEICO and GI. The Corporation has shifted a significant portion of its equity portfolio from GEICO to the parent company level during the past three years. The parent company owns common stocks with a market value of $602.5 million at December 31, 1994. The regulatory restrictions on dividends were modified in 1993 and limit the maximum dividend which GEICO and GI may pay without prior approval by the state commissioner to the greater of 10% of statutory policyholders' surplus or net income. See Note C to the consolidated financial statements.

The Corporation and its subsidiaries have a continuing outlook for a positive cash flow and ample liquidity from operations.

Investments

Pretax net investment income was $201.8 million in 1994, $201.9 million in 1993 and $201.5 million in 1992. Flat investment income reflects lower yields on fixed-income investments due to a high rate of issuer redemptions and prepayments on old, higher yielding investments and increased acquisitions of tax-exempt securities. Investment income growth over the past three years was moderated due to repurchases of the Corporation's Common Stock using funds which would otherwise have been available for investment. Aftertax net investment income increased 4.9% to $173.1 million reflecting the increase in tax-exempt securities.

Net new investments of $239.9 million were made in the consolidated portfolio in 1994. Net purchases made included $459.1 million of tax-exempt bonds, including prerefunded AAA issues backed by U.S. Treasuries and state general obligation bonds with maturities in the seven to fifteen year range. Net sales and maturities included $111.2 million of U. S. Government/Agency bonds, including prepayments of mortgage-backed securities, and $66.0 million of short-term investments. During the year the Corporation realized net aftertax gains of $9.9 million from the sale of investments.

The common stock portfolio, adjusted for purchases and sales, had a total aftertax gain (including unrealized gains and losses) of 9.1% in 1994 compared to aftertax gains of 3.8% in 1993 and 7.5% in 1992. The comparable returns for the S&P 500 were gains of 1.6% in 1994, 7.1% in 1993 and 5.7% in 1992. The common stock portfolio is concentrated in a relatively small number of companies. The largest industry positions in the portfolio at year end were in finance (21.8%), toys (18.6%), services (18.5%), apparel (18.4%), health care (9.9%) and banks (7.1%).

The GEICO Corporation Investment Summary shows the year end consolidated investment portfolio for 1994, 1993 and 1992. Effective December 31, 1993 the Corporation adopted Statement of Financial Accounting Standards No. 115 "Accounting for Certain Investments in Debt and Equity Securities" and has classified its investment in fixed maturities (bonds and redeemable preferreds) as available for sale. Such securities are reported at market value with unrealized gains and losses, net of deferred taxes, reported as a separate component of shareholders' equity since the Corporation may not hold these securities to maturity. Fixed maturity investments were carried at amortized cost at year end 1992. Equity securities are carried at year end market value, as in prior years.

The Corporation's policy is to invest in bonds with a rating of A (upper medium quality) or above. The estimated weighted average rating of

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the bond portfolio at December 31, 1994 was between Aa (high quality) and Aaa (best quality). The investment portfolio does not include any below-investment-grade bonds of a material amount. The Corporation has not invested in high-risk derivative securities such as futures, forward, swap, and option contracts or other financial instruments with similar characteristics to any significant extent.

During 1994 interest rates rose sharply after declining for several years. Rates along the entire yield curve were pushed higher reflecting concerns about the strong economy and inflation. Yields on 3-month Treasury bills increased from 3.06% to 5.69%, 5-year Treasury notes from 5.21% to 7.83% and 30-year Treasury bonds from 6.35% to 7.88%. Higher interest rates resulted in a decline in market prices for the Corporation's investments in fixed maturities. The market value of fixed maturity investments was $3,270.1 million at December 31, 1994, which was $93.3 million below amortized cost, compared to a market value of $3,175.4 million at December 31, 1993, which was $125.9 million above amortized cost.

At December 31, 1994, the Corporation and its subsidiaries held $77.6 million in cash and short-term investments. In addition, approximately $422.6 million of the bond portfolio will mature in 1995, including a portion of the asset-backed securities.

FINANCIAL ACCOUNTING STANDARDS

The Financial Accounting Standards Board and the American Institute of Certified Public Accountants have issued several statements which affect accounting practices used by the Corporation. See page 45 for a discussion of these statements, their implementation, and their effect on the Corporation's financial statements.

GEICO CORPORATION INVESTMENT SUMMARY
(In millions)

	1994 Carrying Value(1)	1994 % Portfolio	1993 Carrying Value(1)	1992 Carrying Value(1)
Fixed maturities				
U.S. Treasury Securities and obligations of U.S. government corporations and agencies	$842.1	20.5%	$1,014.2	$1,080.7
Obligations of states and political subdivisions	2,292.6	55.9	1,992.1	1,167.2
Corporate bonds and notes	97.5	2.4	120.1	172.7
Total bonds	3,232.2	78.8	3,126.4	2,420.6
Redeemable preferred stocks	37.9	.9	49.0	56.1
	3,270.1	79.7	3,175.4	2,476.7
Equity securities				
Common stocks	759.8	18.5	687.1	724.1
Nonredeemable preferred stocks	22.9	.6	40.1	16.2
	782.7	19.1	727.2	740.3
Short-term investments	50.1	1.2	116.0	223.0
Totals	$4,102.9	100.0%	$4,018.6	$ 3,440.0

(1) Carrying value for fixed maturities is market value for 1994 and 1993 and amortized cost for 1992. Carrying value for equity securities is market value for all years.

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GEICO CORPORATION BOND MATURITY TABLE
(In millions)

	1994 Market Value	1994 % Portfolio	1994 Amortized Value
Maturity			
1995	$422.6	13.1%	$ 418.9
1996 to 1999	1,410.6	43.7	1,430.5
2000 to 2004	1,193.9	36.9	1,258.9
2005 to 2009	165.8	5.1	170.3
2010 and later	39.3	1.2	43.6
	$3,232.2	100.0%	$3,322.2

(1) Asset-backed securities, consisting of mortgage-backed obligations of U.S. government corporations and agencies and corporate obligations collateralized by mortgage and other financial instruments, are included

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in the bond maturity table based on their estimated average remaining lives.

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REPORT OF COOPERS & LYBRAND L.L.P,
Independent Accountants

To The Shareholders
GEICO Corporation

We have audited the accompanying consolidated balance sheets of GEICO Corporation and subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1994. 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 as of December 31, 1994 and 1993, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1994 in conformity with generally accepted accounting principles.

As discussed in Note A to the consolidated financial statements, the Corporation changed its methods of accounting for postemployment benefits in 1994 and for income taxes, postretirement benefits other than pensions, and investments in debt securities in 1993.

Washington, D.C.
February 17, 1995

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GEICO CORPORATION
CONSOLIDATED BALANCE SHEETS

December 31, in thousands of dollars

ASSETS	1994	1993
Investments - Note D:		
Fixed maturities available for sale, at market		
U.S. Treasury securities and obligations of U.S. government corporations and agencies (amortized cost $873,440 and $983,883)	$ 842,086	$1,014,240
Obligations of states and political subdivisions (amortized cost $2,343,200 and $1,900,937)	2,292,622	1,992,151
Corporate bonds and notes (amortized cost $105,523 and $116,703)	97,554	120,084
Redeemable preferred stocks (amortized cost $41,259 and $47,996)	37,863	48,963
	3,270,125	3,175,438
Equity securities available for sale, at market		
Common stocks (cost $534,370 and $527,402)	759,791	687,050
Nonredeemable preferred stocks (cost $22,591 and $38,840)	22,917	40,108
	782,708	727,158
Short-term investments	50,033	116,019
Total Investments	4,102,866	4,018,615
Cash	27,580	18,362
Loans receivable, net - Note E	59,448	75,803
Accrued investment income	67,255	63,723
Premiums receivable	238,653	206,783
Reinsurance receivables	127,189	121,522
Prepaid reinsurance premiums	10,361	9,694
Amounts receivable from sales of securities	2,022	920
Deferred policy acquisition costs - Note F	72,359	71,839
Federal income taxes - Note J	98,975	26,731
Property and equipment, at cost less accumulated depreciation of $113,612 and $103,514 - Note I	141,741	135,812
Other assets	49,656	81,636
Total Assets	$4,998,105	$4,831,440

See Notes to Consolidated Financial Statements

LIABILITIES AND SHAREHOLDERS' EQUITY	1994	1993
Liabilities		
Policy liabilities:		
Property and casualty loss reserves - Note G	$1,704,718	$1,586,135
Loss adjustment expense reserves - Note G	307,606	281,824
Unearned premiums	747,342	675,116
Life benefit reserves and policyholders' funds	101,298	87,681
	2,860,964	2,630,756
Debt - Note I:		
Corporate and other	340,378	346,385
Finance company	51,000	71,700
Amounts payable on purchase of securities	8,408	1,997
Other liabilities	291,414	246,023
Total Liabilities	3,552,164	3,296,861
Shareholders' Equity - Note K		
Common Stock - $1 par value, 150,000,000 shares authorized, 71,565,359 and 71,494,649 shares issued and 68,291,463 and 70,834,251 shares outstanding	71,565	71,495
Paid-in surplus	169,084	165,251
Unrealized appreciation of investments - Note D	91,167	192,239
Retained earnings	1,330,022	1,191,509
Treasury Stock, at cost (3,273,896 and 660,398 shares)	(167,115)	(36,740)
Unearned Employee Stock Ownership Plan shares - Notes I and M	(48,782)	(49,175)
Total Shareholders' Equity	1,445,941	1,534,579
Total Liabilities and Shareholders' Equity	$4,998,105	$4,831,440

GEICO CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

For the year ended December 31, in thousands of dollars except per share results	1994	1993	1992
Revenue			
Premiums - Note N	$2,476,276	$2,283,488	$2,084,502
Net investment income - Note D	201,790	201,851	201,526
Realized gains on investments - Note D	12,898	120,584	98,535
Interest on loans receivable	10,347	11,519	16,528
Equity in earnings of unconsolidated affiliate	-	3,306	2,292
Other revenue	14,698	17,552	16,619
Total Revenue	2,716,009	2,638,300	2,420,002
Benefits and Expenses			
Losses and loss adjustment expenses - Note G	1,996,518	1,821,783	1,724,958
Life benefits and interest on policyholders' funds	8,573	13,521	14,664
Policy acquisition expenses - Note F	200,044	197,545	183,655
Other operating expenses - Note K	231,984	213,555	251,055
Impact of premium refunds - Note H	-	(6,699)	-
Interest expense - Note I:			
Corporate and other	24,646	17,040	20,682
Finance company	3,050	2,935	6,987
Total Benefits and Expenses	2,464,815	2,259,680	2,202,001
Net Income Before Income Taxes	251,194	378,620	218,001
Federal income tax expense - Note J	42,379	92,193	45,228
Net income before cumulative effect of changes in accounting principles	208,815	286,427	172,773
Cumulative effect of changes in accounting principles:			
Postemployment benefits, net of tax	(1,051)	-	-
Income taxes	-	(8,814)	-
Postretirement benefits, net of tax	-	(3,935)	-
Net Income	$ 207,764	$ 273,678	$ 172,773
Earnings Per Share - Notes K and L			
Net income before cumulative effect of changes in accounting principles	$2.98	$4.01	$2.39
Cumulative effect of changes in accounting principles	(.01)	(.18)	-
Net Income	$2.97	$3.83	$2.39

See Notes to Consolidated Financial Statements

GEICO CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the years ended December 31, in thousands of dollars

	Common Stock	Paid-in Surplus	Unrealized Appreciation of Investments	Retained Earnings
Balance at December 31, 1991	$32,178	$192,780	$183,137	$1,657,668
Net income				172,773
Dividends ($.60 per share post-split)				(42,464)
Decrease in unrealized appreciation, net of deferred taxes - Note D			(26,697)	
Exercise of stock options	619	20,783		
Tax benefit of stock options		6,189		
Five-for-one stock split - Note K	56,668	(56,668)		
Purchase of Common Stock				
Reissuance of Common Stock		167		
Retirement of Common Stock - Note K	(18,011)			(823,168)
Employee Stock Ownership Plan:				
Borrowings				
Repayments				
Additional accrued compensation				
Tax benefit of dividends				930
Balance at December 31, 1992	71,454	163,251	156,440	965,739
Net income				273,678
Dividends ($.68 per share)				(48,300)
Increase in unrealized appreciation, net of deferred taxes - Note D			35,799	
Exercise of stock options	41	1,953		
Tax benefit of stock options		303		
Purchase of Common Stock				
Reissuance of Common Stock		(256)		
Employee Stock Ownership Plan:				
Borrowings				
Repayments				
Additional accrued compensation				
Tax benefit of dividends				392
Balance at December 31, 1993	71,495	165,251	192,239	1,191,509
Net income				207,764
Dividends ($1.00 per share)				(69,619)
Decrease in unrealized appreciation, net of deferred taxes - Note D			(101,072)	
Exercise of stock options	70	3,379		
Tax benefit of stock options		362		
Purchase of Common Stock				
Reissuance of Common Stock		92		
Employee Stock Ownership Plan:				
Borrowings				
Repayments				
Additional accrued compensation				
Tax benefit of dividends				426
Fair value adjustment, net of taxes - Note M				(58)
Balance at December 31, 1994	$71,565	$169,084	$ 91,167	$1,330,022

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See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the years ended December 31, in thousands of dollars

	Treasury Stock, at Cost	Employee Stock Ownership Plan	Total Shareholders' Equity
Balance at December 31, 1991	$(831,814)	$ (49,688)	$1,184,261
Net income			172,773
Dividends ($.60 per share post-split)			(42,464)
Decrease in unrealized appreciation, net of deferred taxes - Note D			(26,697)
Exercise of stock options			21,402
Tax benefit of stock options			6,189
Five-for-one stock split - Note K			-
Purchase of Common Stock	(31,781)		(31,781)
Reissuance of Common Stock	7,519		7,686
Retirement of Common Stock - Note K	841,179		-
Employee Stock Ownership Plan:			
Borrowings		(5,904)	(5,904)
Repayments		5,904	5,904
Additional accrued compensation		212	212
Tax benefit of dividends			930
Balance at December 31, 1992	(14,897)	(49,476)	1,292,511
Net income			273,678
Dividends ($.68 per share)			(48,300)
Increase in unrealized appreciation, net of deferred taxes - Note D			35,799
Exercise of stock options			1,994
Tax benefit of stock options			303
Purchase of Common Stock	(26,067)		(26,067)
Reissuance of Common Stock	4,224		3,968
Employee Stock Ownership Plan:			
Borrowings		(6,506)	(6,506)
Repayments		6,506	6,506
Additional accrued compensation		301	301
Tax benefit of dividends			392
Balance at December 31, 1993	(36,740)	(49,175)	1,534,579
Net income			207,764
Dividends ($1.00 per share)			(69,619)
Decrease in unrealized appreciation, net of deferred taxes - Note D			(101,072)
Exercise of stock options			3,449
Tax benefit of stock options			362
Purchase of Common Stock	(137,377)		(137,377)
Reissuance of Common Stock	7,002		7,094
Employee Stock Ownership Plan:			
Borrowings		(9,169)	(9,169)
Repayments		9,169	9,169
Additional accrued compensation		393	393
Tax benefit of dividends			426
Fair value adjustment, net of taxes - Note M			(58)
Balance at December 31, 1994	$(167,115)	$(48,782)	$1,445,941

See Notes to Consolidated Financial Statements

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GEICO CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31, in thousands of dollars	1994	1993	1992
Operating Activities:			
Net income	$ 207,764	$ 273,678	$ 172,773
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of changes in accounting principles:			
Postemployment benefits, net of tax	1,051	-	-
Income taxes	-	8,814	-
Postretirement benefits, net of tax	-	3,935	-
Net premiums receivable	(31,870)	168,585	(30,634)
Deferred policy acquisition costs	(520)	2,170	(7,331)
Reinsurance receivables and prepaid reinsurance premiums	(6,334)	13,524	4,906
Loss, life benefit and loss adjustment expense reserves	146,792	144,144	178,139
Unearned premiums	72,226	(157,736)	92,694
Dividends to policyholders	-	(3,902)	(23,827)
Premium refunds	-	(27,700)	-
Federal income taxes	(18,556)	20,283	(52,655)
Realized gains	(12,898)	(120,584)	(98,535)
Equity in undistributed earnings of affiliate	-	(2,463)	(736)
Provision for depreciation	22,434	19,377	15,769
Accrual of discount and amortization of premiums on investments	13,687	4,665	(1,904)
Other	66,827	4,710	13,567
Net cash provided by operating activities	460,603	351,500	262,226
Investing Activities:			
Purchases of equity securities	(210,633)	(320,331)	(276,654)
Purchases of fixed maturities	(903,183)	(1,275,425)	(894,050)
Increase in payable on security purchases	6,411	922	1,075
Sales of fixed maturities	75,440	108,618	129,998
Maturities and redemptions of fixed maturities	497,979	543,043	523,995
Sales of equity securities	231,859	368,820	405,532
Net change in short-term investments	65,986	104,834	(113,068)
Change in receivable from security sales	(1,102)	(822)	15,948
Decrease in principal on loans receivable	17,812	20,366	28,216
Proceeds from sales of affiliates and subsidiaries	9,686	73,538	38,104
Purchase of property and equipment, net	(28,197)	(41,086)	(27,962)
Other	(529)	196	(10,420)
Net cash used by investing activities	(238,471)	(417,327)	(179,286)
Financing Activities:			
Issuance of debt	-	149,458	-
Repayment of debt	(36,038)	(2,102)	(52,086)
Net change in short-term borrowings	9,300	16,300)	40,000
Decrease in savings deposits	-	-	(23,149)
Exercise of stock options	1,129	783	10,400

*** C01 ***

Purchase of Common Stock (Treasury)	(125,086)	(22,696)	(26,724)
Dividends paid to shareholders	(69,864)	(48,300)	(42,464)
Other	7,645	7,274	2,496
Net cash provided (used) by financing activities	(212,914)	68,117	(91,527)
Change in cash	9,218	2,290	(8,587)
Cash at beginning of year	18,362	16,072	24,659
Cash at end of year	$ 27,580	$ 18,362	$ 16,072

See Notes to Consolidated Financial Statements

GEICO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

BASIS OF REPORTING

The consolidated financial statements include the accounts of GEICO Corporation (the Corporation) and its subsidiaries. Significant intercompany accounts and transactions have been eliminated.

The financial statements are presented in conformity with generally accepted accounting principles (GAAP). These principles differ from statutory accounting practices for the insurance subsidiaries. See Note C regarding statutory amounts of net income, shareholder's equity and limitations on dividends.

INVESTMENTS

Effective December 31, 1993, the Corporation adopted Statement of Financial Accounting Standards No. 115 "Accounting for Certain Investments in Debt and Equity Securities" which requires the classification of securities into one of three categories: held to maturity, available for sale, or trading. All fixed maturities (bonds, notes and redeemable preferred stocks) have been classified as available for sale and reported at market value since the Corporation may not hold those securities to maturity. All equity securities (common stocks and nonredeemable preferred stocks) have been classified as available for sale and reported at market value. Prior to December 31, 1993, all fixed maturities were reported at amortized cost and all equity securities were reported at market value. Short-term investments include repurchase agreements which are fully collateralized by U.S. Treasury securities or obligations of U.S. government corporations and agencies.

GEICO Corporation's equity in changes in unrealized appreciation (depreciation) on investments reported at market value, after deferred income tax effects, is reported directly in shareholders' equity. Realized gains and losses on sales of investments, as determined on a specific identification basis, are included in the statements of income. Investments for which the current market value has declined below cost are reviewed and a realized loss is recorded if it is warranted by the specific circumstances.

LOANS RECEIVABLE

GEFCO records interest income on the accrual method, with suspension of accrual if collection is not probable. Assets acquired in foreclosure are held for sale and carried at the lower of fair value, net of estimated selling costs, or cost. The allowance for loan losses 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. Assets acquired in foreclosures of $17.4 million and $23.9 million are included in other assets at December 31, 1994 and 1993, respectively.

REINSURANCE

Reinsurance receivables related to claims incurred and prepaid reinsurance premiums are reported as assets.

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 insurance are being amortized to income as the related written premiums are earned.

PROPERTY AND EQUIPMENT

The annual provisions for depreciation are computed by the straight-line method over 31 to 45 year useful lives for buildings and over 3 to 10 year

*** C03 ***
useful lives for equipment.

LOSS 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 for anticipated salvage and subrogation recoveries. Loss adjustment expense reserves are based upon estimates of expenses to be incurred in the settlement of claims.

Management believes that its aggregate reserves for loss and loss adjustment expenses at December 31, 1994 are reasonable and adequate to cover the ultimate cost of losses on reported and unreported claims arising from accidents which had occurred by that date, but such reserves are necessarily based on estimates and the ultimate 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.

LIFE BENEFIT RESERVES AND POLICYHOLDERS' FUNDS
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. Annuity contracts without mortality risks are accounted for as investment contracts and are recorded as policyholders' funds on deposit.

*** C04 ***

PREMIUM REVENUE
Property and casualty premiums are earned prorata over the terms of the policies, and life and annuity premiums are recognized as revenue over the premium paying period. Premium revenue is reported net of reinsurance.

INCOME TAXES
The Corporation files a consolidated federal income tax return which includes all subsidiaries except Criterion Life, which files a separate return.

Effective January 1, 1993, the Corporation adopted Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" which required an adjustment of deferred taxes to the liability method and also established guidelines for recognizing deferred tax assets. The cumulative effect of adopting this statement was a charge of $8.8 million which is included in the consolidated statements of income as a change in accounting principle. Prior to 1993, deferred income taxes were provided for the difference between the results of operations includable in the federal income tax returns and that reported for financial statement purposes, as required by the deferred method.

POSTRETIREMENT BENEFITS
Effective January 1, 1993, the Corporation adopted Statement of Financial Accounting Standards No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" which required employers to accrue postretirement benefits, such as health care and life insurance plans for retirees, over the period the employee works to earn the benefit rather than using a pay-as-you-go cash basis. The cumulative effect of adopting this statement was a charge of $3.9 million, net of tax, which is included in the consolidated statements of income as a change in accounting principle.

POSTEMPLOYMENT BENEFITS
Effective January 1, 1994, the Corporation adopted Statement of Financial Accounting Standards No. 112 "Employers' Accounting for Postemployment Benefits" which required employers to accrue postemployment benefits, such as long-term disability benefits, over the period the employee works to earn the benefit rather than using a pay-as-you-go cash basis. The cumulative effect of adopting this statement was a charge of $1.1 million, net of tax, which is included in the consolidated statements of income as a change in accounting principle.

*** C05 ***

NOTE B: SUBSIDIARIES AND AFFILIATES

PROPERTY AND CASUALTY INSURANCE
The Corporation's property and casualty insurance subsidiaries are Government Employees Insurance Company (GEICO), GEICO General Insurance Company, GEICO Indemnity Company and GEICO Casualty Company.

Merastar Insurance Company and Southern Heritage Insurance Company, former subsidiaries, were sold effective December 31, 1993 to a partnership, of which GEICO Corporation's former Chairman is the general partner, resulting in no material realized gain or loss after tax. Merastar and Southern Heritage had approximately $96.1 million of assets and $42.0 million of shareholder's equity at the date of sale and premiums of $40.6 million in 1993. The results of their operations are included in the property and casualty results until the date of sale.

<CAPTION
PROPERTY AND CASUALTY INSURANCE

Condensed Balance Sheets (In thousands)	December 31, 1994	1993
Assets		
Investments		
Fixed maturities, at market	$3,124,150	$2,970,337
Equity securities, at market	180,204	245,051
Short-term investments	42,014	59,908
Affiliates	8,776	18,274
Cash	22,882	12,600
Property and equipment, net	136,623	129,530
Premiums receivable, net	238,473	206,570
Reinsurance receivables	106,322	94,965
Prepaid reinsurance premiums	10,361	9,694
Deferred policy acquisition costs	72,359	71,839
Federal income taxes	91,303	17,543
Other assets	79,895	75,321
	$4,113,362	$3,911,632
Liabilities and Shareholder's Equity		
Reserves for losses and loss adjustment expenses	$1,956,460	$1,801,383
Unearned premiums	747,218	674,955
Other liabilities	216,281	208,872
Shareholder's equity	1,193,403	1,226,422
	$4,113,362	$3,911,632

PROPERTY AND CASUALTY INSURANCE

Condensed Income Statements (In thousands)	Year Ended December 31, 1994	1993	1992
Premiums	$2,473,230	$2,281,147	$2,071,132
Net investment income	172,307	174,985	177,363
Realized gains on investments	16,611	81,481	142,386
Equity in income of affiliates	(778)	1,832	5,687
Other revenue	1,359	1,868	1,927
Total Revenue	2,662,729	2,541,313	2,398,495
Losses and loss adjustment expenses	1,999,381	1,823,662	1,720,756
Other expenses	391,397	382,022	347,279
Interest expense	3,266	3,653	4,557

*** C06 ***

Federal income tax expense	52,350	78,281	80,266
Total Benefits and Expenses	2,446,394	2,287,618	2,152,858
Net income before cumulative effect of changes in accounting principles	216,335	253,695	245,637
Cumulative effect of changes in accounting principles	(1,016)	(9,721)	-
Net Income	$ 215,319	$ 243,974	$ 245,637

RESOLUTE GROUP, INC.

Resolute Group, Inc., a reinsurance subsidiary, stopped accepting new business in late 1987. Summary financial data are as follows:

(In millions)	1994	1993	1992
Investments	$ 53.6	$ 55.5	$ 57.0
Total assets	82.9	90.2	106.0
Loss and loss adjustment expense reserves	58.0	69.3	86.3
Shareholder's equity	19.2	18.0	13.9
Premiums earned	.2	.1	.1
Underwriting gain (loss)	2.1	.8	(5.7)
Net investment income	2.9	3.4	3.6
Net income (loss)	3.2	3.3	(1.1)

LIFE INSURANCE

Criterion Life Insurance Company, a subsidiary, was formed in December 1991 and assumed the structured settlement annuity business previously written by Garden State Life Insurance Company. Criterion Life writes structured settlement annuities for the Corporation's property and casualty affiliates. Summary financial data for the Corporation's life insurance subsidiaries, including the operations of Garden State through its date of sale in June 1992, are as follows:

(In millions)	1994	1993	1992
Investments	$ 96.1	$ 96.1	$ 77.4
Total assets	105.5	100.0	80.7
Shareholder's equity	3.7	11.7	10.2
Premiums	2.9	2.3	13.2
Net investment income	6.9	7.2	8.6
Net income (loss)	.7	(.9)	3.0

The sale of Garden State Life Insurance Company for $40.0 million was completed in June 1992 and its operations are included in the consolidated results up to the date of sale. Garden State had approximately $91 million of assets and $53 million of shareholder's equity at the date of sale and premiums of $10.7 million for the first six months of 1992. Realized gains (losses) on investments in 1992 include a $14.0 million pretax loss on the sale.

GEFCO

Summary financial data for GEFCO, a consumer finance subsidiary, are as follows:

(In millions)	1994	1993	1992
Total assets	$ 68.4	$ 86.4	$ 108.3
Shareholder's equity	7.9	12.0	14.1
Revenue	12.0	13.7	19.3
Net income (loss)	(4.1)	1.9	2.3

All savings deposits, which were held by GEIBank Industrial Bank, a former subsidiary of GEFCO, were liquidated during 1992.

AVEMCO CORPORATION

In October 1993 the Corporation sold 3.3 million shares of its 3.9 million shares of AVEMCO Corporation, previously a 34% owned general aviation insurance company, for $57.6 million which resulted in an aftertax realized gain of $15.9 million. Prior to this sale the investment in AVEMCO was accounted for using the equity method. The remaining investment was accounted for as an equity security available for sale and reported at current market value, until sold in 1994 for $9.1 million which resulted in an aftertax realized gain of $.8 million. Dividends of $.8 million in 1993 and $1.6 million in 1992 were received from AVEMCO while accounted for on the equity method.

NOTE C: STATUTORY ACCOUNTING PRACTICES

The Corporation's subsidiaries prepare their statutory financial statements in accordance with accounting principles and practices prescribed by regulatory authorities.

Results as determined under statutory practices are as follows:

*** C08 ***

(In millions)	1994	1993	1992
Consolidated property and casualty insurance and reinsurance:			
Net income	$ 211.4	$ 223.6	$ 233.3
Policyholders' surplus	1,039.9	916.9	968.3
Consolidated life insurance:			
Net income (loss)	(.2)	.6	2.9
Policyholders' surplus	5.6	6.0	5.5

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 shareholder's equity of $1,193.4 million at December 31, 1994 of which approximately $201.1 million is available for payment of dividends in 1995 and other amounts may be available in the form of loans or cash advances. The Corporation received dividends of $132.0 million, $147.1 million and $297.9 million in cash and securities from GEICO in 1994, 1993, and 1992, respectively. During 1992 GEICO also distributed a dividend consisting of its investment in GEICO Indemnity (GI) to the Corporation. The Corporation contributed capital of $6 million to GI during 1994 and received dividends of $14 million and $1 million from GI in 1993 and 1992, respectively.

NOTE D: INVESTMENT OPERATIONS

INVESTMENT INCOME

The sources of investment income are summarized as follows:

(In thousands)	1994	1993	1992
Fixed maturities	$189,876	$191,008	$182,096
Equity securities	13,639	12,692	17,549
Short-term investments	6,866	6,893	9,631
Other	1,023	1,045	2,111
Total investment income	211,404	211,638	211,387
Investment expenses	9,614	9,787	9,861
Net investment income	$201,790	$201,851	$201,526

The Corporation's investment in Federal Home Loan Mortgage Corporation common stock with a market value of $166.0 million exceeded 10% of the Corporation's shareholders' equity at December 31, 1994.

There were no investments in fixed maturities which were non-income producing for the year ended December 31, 1994.

REALIZED GAINS (LOSSES)

Realized gains (losses) from sales and maturities of investments are summarized as follows:

(In thousands)	1994	1993	1992
Fixed maturities	$ (2,175)	$ 7,477	$ 11,887
Equity securities	15,367	90,418	100,692
Investments in subsidiaries and affiliate	(294)	22,689	(14,044)
Realized gains	$ 12,898	$ 120,584	$ 98,535

Realized gains and losses from sales and maturities of fixed maturities consist of gross realized gains of $1.4 million, $8.0 million and $12.7 million and gross realized losses of $3.5 million, $.6 million and $.8 million for 1994, 1993 and 1992, respectively.

Realized gains on investments in subsidiaries and affiliates include a $23.5 million realized gain in 1993 on the sale of AVEMCO shares and a $14.0 million realized loss in 1992 on the sale of Garden State.

UNREALIZED APPRECIATION (DEPRECIATION)

A summary of the net change in unrealized appreciation (depreciation) on investments in fixed maturities and equity securities in 1994 and 1993 and equity securities in 1992, reflected directly in shareholders' equity, is as follows:

(In thousands)	1994	1993	1992
Increase (decrease) in unrealized appreciation:			
Fixed maturities	$(219,216)	$ 125,919	$ -
Equity securities	64,787	(63,826)	(39,747)
Equity in affiliate's unrealized appreciation (depreciation)	-	(544)	(237)
Deferred federal income taxes	53,357	(25,750)	13,287
Increase (decrease) in unrealized appreciation, net of deferred taxes	$(101,072)	$ 35,799	$ (26,697)

Effective December 31, 1993 investments in fixed maturities are classified as available for sale and reported at market value. The unrealized appreciation on fixed maturities of $125.9 million at December 31, 1993 was reflected directly in shareholders' equity in 1993.

A summary of unrealized appreciation on investments in fixed maturities, which were reported at amortized cost in 1992, is as follows:

(In thousands)	1992
Market value	$2,588,560
Amortized cost	2,476,710
Unrealized appreciation at December 31, 1992	$ 111,850
Increase (decrease) in unrealized appreciation during the year	$ (34,833)

*** C10 ***

GROSS UNREALIZED GAINS (LOSSES)

Gross unrealized gains (losses) on investments in fixed maturities are summarized as follows:

(In thousands)	December 31, 1994	1993
Gross unrealized gains:		
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 1,392	$ 31,179
Obligations of states and political subdivisions	23,837	91,934
Corporate bonds and notes	170	3,980
Redeemable preferred stocks	-	1,379
	25,399	128,472
Gross unrealized losses:		
U.S. Treasury securities and obligations of U.S. government corporations and agencies	32,746	822
Obligations of states and political subdivisions	74,415	720
Corporate bonds and notes	8,139	599
Redeemable preferred stocks	3,396	412
	118,696	2,553
	$ (93,297)	$ 125,919

The consolidated unrealized appreciation on investments in equity securities at December 31, 1994, before deferred tax effects, consisted of gross gains of $247.3 million and gross losses of $21.6 million.

INVESTMENTS IN FIXED MATURITIES

The market value and amortized cost of investments in fixed maturities at December 31, 1994 are shown below by their scheduled maturity dates. Asset-backed securities, consisting of mortgage-backed obligations of U.S. government corporations and agencies and corporate obligations collateralized by mortgage and other financial instruments, are included based on their estimated average remaining lives.

(In thousands)	Market Value	Amortized Cost
1995	$ 422,563	$ 418,866
1996 - 1999	1,411,992	1,432,015
2000 - 2004	1,228,462	1,296,249
2005 and after	207,108	216,292
	$3,270,125	$3,363,422

NOTE E: LOANS RECEIVABLE

LOANS RECEIVABLE

Loans receivable are comprised primarily of GEFCO's collateral loans, with maximum terms of 180 months, net of the allowance for loan losses. These loans are primarily collateralized by residential real estate and timeshare intervals, which are primarily in resort areas.

At December 31, 1994 and 1993, the accrual of interest income was suspended on $1.5 million and $4.0 million of loans, respectively.

GEFCO has signed a letter of intent to sell approximately $44 million of loans receivable and other assets during 1995. At December 31, 1994, a valuation allowance of $3.3 million was recorded to reflect the receivables to be sold at their anticipated net sales price and to record the remaining receivables at their net realizable value. During the years ended December 31, 1994 and 1993, principal cash collections on loans receivable, including amounts from sales of loans, were approximately $32.7 million and $36.2 million, respectively.

In the normal course of its lending operations, GEFCO makes loan commitments and issues standby letters of credit to its customers. At December 31, 1994, outstanding commitments and letters of credit totaled $11.4 million.

NOTE F: POLICY ACQUISITION COSTS

Policy acquisition costs incurred and expensed are summarized as follows:

(In thousands)	1994	1993	1992
Policy acquisition costs incurred:			
Commission and brokerage	$ 31,564	$ 35,677	$ 31,418
Premium taxes	43,164	41,643	45,680
Advertising	30,565	26,220	24,101
Salaries, direct mail selling and other	95,271	91,835	89,787
	$ 200,564	$ 195,375	$ 190,986
Policy acquisition costs expensed	$ 200,044	$ 197,545	$ 183,655

NOTE G: PROPERTY AND CASUALTY RESERVES

Changes in property and casualty GAAP reserves for losses and loss adjustment
expenses are as follows:

(In thousands)	1994	1993	1992
Reserves at January 1, net of reinsurance	$1,747,026	$1,626,730	$1,450,357
Reserves of subsidiaries sold	-	(21,553)	-
Cumulative effect of accounting change for postretirement benefits	-	1,249	-
	1,747,026	1,606,426	1,450,357
Incurred related to:			
Current accident year	2,097,853	1,899,571	1,795,772
Prior accident years	(101,335)	(77,788)	(70,814)

*** C12 ***

Total incurred	1,996,518	1,821,783	1,724,958
Payments related to:			
Current accident year	1,128,223	973,706	950,792
Prior accident years	728,370	707,477	597,793
Total payments	1,856,593	1,681,183	1,548,585
Reserves at December 31, net of reinsurance	1,886,951	1,747,026	1,626,730
Reinsurance receivables	125,373	120,933	129,478
GAAP reserves at December 31	$2,012,324	$1,867,959	$1,756,208

Reserves have been reduced by approximately $85.4 million, $77.0 million and $73.3 million at December 31, 1994, 1993 and 1992, respectively, for anticipated salvage and subrogation recoveries.

Reserves at December 31, 1994 include $100.0 million ($53.0 million net after reinsurance) for commercial umbrella liability business, which was issued by GEICO from 1981 to 1984. The ultimate development of losses related to the significant risks of this long-tail business, which includes environmental and product liability risks, is uncertain. Losses for GEICO's commercial umbrella business cannot be projected using traditional actuarial methods. The reserve for this business represents management's estimate of the ultimate liability which will emerge from a small number of potentially large claims. Management believes that the ultimate resolution of the commercial umbrella business will not have a material impact on the Corporation's financial position and results of operations.

*** D01 ***

NOTE H: PREMIUM REFUNDS

On November 8, 1988, California voters passed Proposition 103, which called for significant rate reductions and certain changes in the state's insurance laws. In May 1993, the Corporation's insurance subsidiaries affected by Proposition 103 entered into an agreement with the California Insurance Department as to their California insurance premium refund obligations. These companies agreed to pay an aggregate of $21 million to policyholders affected and these payments fully discharged and extinguished all obligations to roll back rates, make refunds or pay interest. Additionally, the rates and rate levels in use since November 8, 1988 have been deemed approved. During 1989 and 1990 the Companies had accrued $14.3 million and $13.4 million, respectively, for potential premium refunds. As a result of the settlement, premium refunds of $21.0 million were paid, resulting in a $6.7 million pretax increase in operating earnings in 1993.

NOTE I: DEBT

Debt consists of the following:

(In thousands)	December 31, 1994	1993
Corporate and Other		
GEICO Corporation unsecured debt -		
6.30% bank note due 1995	$ 30,000	$ -
9.15% Debentures due 2021	99,643	99,630
7.35% Debentures due 2023	149,485	149,467
GEICO collateralized debt -		
9.53% note, $375 due semi-annually, balance of $7,875 due in 1999	11,250	12,000
Collateralized debt of real estate subsidiaries -		
GEICO Properties, Inc.:		
8 1/4% notes, prepaid in 1994	-	9,452
8 1/2% note, prepaid in 1994	-	5,420
GEICO Washington Properties, Inc.:		
9 3/8% note, prepaid in 1994	-	20,416
Guaranteed bank loans of Employee Stock Ownership Plan	50,000	50,000
Total corporate and other debt	340,378	346,385
Finance Company - GEFCO Unsecured Notes		
Borrowings under credit agreement -		
6.21% weighted average rate, due in 1995	51,000	-
3.41% weighted average rate, due in 1994	-	71,700
Total debt	$391,378	$418,085

DEBT AGREEMENTS

The Corporation has a credit agreement expiring July 1997 under which the Corporation, GEICO or GEFCO can borrow up to $150 million with total borrowings not to exceed $150 million. Amounts borrowed by GEICO and GEFCO are guaranteed by GEICO Corporation. GEFCO had borrowed $51 million under this agreement at December 31, 1994. This credit agreement replaced a similar agreement in July 1994 under which GEFCO had borrowed $71.7 million at December 31, 1993. The agreement provides several options for interest and repayment terms and a facility fee of 12.50 basis points per annum.

Interest of $27.3 million, $18.2 million and $21.4 million was paid during 1994, 1993 and 1992, respectively.

DEBT MATURITIES

*** D02 ***
The aggregate maturities of consolidated debt for the years 1995 through 1999 are $91.8 million, $10.2 million, $9.2 million, $7.7 million and $12.2 million, respectively.

COLLATERALIZED DEBT
Property with a cost of $16.9 million has been pledged as collateral for the 9.53% note of GEICO.

CAPITALIZED INTEREST
Corporate and other interest expense in the statements of income has been reduced by $.2 million, $1.4 million and $.3 million in 1994, 1993 and 1992, respectively, representing interest that was capitalized as part of the cost to construct a new regional office building.

NOTE J: FEDERAL INCOME TAXES

FEDERAL INCOME TAX EXPENSE
Federal income tax expense consists of the following components:
<C>

(In thousands)	1994	1993	1992
Current tax expense	$ 58,056	$ 108,560	$ 67,633
Deferred tax benefit	(15,677)	(14,927)	(22,405)
Adjustment of net deferred tax asset for enactment of rate change	-	(1,440)	-
Federal income tax expense	$ 42,379	$ 92,193	$ 45,228

Federal income taxes of $60.9 million, $71.7 million and $98.3 million were paid during 1994, 1993 and 1992, respectively.

EFFECTIVE FEDERAL TAX RATE RECONCILIATION
A reconciliation of the effective federal income tax rates in the consolidated statements of income to the prevailing federal income tax rates of 35% in 1994 and 1993 and 34% in 1992 is as follows:

(In thousands)	1994	1993	1992
Income tax expense at the prevailing rate of pretax income	$ 87,918	$ 132,517	$ 74,120
Effect of:			
Tax-exempt interest income	(43,089)	(33,385)	(30,132)
Dividends received deduction	(4,107)	(4,196)	(5,637)
Proration of investment income	5,270	3,497	2,975
Fresh start adjustment	-	-	(1,913)
Sale of Garden State	-	-	4,461
Other	(3,613)	(6,240)	1,354
Federal income tax expense	$ 42,379	$ 92,193	$ 45,228

The federal income tax expense for 1992 was reduced by $1.9 million for the benefit of the "fresh start" adjustment to initially discount reserves at January 1, 1987 as required by the Tax Reform Act of 1986. The remaining $1.9 million of "fresh start" benefit at December 31, 1992 was recognized in 1993 as part of the cumulative adjustment to adopt Statement of Financial Accounting Standards No. 109.

FEDERAL INCOME TAX ASSET
The components of the net federal income tax asset included in the financial statements, as required by the liability method, are as follows:

(In thousands)	December 31, 1994	1993
Deferred tax assets:		
Unrealized losses on investments	$ 49,093	$ 8,871
Loss and loss adjustment expense reserves	93,956	91,679
Unearned premium reserve	63,974	59,929
Deferred compensation	18,388	18,479
Accrued vacation	3,492	3,647
Postretirement benefits	2,466	2,230
Other	13,939	10,082
Total gross deferred tax assets	245,308	194,917
Deferred tax liabilities:		
Unrealized gains on investments	95,451	109,279
Deferred policy acquisition costs	25,326	25,143
Tax benefit transfer lease	5,506	6,685
Property and equipment	5,437	5,391
Accrued investment income	4,602	3,864
Undistributed earnings	-	3,027
Other	10,388	11,476
Total gross deferred tax liabilities	146,710	164,865
Net deferred tax asset	98,598	30,052
Current tax receivable (payable)	377	(3,321)
Federal income tax asset	$ 98,975	$ 26,731

The Corporation has not established a valuation allowance because it believes it is more likely than not that all deferred tax assets will be fully realized based upon the Corporation's past history of profitability and anticipated future earnings.

DEFERRED FEDERAL INCOME TAX BENEFIT
The deferred federal income tax benefit resulted from timing differences in recognition of revenue and expenses for tax and financial statement purposes as required by the deferred method in 1992 as follows:

(In thousands)	1992
Deferral of policy acquisition costs	$ 2,215
Unearned premiums	(14,625)
Discounting of reserves	(8,290)
Deferred compensation	3,008
Tax benefit transfer lease	(732)
Other policy liabilities	(421)
Affiliate's undistributed earnings	470
Other	(4,030)
Deferred federal income tax benefit	$ (22,405)

NOTE K: SHAREHOLDERS' EQUITY

STOCK SPLIT AND SHARE RETIREMENT
On May 20, 1992 the Corporation's Common Stock was split five-for-one resulting in the issuance of an additional 56,668,048 shares of $1 par value Common Stock. At the same time, all Treasury Stock was retired. An increase in the number of authorized shares to 150 million from 60 million

*** D04 ***
was also approved. Per share data in these financial statements and all share and stock option information in this note reflect the stock split.

SHARE ACQUISITIONS
On May 20, 1992, the Board of Directors authorized the purchase of up to 7,000,000 shares of the Corporation's Common Stock from time to time depending on market conditions.

The Corporation purchased 2,745,934; 453,854 and 670,616 shares of Common Stock in 1994, 1993 and 1992, respectively, for an aggregate cost of $137.4 million, $26.1 million and $31.8 million. The Corporation reissued 132,436; 63,997 and 187,675 shares of Common Stock for $7.1 million, $4.0 million and $7.7 million in 1994, 1993 and 1992, respectively. Subsequent to December 31, 1994, the Corporation has purchased an additional 138,484 shares for $6.8 million.

As of December 31, 1994 and February 17, 1995, 3,726,104 and 3,587,620 shares, respectively, remain under the current repurchase authorization.

STOCK OPTIONS AND STOCK APPRECIATION RIGHTS
Under the Corporation's 1985 Stock Option Plan, options and related stock appreciation rights (SARs) were 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. Exercisable options at December 31, 1994, 1993, 1992 and 1991 were 374,125; 389,435; 375,435 and 2,027,310, respectively. 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. No more options may be granted under this plan. A charge of $44.8 million was made against 1992 earnings for the SARs. In January 1993 the remaining outstanding SARs related to options under the 1985 Stock Option Plan were cancelled and, accordingly, no further charge is made against earnings for SARs.

Under the Corporation's 1992 Stock Option Plan, options to purchase 2,500,000 shares of Common Stock may be granted to officers and key employees. The purchase price shall not be less than 100% of the fair market value at date of grant, and the options are exercisable in installments beginning six months from the date of grant and expire not more than ten years thereafter. Exercisable options at December 31, 1994, 1993 and 1992 were 761,830, 71,500 and 17,500, respectively.

*** D05 ***

Activity under the 1985 and 1992 Stock Option Plans is summarized as follows:

	Options Available For Grant	Price Per Share On Date of Grant	Options Outstanding
1985 Stock Option Plan:			
Balance at December 31, 1991	-	$11.88 to $32.68	2,293,710
Exercised	-	11.88 to 32.68	(1,759,875)
Forfeited	-	29.30	(900)
Balance at December 31, 1992	-	13.80 to 32.68	532,935
Exercised	-	13.80 to 32.68	(47,000)
Forfeited	-	25.10	(2,000)
Balance at December 31, 1993	-	13.80 to 32.68	483,935
Exercised	-	13.80 to 32.68	(81,610)
Forfeited	-	25.10	(400)
Balance at December 31, 1994	-	$13.80 to $32.68	401,925
1992 Stock Option Plan:			
Authorized	2,500,000		
Granted	(249,500)	$38.15 to $57.25	249,500
Exercised	-	-	-
Forfeited	2,500	45.81	(2,500)
Balance at December 31, 1992	2,253,000	38.15 to 57.25	247,000
Granted	(982,830)	53.06 to 64.44	982,830
Exercised	-	5.81	(600)
Forfeited	3,900	45.81 to 63.94	(3,900)
Balance at December 31, 1993	1,274,070	38.15 to 64.44	1,225,330
Granted	(144,500)	49.44 to 54.31	144,500
Exercised	-	45.81	(1,600)
Forfeited or expired	99,400	45.81 to 64.44	(99,400)
Balance at December 31, 1994	1,228,970	$38.15 to $64.44	1,268,830

PERFORMANCE SHARES
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, 1994, 149,587 performance share awards were outstanding and 447,194 shares remained available for future awards. Charges of $1.8 million, $3.1 million and $7.3 million were made against 1994, 1993 and 1992 earnings, respectively, under the plan.

SHARES RESERVED
At December 31, 1994 a total of 3,496,506 authorized shares have been reserved for stock options and performance share awards.

NOTE L: EARNINGS PER SHARE

The computation of earnings per share is based on the weighted average number of common shares assumed outstanding of 69,992,442 in 1994, 71,417,006 in 1993 and 72,386,572 in 1992.

*** D06 ***

NOTE M: EMPLOYEE BENEFITS

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, 1994 consist primarily of common stocks and U.S. Government obligations.

Pension expense is as follows:

(In thousands)	1994	1993	1992
Service cost - benefits earned during the year	$ 8,314	$ 6,707	$ 6,057
Interest cost on projected benefit obligation	12,989	11,888	10,817
Actual return on plan assets	(10,786)	(10,146)	(15,217)
Amortization of net asset existing at January 1, 1986	(3,426)	(3,426)	(3,426)
Other amortization and deferral	(3,553)	(3,247)	2,995
Net pension expense	$ 3,538	$ 1,776	$ 1,226

The funded status of the plan is as follows:

(In thousands)	December 31, 1994	December 31, 1993
Actuarial present value of benefit obligations:		
Vested	$105,521	$116,736
Non-vested	2,521	3,257
Accumulated benefit obligation	108,042	119,993
Effect of projected future salary increases	48,249	57,961
Projected benefit obligation	156,291	177,954
Plan assets at market value	204,460	198,680
Plan assets in excess of projected benefit obligation	48,169	20,726
Unrecognized net gain	(42,128)	(4,221)
Unrecognized prior service costs	5,535	2,035
Unrecognized net asset at January 1, 1986 being recognized over eleven years	(7,255)	(10,681)
Pension asset	$ 4,321	$ 7,859

The projected benefit obligation was determined using an assumed discount rate of 8.5% and 7%, an assumed long-term rate of return on plan assets of 8.5% and 8.5% and assumed average annual salary increases of 6.25% and 5.7% in 1994 and 1993, respectively.

*** D07 ***

EMPLOYEE STOCK OWNERSHIP PLAN

Substantially all employees of the Corporation and its subsidiaries are covered under the GEICO Companies Employee Stock Ownership Plan (ESOP). The ESOP may borrow money and use the proceeds to purchase shares of the Corporation's Common Stock. The Corporation guarantees the loans and makes annual contributions sufficient to enable the ESOP to pay principal and interest to the extent it is not paid by dividends on the shares purchased with the debt proceeds. Shares are released based on the proportion of debt service paid in the year. The obligations of the ESOP, $50.0 million at December 31, 1994 and 1993, are included in the Corporation's long-term debt. An amount, representing the obligations of the ESOP which have not yet been charged to compensation expense, is deducted from shareholders' equity. Additional accrued compensation in excess of the current year debt service is recorded as an expense based on the number of shares released to participants' accounts.

Effective January 1, 1994 the Corporation adopted Statement of Position No. 93-6 "Employers' Accounting for Employee Stock Ownership Plans" on a prospective basis for shares acquired after December 31, 1992 (new shares). Compensation cost is recognized on new shares based on the fair value of the shares as of the date the shares are committed-to-be-released to participants' accounts. Dividends on allocated new shares are charged to retained earnings. Dividends on unallocated new shares are charged to compensation cost and the shares are not considered outstanding for earnings per share computations until committed-to-be-released. Compensation cost for shares acquired on or before December 31, 1992 (old shares) is recognized based on the cost of the shares to the plan. Dividends on old shares are charged to retained earnings and such shares are considered outstanding for earnings per share computations.

The components of Employee Stock Ownership Plan expense consist of the following:

(In thousands)	1994	1993	1992
Principal	$ 10,098	$ 9,169	$ 6,506
Interest	3,569	3,684	3,798
Dividends used for debt service	(3,594)	(2,390)	(2,134)
Additional accrued compensation	393	301	212
Dividends on unallocated new shares	244	-	-
Fair value adjustment for new shares	(90)	-	-
ESOP expense	$ 10,620	$ 10,764	$ 8,382

Shares held by the Employee Stock Ownership Plan consist of the following:

	December 31, 1994	
	Old Shares	New Shares
Allocated	3,135,066	9,402
Committed-to-be-released	343,285	30,393
Unreleased	873,055	248,426
Total	4,351,406	288,221
Fair value of unreleased new shares		$12,172,874

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 $8.6 million, $6.4 million and $5.2 million were charged to expense in 1994, 1993 and 1992, respectively.

*** D08 ***

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Corporation provides certain health and life insurance benefits for eligible retirees. The health benefits continue through age 65. Prior to 1993, the cost of providing these benefits was recognized on a pay-as-you-go basis.

In 1993 the Corporation adopted Statement of Financial Accounting Standards No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions." The cumulative effect of adopting this statement in 1993 was a charge of $3.9 million, net of tax, which is included in the consolidated statements of income as a change in accounting principle.

Postretirement benefits expense consists of the following:

(In thousands)	1994	1993
Service cost - benefits earned during the period	$ 336	$ 285
Interest cost on accumulated postretirement benefits obligation	504	491
Postretirement benefits expense	$ 840	$ 776

The Corporation's postretirement benefits are not funded. The accumulated postretirement benefits obligation is as follows:

(In thousands)	December 31, 1994	1993
Retirees and dependents	$ 1,715	$ 1,652
Fully eligible active plan participants	1,749	1,895
Other active plan participants	3,198	3,094
Accumulated postretirement benefits obligation	6,662	6,641
Unrecognized net gain (loss)	384	(161)
Accrued postretirement benefits liability	$ 7,046	$ 6,480

The accumulated postretirement benefits obligation at December 31, 1994 was determined using an assumed discount rate of 8.5% and an assumed health care cost trend rate of 12.5% in 1994 decreasing to 6.0% in 2001 and thereafter. The accumulated postretirement benefits obligation at December 31, 1993 was determined using an assumed discount rate of 7% and an assumed health care cost trend rate of 13.0% in 1993 decreasing to 5.5% in 2001 and thereafter. An increase of 1 percent in the assumed health care cost trend rate in each year would increase the December 31, 1994 accumulated postretirement benefits obligation by approximately $.8 million and would increase the 1994 net periodic postretirement benefits cost by approximately $.1 million.

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*** D09 ***

NOTE N: 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 certain 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; however, certain amounts ceded are supported by letters of credit or are indemnified.

The effect of reinsurance on premiums written and earned is as follows:

(In thousands)	1994	1993	1992
Premiums written:			
Direct business	$2,524,648	$2,106,320	$2,165,877
Reinsurance assumed	41,459	42,461	44,760
Reinsurance ceded	(18,272)	(17,500)	(33,880)
	$2,547,835	$2,131,281	$2,176,757
Premiums earned:			
Direct business	$2,450,790	$2,260,162	$2,078,220
Reinsurance assumed	43,092	46,355	40,585
Reinsurance ceded	(17,606)	(23,029)	(34,303)
	$2,476,276	$2,283,488	$2,084,502

Amounts deducted from losses and loss adjustment expenses in the consolidated statements of income for reinsurance cessions were $26.7 million, $25.5 million and $92.2 million in 1994, 1993 and 1992, respectively. Amounts deducted from life benefits in the consolidated statements of income for reinsurance cessions were $1.2 million in 1992.

NOTE O: BUSINESS SEGMENTS

GEICO Corporation's dominant business segment, pursuant to Statement of Financial Accounting Standards No. 14, is property and casualty insurance, reflecting a reduction in the Corporation's reinsurance, life insurance and annuities, and finance business in recent years.

NOTE P: COMMITMENTS AND CONTINGENCIES

Rental expense for all leases was $14.7 million in 1994, $13.7 million in 1993 and $16.8 million in 1992.

The Corporation and its subsidiaries have entered into noncancellable leases expiring at various dates through 2000 for both real estate and equipment, all of which are operating leases. The future minimum rental commitments as of December 31, 1994 for noncancellable leases with a remaining term of at least one year totaled $11.3 million including $3.6 million, $3.3 million, $2.5 million, $1.6 million and $.3 million for the years 1995 through 1999, respectively.

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 the financial statements as a result of any such actions is not probable.

NOTE Q: FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107 "Disclosures about Fair Value of Financial Instruments" defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties.

*** D10 ***

The carrying amounts and fair values of the Corporation's financial instruments are as follows:

(In millions)	December 31, 1994 Carrying Amount	Fair Value
Assets:		
Fixed maturities	$3,270.1	$3,270.1
Equity securities	782.7	782.7
Short-term investments	50.0	50.0
Loans receivable, net	59.4	59.4
Liabilities:		
Policyholders' funds on deposit	64.2	66.1
Total debt	391.4	369.8

(In millions)	December 31, 1993 Carrying Amount	Fair Value
Assets:		
Fixed maturities	$3,175.4	$3,175.4
Equity securities	727.2	727.2
Short-term investments	116.0	116.0
Loans receivable, net	75.8	75.6
Liabilities:		
Policyholders' funds on deposit	53.0	60.5
Total debt	418.1	443.4

The fair value of investments in fixed maturities are based on quoted market prices, where available, and obtained from independent pricing services for securities not actively traded. Equity securities are valued based on quoted market prices. The cost of short-term investments approximates fair value due to the short maturity of these instruments. The fair value of net loans receivable at December 31, 1994 is based on the anticipated sales price pursuant to a letter of intent to sell certain loans in 1995 plus the estimated net realizable value for the remaining loans. The fair value of net loans receivable at December 31, 1993 was estimated by discounting the future cash flows of homogeneous categories of loans using the current rates at which similar loans would be made to borrowers with similar credit ratings for the same remaining period. The fair value of policyholders' funds on deposit is determined by discounting future cash flows. Debt is valued based on quoted market prices for GEICO Corporation's Debentures and on quoted market prices for similar issues of debt with similar remaining maturities for all other debt.

Geico Corporation
Supplemental Financial Information

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

	1994 Three Months Ended Dec. 31	Sept. 30	June 30	Mar. 31
Revenue				
Premiums	$653.9	$629.6	$605.3	$587.6
Net investment income	53.7	50.1	49.5	48.4
Realized gains on investments	.6	1.8	4.0	6.6
Interest on loans receivable	2.6	2.5	2.6	2.7
Affiliate and other revenue	3.7	3.7	3.6	3.6

*** D11 ***

Total Revenue	714.5	687.7	665.0	648.9
Benefits and Expenses				
Losses and loss adjustment expenses	525.6	498.7	478.7	493.5
Life benefits and interest on policyholders' funds	2.0	2.0	2.1	2.5
Policy acquisition expenses	51.4	48.1	50.5	50.0
Other operating expenses	60.8	59.7	55.6	55.8
Impact of premium refunds	-	-	-	-
Interest expense	7.2	6.6	6.5	7.5
Total Benefits and Expenses	647.0	615.1	593.4	609.3
Net Income Before Income Taxes	67.5	72.6	71.6	39.6
Federal income tax expense	10.9	13.9	14.2	3.4
Net income before cumulative effect of changes in accounting principles	56.6	58.7	57.4	36.2
Cumulative effect of changes in accounting principles:				
Postemployment benefits, net of tax	-	-	-	(1.1)
Income taxes	-	-	-	-
Postretirement benefits, net of tax	-	-	-	-
Net Income	$ 56.6	$ 58.7	$ 57.4	$ 35.1
Earnings Per Share				
Net income before cumulative effect of changes in accounting principles	$ .83	$ .84	$ .81	$ .51
Cumulative effect of changes in accounting principles	-	-	-	(.01)
Net Income	$ .83	$ .84	$ .81	$ .50

Supplemental Financial Information

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

	1993 Three Months Ended			
	Dec. 31	Sept. 30	June 30	Mar. 31
Revenue				
Premiums	$ 598.0	$ 581.1	$ 563.6	$ 540.8
Net investment income	50.3	50.6	51.4	49.5
Realized gains on investments	19.8	29.5	36.9	34.4
Interest on loans receivable	2.6	2.9	2.8	3.2
Affiliate and other revenue	4.1	5.6	5.0	6.2
Total Revenue	674.8	669.7	659.7	634.1
Benefits and Expenses				
Losses and loss adjustment expenses	490.9	456.5	444.4	430.0
Life benefits and interest on policyholders' funds	7.0	2.4	2.4	1.6
Policy acquisition expenses	51.2	51.2	48.7	46.4
Other operating expenses	58.5	50.6	53.1	51.5
Impact of premium refunds	-	-	(6.7)	-
Interest expense	5.9	7.3	3.2	3.5
Total Benefits				

*** D12 ***

and Expenses	613.5	568.0	545.1	533.0
Net Income Before Income Taxes	61.3	101.7	114.6	101.1
Federal income tax expense	11.1	25.5	30.1	25.5
Net income before cumulative effect of changes in accounting principles	50.2	76.2	84.5	75.6
Cumulative effect of changes in accounting principles:				
Postemployment benefits, net of tax	-	-	-	-
Income taxes	-	-	-	(8.8)
Postretirement benefits, net of tax	-	-	-	(3.9)
Net Income	$ 50.2	$ 76.2	$ 84.5	$ 62.9
Earnings Per Share				
Net income before cumulative effect of changes in accounting principles	$ .70	$ 1.07	$ 1.18	$ 1.06
Cumulative effect of changes in accounting principles	-	-	-	(.18)
Net Income	$ .70	$ 1.07	$ 1.18	$ .88

Financial Accounting Standards

EMPLOYERS' ACCOUNTING FOR POSTEMPLOYMENT BENEFITS - STATEMENT NO. 112
Statement 112 established accounting standards for accruing obligations related to benefits provided by employers to former or inactive employees after employment but before retirement. Such benefits may include salary continuation, supplemental unemployment benefits, severance benefits, disability-related benefits, job training and continuation of health care and life insurance coverages.

The Corporation adopted Statement 112 effective January 1, 1994. The cumulative effect of adopting this Statement was a charge of $1.1 million, net of tax, which is included in the consolidated statements of income as a change in accounting principle.

DISCLOSURE ABOUT DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE OF FINANCIAL
INSTRUMENTS - STATEMENT NO. 119
Statement 119 establishes footnote disclosure requirements about amounts, nature and terms of derivative financial instruments such as futures, forward, swap and option contracts. The Corporation has not invested in these types of derivative financial instruments to any significant extent. This Statement also amends Statement 107 "Disclosures about Fair Value of Financial Instruments" to require a summary footnote showing carrying values and fair values for all financial instruments. This information is shown in Note Q to the accompanying financial statements.

EMPLOYERS' ACCOUNTING FOR EMPLOYEE STOCK OWNERSHIP PLANS - STATEMENT OF POSITION NO. 93-6
In November 1993, Statement of Position No. 93-6 was issued which significantly changed the way employers report transactions with leveraged employee stock ownership plans (ESOPs). This Statement requires employers to recognize compensation cost based on the fair value of the ESOP shares as of the date the shares are committed-to-be-released, beginning with shares acquired after December 31, 1992. The Corporation previously recognized compensation cost as the shares were committed-to-be-released based on the cost of the shares at the date the shares were acquired. The Corporation adopted this Statement in 1994 on a prospective basis for ESOP shares acquired after December 31, 1992.

DISCLOSURES OF CERTAIN MATTERS IN THE FINANCIAL STATEMENTS OF INSURANCE

*** E01 ***

ENTERPRISES - STATEMENT OF POSITION NO. 94-5

This Statement of Position requires financial statement disclosure of any accounting methods used in statutory financials that are permitted by state insurance departments rather than prescribed statutory accounting practices. As described in Note C, the Corporation's insurance subsidiaries prepare their statutory financial statements in accordance with accounting principles and practices prescribed by regulatory authorities.

This Statement also requires disclosure of information about unpaid loss and loss adjustment expenses, which is included in Note G to the accompanying financial statements.

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GEICO Corporation
Board of Directors

(caption)
Pictured from left to right; Sam Butler, Tony Nicely, Coleman Raphael, Jim Cheek, Al Sparks, Jim Clark, John Bretherick, Norma Brown, Bill Ruane, Del Lewis, Lou Simpson and Reid Thompson.

John H. Bretherick, Jr.
Retired President,
Continental Corporation

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

Samuel C. Butler
Partner,
Cravath, Swaine & Moore

James E. Cheek
President Emeritus,
Howard University

A. James Clark
Chairman of the Board and President,
Clark Enterprises, Inc.

Delano E. Lewis
President and Chief Executive Officer,
National Public Radio

Olza M. Nicely
President and Chief Executive Officer -
Insurance Operations,
GEICO Corporation

Coleman Raphael
Retired Dean,
School of Business Administration,
George Mason University

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

Louis A. Simpson
President and Chief Executive Officer -
Capital Operations,
GEICO Corporation

W. Alvon Sparks, Jr.

*** E02 ***
Executive Vice President and
Chief Financial Officer,
GEICO Corporation

W. Reid Thompson
Retired Chairman of the Board,
Potomac Electric Power Company

Honorary Director
Lorimer A. Davidson
Chairman Emeritus,
GEICO Corporation

Edward H. Utley retired as Vice Chairman of the Board in November 1994. Mr. Utley had been Vice Chairman of the Board since 1993, having served as a Director since 1990 and as President of the Corporation from 1989 to 1993. (page 46)

COMMITTEES OF THE BOARD

As of December 31, 1994 GEICO Corporation's Board of Directors consisted of 12 members. Assisting the Board in the management of its responsibilities are five Board Committees. The names of those serving on the Committees and primary Committee functions are as follows:

Audit Committee
W. Reid Thompson, Chair
John H. Bretherick, Jr.
Norma E. Brown
A. James Clark
Delano E. Lewis

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; reviews compliance with the Corporation's Business Ethics Policy; and carries out actions required under

the Foreign Corrupt Practices Act. The Internal Auditor reports directly to the Audit Committee and functions as its staff.

Executive Committee
Samuel C. Butler, Chair
Olza M. Nicely
William J. Ruane
Louis A. Simpson
W. Reid Thompson

This Committee has the power to exercise most of 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, Chair
James E. Cheek
A. James Clark
Olza M. Nicely
Coleman Raphael

*** E03 ***
William J. Ruane
W. Alvon Sparks, Jr.

The Finance Committee approves broad investment policies and guidelines and assists the Corporation's Investment Advisor 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, Chair
John H. Bretherick, Jr.
Coleman Raphael
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 approves 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 of the Corporation and GEICO, except the Chairman of the Board, Vice Chairman of the Board, Chief Executive Officer(s), President(s), Executive Vice President(s) and Senior Vice President(s) and Senior Officers of affiliated companies; 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
Norma E. Brown, Chair
James E. Cheek
Delano E. Lewis
W. Alvon Sparks, Jr.

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.

GEICO Corporation and Affiliates
Senior Officers

Government Employees Insurance Company
Olza M. Nicely
Chairman, President and
Chief Executive Officer

Senior Vice Presidents
Marion E. Byrd
Simone J. Pace

*** E04 ***
W. Alvon Sparks, Jr.

Group Vice President
Thomas M. Wells,* Controller

Vice Presidents
Martin Adler, Actuary
R. Paul Cheek
Andrea M. Covell,* Legislative Counsel
Charles R. Davies,* General Counsel
Carroll R. Franklin*
James M. Hitt
Alan R. Ledbetter
Michael F. Long
Donald R. Lyons
Robert M. Miller
David H. Pushman
William E. Roberts
David L. Schindler
Richard C. Van Essendelft

Treasurer
Charles G. Schara*

Corporate Secretary
Rosalind Ann Phillips*

GEICO Corporation
Olza M. Nicely
President and Chief Executive Officer-Insurance Operations

Louis A. Simpson
President and Chief Executive Officer-Capital Operations

W. Alvon Sparks, Jr.
Executive Vice President and
Chief Financial Officer

Simone J. Pace
Senior Vice President and
Chief Information Officer

Rynthia M. Rost
Vice President

GEICO Indemnity Company and
GEICO Casualty Company
Olza M. Nicely
Chairman, President and
Chief Executive Officer

GEICO General Insurance Company
Olza M. Nicely
Chairman, President and
Chief Executive Officer

Government Employees Financial Corporation
W. Alvon Sparks, Jr.
Chairman

John M. Avery
President and
Chief Executive Officer

*** E05 ***
Criterion Life Insurance Company
W. Alvon Sparks, Jr.
Chairman

Charles G. Schara
President

*Also Officers of GEICO
Corporation with title shown.
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Annual Meeting
The Annual Meeting of Shareholders of GEICO Corporation will be held on May 10, 1995 at 10:00 a.m. at the GEICO Fredericksburg Office Building, Route 17 North at Route 654, Stafford County, Virginia.

Transfer Agent and Registrar
The Bank of New York
1-800-524-4458

Shareholder Inquiries
Address shareholder inquiries, including lost certificate inquiries to:
The Bank of New York
Shareholder Relations Department - 11E
Church Street Station
P.O. Box 11258
New York, NY 10286

Send certificates for transfer and address changes to:
The Bank of New York
Receive and Deliver Department - 11W
Church Street Station
P.O. Box 11002
New York, NY 10286

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 to the Office of the Secretary.

Independent Auditors
The financial statements contained in this report have been examined by Coopers & Lybrand L.L.P., GEICO Corporation's independent auditors. Coopers & Lybrand L.L.P. has been appointed by the Board of Directors, subject to ratification by the shareholders, to examine the Corporation's 1995 financial statements. A representative of Coopers & Lybrand L.L.P. 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, 1995 without charge to shareholders, upon written request to:
Rosalind Ann Phillips
Corporate Secretary
GEICO Corporation
One GEICO Plaza
Washington, D.C. 20076-0001

*** E06 ***

(inside back cover)

*** E07 ***

Exhibit 10-o

GEICO CORPORATION
EQUITY CASH BONUS PLAN

1. Purpose of the Plan. The purpose of the Equity Cash Bonus Plan (the "Plan") of GEICO Corporation (the "Corporation") is to provide a monetary incentive to the Chief Investment Officer of the Corporation (the "CIO") and selected associates of the CIO with respect to the management of the Equity Portfolio (as defined in Section 10).

2. Administration. The Plan shall be administered by the Human Resources Committee (the "Committee") of the Board of Directors of the Corporation (the "Board"). The Committee shall be appointed by the Board and shall consist solely of two or more "outside directors," as such term is defined for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). The Committee shall have the authority to interpret the Plan, to make rules and regulations concerning it (including the procedures for making calculations relating to the award of bonuses), to cause the Executive Vice President and Chief Financial Officer of the Corporation or such other person as the Committee may select to make such calculations at the end of each calendar year and at such other times as the Committee may direct and to determine (and certify as to) whether the performance goal set forth in Section 4 has been met for each calendar year for which the Plan is in effect. All decisions of the Committee relating to the Plan shall be final and conclusive on the Corporation and all persons having any interest in the Plan or any bonus awarded thereunder.

3. Participants. Only the CIO and his associates performing investment activities who are selected by the CIO ("Selected Associates") shall be eligible to receive bonuses under the Plan.

4. Performance Goal. Bonuses shall be awarded under the Plan with respect to each calendar year, commencing with 1994, for which the Corporation has a Positive Equity Return (as defined in Section 10). No bonuses shall be paid for any calendar year unless and until the Committee certifies that this performance goal has been met for such year.

5. Bonus Awards. The aggregate amount of bonuses to be awarded under the Plan with respect to each calendar year shall be 10% of the Positive Equity Return for such year (the "Equity Bonus Fund"). With respect to each calendar year during which the Plan is in effect, the CIO shall be awarded the full amount of the Equity Bonus Fund less any bonuses awarded by the Committee, upon the CIO's recommendation, to Selected Associates. The bonus of the CIO shall not be less than 50% of the Equity Bonus Fund.

6. Payment of Bonuses. Each bonus awarded to a Selected Associate shall be payable at the same time as cash bonus awards for the same year are paid under the Corporation's Incentive Bonus Plan, but not later than March 15 of the succeeding year (the "Payment Date"). Subject to Section 7, the bonus for each calendar year shall be payable to the CIO as follows: (i) 25% on the Payment Date and (ii) 25% on each of three succeeding anniversaries of the Payment Date. Subject to Section 7, the Committee shall reduce or eliminate any deferred amount that has not been paid out to the CIO in the event there is a Negative Equity Return (as defined in Section 10) in a succeeding calendar year. The amount of the reduction shall be 10% of such Negative Equity Return and shall be applied to reduce or eliminate the deferred amounts payable to the CIO in order of the years

deferred, earliest first, with any amount not so applied to be applied to reduce awards in future years.

7. Vesting. Any unpaid bonus of the CIO shall become nonforfeitable upon the occurrence of any of the following events: (i) his normal or early retirement pursuant to the Pension Plan for the Employees of Government Employees Companies (the "Pension Plan"); (ii) his death; (iii) his disability, as defined in the Pension Plan; (iv) a "change in control" of the Corporation, as defined in the Corporation's Performance Share Plan; or (v) the Committee's termination of the Plan. In the case of an event described in clauses (i), (iii), (iv) or (v), payment shall promptly be made in full to the CIO of all current and deferred amounts then held for him in the Equity Bonus Fund. In the case of an event described in clause (ii) above, such payment in full shall promptly be made to the CIO's estate. If the CIO's employment with the Corporation or any subsidiary is terminated for any reason other than the events described in the first sentence of this Section 7, any unpaid bonus shall thereupon be forfeited by him. If the CIO's employment with the Corporation shall terminate for any of the reasons specified in clause (i) through (v) above or the Plan shall be terminated by the Committee pursuant to Section 8 during any calendar year, then the bonuses to be awarded for such year shall be determined as of the last day of the month of such termination on the same basis as if such termination had occurred on December 31.

8. Term of Plan and Amendment. The Plan shall be effective with respect to the calendar year 1994 and shall continue in effect from year to year thereafter until the earlier of (i) the end of the month in which Louis A. Simpson's employment as CIO terminates or (ii) the date on which the Plan is terminated by the Committee in its discretion. The Plan may be amended by the Committee at any time and in any respect it deems advisable, except that, without the CIO's approval, no amendment may change the vesting provisions in Section 7 or the bonus calculation and reduction provisions in Sections 5 and 6.

9. Exclusion from Other Plans. No person eligible for a bonus award under the Plan shall be eligible to participate in the Performance Share Plan, the Incentive Bonus Plan or any similar plan of the Corporation, but may participate in any stock option plan of the Corporation.

10. Definitions.

"Equity Portfolio" means all stocks and other equity securities held by the Corporation and its subsidiaries at the beginning of a calendar year, except for stocks and other securities which the Committee and the CIO shall exclude, plus all stocks and other equity securities purchased during such year with funds constituting the Equity Fund and less all stocks and other equity securities sold during such year.

"Equity Fund" means the dollar amount agreed upon by the Committee and the CIO before the beginning of each calendar year (before April 1, 1994, for the year 1994) with respect to such year, but not in excess of the consolidated shareholders' equity of the Corporation and its subsidiaries as of the beginning of such year.

"Positive (or Negative) Equity Return" means the difference (positive or negative) between (a) the Total Return on the Equity Portfolio for a calendar year and (b) the Total Return on the Standard and Poor's 500 Stock Index (the "S&P 500") for such year, which difference shall be

*** E09 ***

multiplied by the Equity Fund for such year. If the Total Return on the Equity Portfolio is negative in any calendar year and the Total Return on the S&P 500 is more negative in such year, then (i) there shall be no Positive or Negative Equity Return for that year, (ii) the amount of such negative Total Return on the Equity Portfolio shall be subtracted from any positive Total Return on the Equity Portfolio in each subsequent year in calculating the Positive or Negative Equity Return for such year until such negative Total Return has been exhausted and (iii) the amount of such negative Total Return on the S&P 500 shall be subtracted from any positive Total Return on the S&P 500 in each subsequent year in calculating the Positive or Negative Equity Return for such year until such negative Total Return has been exhausted. If the Total Return on the Equity Portfolio is negative in any calendar year and the Total Return on the S&P 500 is higher (even if negative), then the Negative Equity Return shall be calculated as provided in the first sentence of this paragraph and the reduction provided in Section 6 shall be made.

"Total Return" means, with respect to the Equity Portfolio, the percentage increase or decrease in the market value of the Equity Portfolio during a calendar year on a total return basis, including any dividends, interest and actual profit or loss realized thereon; and, with respect to the S&P 500, the percentage increase or decrease in its value during such year on a total return basis. If the Equity Fund at any time or from time to time during any calendar year exceeds the Equity Portfolio, an amount equal to interest on such excess (at the then daily average 90-day Treasury bill rate) shall also be included in determining the Total Return on the Equity Portfolio.

11. Shareholder Approval. The "material terms" (as defined for purposes of Section 162(m) of the Code) of the Plan shall be disclosed to and submitted for approval by the shareholders of the Corporation. No bonus payments shall be made under the Plan unless and until shareholder approval is obtained by such vote as is required for purposes of Section 162(m) of the Code. If the material terms of the Plan are changed, no bonus payments shall thereafter be made unless and until such material terms shall have been so approved by the shareholders.

*** E10 ***

Exhibit 10-l

GEICO CORPORATION AND SUBSIDIARIES - 1995 INCENTIVE BONUS PLAN FOR OFFICERS AND KEY EXECUTIVES (NON-OFFICERS)

BONUS POOL: Performance of the enterprise will be measured by the Human Resources Committee against the combined financial results for 1995 of Government Employees Insurance Company, GEICO General Insurance Company, GEICO Indemnity Company and GEICO Casualty Company with focused attention on results compared with the stated goals of:

(a) All Lines Underwriting Ratio: 96.5%

(b) Growth: 6.0% growth in voluntary automobile policies in force.

The size of the pool is determined depending upon a range of underwriting and growth results. Extra credit will be given for underwriting results below (better than) 96.5%, if the 6.0% policy growth rate is achieved but no additional credit will be given for underwriting results below 95.0%. No bonus pool would be established if the underwriting ratio for the year is 99% or higher.

Based upon results measured against the key goals outlined above, the bonus pool may range from 0% to 50% of all eligible salaries with a target of 30% if both goals are met.

Individual officer bonuses could range from 0% to 100% of annual salary, depending upon individual performance and departmental accomplishments.

The Non-Officer Line Executive Plan tracks the above with the basic formula producing approximately 1/2 as great a percentage for the pool.

Exhibit 21

COMPANY ORGANIZATION LISTING

	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
International Insurance Underwriters, Inc.	Wholly owned	DE
GEICO Financial Services, GmbH	Wholly owned	Federal Republic of Germany
GEICO Indemnity Company	Wholly owned	MD
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
GOVERNMENT EMPLOYEES INSURANCE COMPANY (GEICO)*		
Criterion Life Insurance Company	Wholly owned	MD
Government Employees Financial Corp.	Wholly owned	CO
GEICO General Insurance Company	Wholly owned	MD
Insurance Counselors, Inc.	Wholly owned	MD
Insurance Counselors of Texas, Inc.	Wholly owned	TX
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		
GEICO Casualty Company	Wholly owned	MD
Criterion Insurance Agency, Inc.	Wholly owned	TX
GOVERNMENT EMPLOYEES FINANCIAL CORPORATION (GEFCO)		
GEICO Financial Services, Inc.	Wholly owned	DE
GEICO FINANCIAL SERVICES, INC.		
GEICO Financial Services Company	Wholly owned	MD
Variproperties, Inc.	Wholly owned	CO
Willow Valley Associates, Ltd.	Wholly owned	NC
PLAZA RESOURCES COMPANY		
Safe Driver Motor Club, Inc.	Wholly owned	DE
MARYLAND VENTURES, INC.		
Plaza Investment Managers, Inc.	Wholly owned	MD
GEICO PHILANTHROPIC FOUNDATION**	Non-Profit	DE

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

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Exhibit 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statement of GEICO Corporation on Form S-8, dated August 28, 1992 (File No. 33-48959), and Post-Effective Amendment No. 2 dated August 28, 1992 to Registration Statement No. 33-7412 on Form S-8 and to Post Effective Amendment No. 2 dated November 12, 1992 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, of our report dated February 17, 1995, on the consolidated financial statements and financial statement schedules of GEICO Corporation and subsidiaries as of December 31, 1994, and 1993 and for the years ended December 31, 1994, 1993 and 1992, which reports are incorporated by reference in the Annual Report on Form 10-K.

By:
COOPERS & LYBRAND L.L.P.

Washington D.C.
March 30, 1995

*** A01 ***

*** A02 ***

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This schedule contains summary financial information extracted from SEC Form 10-K and is qualified in its entirety by reference to such financial statements.
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