→ RACHEL CARR

→ FILE
KERR McGEE
TECH CENTER
40-8006

CERTIFICATE OF FINANCIAL ASSURANCE

Licensee:	Kerr-McGee Operating Corporation (formerly Kerr-McGee Corporation)
NRC License Number:	SUB 986
Address of Facility:	3301 N. W. 150th St. Oklahoma City, OK 73134
Mailing Address:	Kerr-McGee Center Oklahoma City, OK 73102
Issued to:	U.S. Nuclear Regulatory Commission

This is to certify that Kerr-McGee Operating Corporation is licensed to possess source material in the following amounts

> Natural Uranium in any form in the amount of 250 kilograms
> Natural Thorium in any form in the amount of 150 kilograms
> Uranium (depleted in U-235) in any form in the amount of 25 kilograms,

and that financial assurance in the amount prescribed by 10 CFR Part 40, $979,800 has been obtained for the purpose of decommissioning.

ATTEST:

By: Don Hager
Don Hager
Assistant Secretary

KERR-McGEE OPERATING CORPORATION

By: George D. Christainsen
George D. Christainsen
Vice President, Safety and Environmental Affairs

Date: 3/22/02

CERTIFICATE OF DECOMMISSIONING INSURANCE

K-M INSURANCE COMPANY, the "Insurer", of Oklahoma City, Oklahoma hereby certifies that it has issued decommissioning insurance to Kerr-McGee Operating Corporation (formerly Kerr-McGee Corporation), 301 N.W. 15th St., Oklahoma City, OK 73134, the Insured, covering the cost of decommissioning in accordance with 10 CFR Part 40.

The coverage applies to decommissioning costs associated with materials authorized by License Number SUB-986 issued to the Insured by the Nuclear Regulatory Commission (NRC). The coverage has been issued in connection with the Insured's obligation to demonstrate financial responsibility under 10 CFR Part 40.

The Limit of Coverage is $979,800.

The coverage is provided by endorsement to Policy Number GAL 89 1001-99 issued on March 31, 2002. The effective date of said policy is July 1, 1989. Policy is continuous until cancelled.

The insurance afforded with respect to such decommissioning is subject to the terms and conditions of the policy, provided however, that any provisions of the policy inconsistent with subsections (a) through (d) of this Paragraph are hereby amended to confirm with subsections (a) through (d)

(a) Bankruptcy or insolvency of the insured shall not relieve the Insurer of its obligation under the policy to which this endorsement is attached

(b) The Insurer is liable for the payment of amounts within any deductible applicable to the policy, with a right of reimbursement by the insured for any such payment made by the Insurer

(c) Cancellation of this endorsement, whether by the Insurer or the Insured will be effective only upon written notice and only after the expiration of ninety (90) days after a copy of such written notice is received by NRC in its regional office in which the licensed facility(ies) is located. If Insured is unable to secure alternate financial assurance to replace the policy within 30 days of notification of cancellation, the NRC may draw upon the policy prior to cancellation.

CERTIFICATE OF DECOMMISSIONING INSURANCE (CONT'D)

(d) Any other termination of this endorsement will be effective only upon written notice and only after the expiration of ninety (90) days after a copy of such written notice is received by the NRC in its regional office in which the licensed facility(ies) is located.

(e) Any payment under this insurance shall be deposited directly into the standby trust fund set up by the insured.

I hereby certify that the Insurer is licensed to transact the business of insurance in one or more states.

Robert D. Stauffer

Signature of Authorized Representative of Insurer

Typed Name: Robert D. Stauffer

Title: Vice President

Address: P.O. Box 25861, Oklahoma City, OK 73125

Original Signed Duplicate

STANDBY TRUST AGREEMENT

TRUST AGREEMENT, the Agreement entered into as of March 31, 2002 by and between Kerr-McGee Operating Corporation (formerly Kerr-McGee Corporation), an Oklahoma corporation, herein referred to as the "Grantor," and Bank One Trust Company, N.A., 100 N. Broadway, Oklahoma City, OK 73102, the "Trustee."

WHEREAS, the U.S. Nuclear Regulatory Commission (NRC), an agency of the U.S. Government, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974, has promulgated regulations in Title 10, Chapter 1, of the Code of Federal Regulations, Part 40. These regulations, applicable to the Grantor, require that a holder of, or an applicant for, a materials license issued pursuant to 10 CFR Part 40 provide assurance that funds will be available when needed for required decommissioning activities.

WHEREAS, the Grantor has elected to use an insurance policy to provide all of such financial assurance for the facilities identified herein; and

WHEREAS, when payment is made under an insurance policy, this standby trust shall be used for the receipt of such payment; and

WHEREAS, the Grantor, acting through its duly authorized officers, has selected the Trustee to be the trustee under this Agreement, and the Trustee is willing to act as trustee;

NOW, THEREFORE, the Grantor and the Trustee agree as follows:

Section 1. Definitions. As used in this Agreement:

(a) The term "Grantor" means the NRC licensee who enters into this Agreement and any successors or assigns of the Grantor .

(b) The term "Trustee" means the trustee who enters into this Agreement and any successor trustee.

Section 2. Costs of Decommissioning. This Agreement pertains to the costs of decommissioning the materials and activities identified in License Number SUB-986 issued pursuant to 10 CFR Part 40, as shown in Schedule A.

Section 3. Establishment of Fund. The Grantor and the Trustee hereby establish a standby trust fund (the Fund) for the benefit of the NRC. The Grantor and the Trustee intend that no third party shall have access to the Fund except as provided herein.

Section 4. Payments Constituting the Fund. Payments made to the Trustee for the Fund shall consist of cash, securities, or other liquid assets acceptable to the Trustee. The Fund is established initially as consisting of the property, which is acceptable to the Trustee, described in Schedule B attached hereto. Such property and any other property subsequently transferred to the Trustee are referred to as the "Fund," together with all earnings and profits thereon, less any payments or distributions made by the Trustee pursuant to this Agreement. The Fund shall be held by the Trustee, IN TRUST, as hereinafter provided. The Trustee shall not be responsible nor shall it undertake any responsibility for the amount of, or adequacy of the Fund, nor any duty to collect from the Grantor, any payments necessary to discharge any liabilities of the Grantor established by the NRC.

Section 5. Payment for Required Activities Specified in the Plan. The Trustee shall make payments from the Fund to the Grantor upon presentation to the Trustee of the following:

(a) A certificate duly executed by the Secretary of the Grantor attesting to the occurrence of the events, and in the form set forth in the attached Certificate of Events, and

(b) A certificate attesting to the following conditions:

(1) that decommissioning is proceeding pursuant to an NRC-approved plan;

(2) that the funds withdrawn will be expended for activities undertaken pursuant to that plan; and

(3) that the NRC has been given 30 days prior notice of Kerr-McGee Corporation's intent to withdraw funds from the trust fund.

No withdrawal from the Fund for a particular license can exceed 10 percent of the remaining funds available for that license unless NRC written approval is attached.

In addition, the Trustee shall make payments from the Fund as the NRC shall direct, in writing, to provide for the payment of the costs of required activities covered by this Agreement. The Trustee shall reimburse the Grantor or other persons as specified by the NRC from the Fund for expenditures for required activities in such amounts as the NRC shall direct in writing. In addition, the Trustee shall refund to the Grantor such amounts as the NRC specifies in writing. Upon refund, such funds shall no longer constitute part of the Fund as defined herein.

Section 6. Trust Management. The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income, in accordance with general investment policies and guidelines which the Grantor may communicate in writing to the Trustee from time to time, subject, however, to the provisions of this section. In investing, reinvesting, exchanging, selling, and managing the Fund, the Trustee shall discharge its duties with respect to the Fund solely in the interest of the beneficiary and with the care, skill, prudence and diligence under the circumstances then prevailing which persons of prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims; except that:

(a) Securities or other obligations of the Grantor, or any other owner or operator of the facilities, or any of their affiliates as defined in the Investment Company Act of 1940, as amended (15 U.S.C. 80a-2(a)), shall not be acquired or held, unless they are securities or other obligations of the Federal or a State government;

(b) The Trustee is authorized to invest the Fund in time or demand deposits of the Trustee, to the extent insured by an agency of the Federal government, and in obligations of the Federal government such as GNMA, FNMA, and FHLM bonds and certificates or State and Municipal bonds rated BBB or higher by Standard & Poor's or Baa or higher by Moody's Investment Services; and

(c) For a reasonable time, not to exceed 60 days, the Trustee is authorized to hold uninvested cash, awaiting investment or distribution, without liability for the payment of interest thereon.

Section 7. Commingling and Investment. The Trustee is expressly authorized in its discretion:

(a) To transfer from time to time any or all of the assets of the Fund to any common, commingled, or collective trust fund created by the Trustee in which the Fund is eligible to participate, subject to all of the provisions thereof, to be commingled with the assets of other trusts participating therein; and

(b) To purchase shares in any investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.), including one that may be created, managed, underwritten, or to which investment advice is rendered, or the shares of which are sold by the Trustee. The Trustee may vote such shares in its discretion.

Section 8. Express Powers of Trustee. Without in any way limiting the powers and discretion conferred upon the Trustee by the other provisions of this Agreement or by law, the Trustee is expressly authorized and empowered:

(a) To sell, exchange, convey, transfer, or otherwise dispose of any property held by it, by public or private sale, as necessary to allow duly authorized withdrawals at the joint request of the Grantor and the NRC or to reinvest in securities at the direction of the Grantor;

(b) To make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;

(c) To register any securities held in the Fund in its own name, or in the name of a nominee, and to hold any security in bearer form or in book entry , or to combine certificates representing such securities with certificates of the same issue held by the Trustee in other fiduciary capacities, to reinvest interest payments and funds from matured and redeemed instruments, to file proper forms concerning securities held in the Fund in a timely fashion with appropriate government agencies, or to deposit or arrange for the deposit of such securities in a qualified central depository even though, when so deposited, such securities may be merged and held in bulk in the name of the nominee or such depository with other securities deposited therein by another person, or to deposit or arrange for the deposit of any securities issued by the U.S. Government, or any agency or instrumentality thereof, with a Federal Reserve Bank, but the books and records of the Trustee shall at all times show that all such securities are part of the Fund;

(d) To deposit any cash in the Fund in interest-bearing accounts maintained or savings certificates issued by the Trustee, in its separate corporate capacity, or in any other banking institution affiliated with the Trustee, to the extent insured by an agency of the Federal government; and

(e) To compromise or otherwise adjust all claims in favor of or against the Fund.

Section 9. Taxes and Expenses. All taxes of any kind that may be assessed or levied against or in respect of the Fund and all brokerage commissions incurred by the Fund shall be paid from the Fund. All other expenses incurred by the Trustee in connection with the administration of this Trust, including fees for legal services rendered to the Trustee, the compensation of the Trustee to the extent not paid directly by the Grantor, and all other proper charges and disbursements of the Trustee shall be paid from the Fund.

Section 10. Annual Valuation. After payment has been made into this standby trust fund, the Trustee shall annually, at least 30 days before the anniversary date of receipt of payment into the standby trust fund, furnish to the Grantor and to the NRC a statement confirming the value of the Trust. Any securities in the Fund shall be valued at market value as of no more than 60 days before the anniversary date of the establishment of the Fund. The failure of the Grantor to object in writing to the Trustee within 90 days after the statement has been furnished to the Grantor and the NRC shall constitute a conclusively binding assent by the Grantor, barring the Grantor from asserting any claim or liability against the Trustee with respect to the matters disclosed in the statement.

Section 11. Advice of Counsel. The Trustee may from time to time consult with counsel with respect to any question arising as to the construction of this Agreement or any action to be taken hereunder. The Trustee shall be fully protected, to the extent permitted by law, in acting on the advice of counsel.

Section 12. Trustee Compensation. The Trustee shall be entitled to reasonable compensation for its services as agreed upon in writing with the Grantor. (See Schedule C.)

Section 13. Successor Trustee. Upon 90 days notice to the NRC and the Grantor, the Trustee may resign; upon 90 days notice to NRC and the Trustee, the Grantor may replace the Trustee; but such resignation or replacement shall not be effective until the Grantor has appointed a successor Trustee, the successor accepts the appointment, the successor is ready to assume its duties as trustee, and NRC has agreed, in writing, that the successor is an appropriate State or Federal government agency or an entity that has the authority to act as a trustee and whose trust operations are regulated and examined by a Federal or State agency. The successor Trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. When the resignation or replacement is effective, the Trustee shall assign, transfer, and pay over to the successor Trustee the funds and properties then constituting the Fund. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee or for instructions. The successor Trustee shall specify the date on which it assumes administration of the trust, in a writing sent to the Grantor, the NRC, and the present Trustee, by certified mail 1O days before such change becomes effective. Any expenses incurred by the Trustee as a result of any of the acts contemplated by this section shall be paid as provided in Section 9.

Section 14. Instructions to the Trustee. All orders, requests, and instructions by the Grantor to the Trustee shall be in writing, signed by such persons as are signatories to this Agreement or such other designees as the Grantor may designate in writing. The Trustee shall be fully protected in acting without inquiry in accordance with the Grantor's orders, requests, and instructions. If the NRC issues orders, requests, or instructions to the Trustee these shall be in writing, signed by the NRC or its designees, and the Trustee shall act and shall be fully protected in acting in accordance with such orders, requests, and instructions. The Trustee shall have the right to assume, in the absence of written notice to the contrary , that no event constituting a change or a termination of the authority of any person to act on behalf of the Grantor or the NRC hereunder has occurred. The Trustee shall have no duty to act in the absence of such orders, requests, and instructions from the Grantor and/or the NRC, except as provided for herein.

Section 15. Amendment of Agreement. This Agreement may be amended by an instrument in writing executed by the Grantor, the Trustee, and the NRC, or by the Trustee and the NRC if the Grantor ceases to exist. All amendments shall meet the relevant regulatory requirements of the NRC.

Section 16. Irrevocability and Termination. Subject to the right of the parties to amend this Agreement as provided in Section 15, this trust shall be irrevocable and shall continue until terminated at the written agreement of the Grantor, the Trustee, and the NRC, or by the Trustee and the NRC if the Grantor ceases to exist. Upon termination of the trust, all remaining trust property, less final trust administration expenses, shall be delivered to the Grantor or its successor .

Section 17. Immunity and Indemnification. The Trustee shall not incur personal liability of any nature in connection with any act or omission, made in good faith, in the administration of this trust, or in carrying out any directions by the Grantor or the NRC issued in accordance with this Agreement. The Trustee shall be indemnified and saved harmless by the Grantor or from the trust fund, or both, from and against any personal liability to which the Trustee may be subjected by reason of any act or conduct in its official capacity, including all expenses reasonably incurred in its defense in the event the Grantor fails to provide such defense.

Section 18. This Agreement shall be administered, construed, and enforced according to the laws of the State of Oklahoma.

Section 19. Interpretation and Severability. As used in this Agreement, words in the singular include the plural and words in the plural include the singular. The descriptive headings for each section of this Agreement shall not affect the interpretation or the legal efficacy of this Agreement. If any part of this Agreement is invalid, it shall not affect the remaining provisions which will remain valid and enforceable.

IN WITNESS WHEREOF the parties have caused this Agreement to be executed by the respective officers duly authorized and the incorporate seals to be hereunto affixed and attested as of the date first written above.

ATTEST:

Don Hager

Assistant Secretary

Kerr-McGee Operating Corporation

George Christiansen

Vice President, Safety and Environmental Affairs

ATTEST:

Title

BANK ONE TRUST COMPANY, N.A.

Vice President

Title

SCHEDULE A

This Agreement demonstrates financial assurance for the following cost estimates or certification amounts for the following licensed activities:

U.S. NUCLEAR REGULATORY COMMISSION LICENSE NUMBER:	SUB-986
NAME AND ADDRESS OF LICENSEE:	Kerr-McGee Operating Corporation Kerr-McGee Center Oklahoma City, OK 73102
ADDRESS OF LICENSED ACTIVITY:	3301 NW 150th St. Oklahoma City, OK 73134
COST ESTIMATES FOR REGULATORY ASSURANCES DEMONSTRATED BY THIS AGREEMENT:	$979,800

The cost estimates listed here were last adjusted in March, 2002 and have not been approved by the NRC.

SCHEDULE B

DOLLAR AMOUNT: No property is currently deposited in the standby trust fund.

AS EVIDENCED BY: The standby trust fund is currently secured by an insurance policy issued by K-M Insurance Company and held by the U.S. Nuclear Regulatory Commission.

SCHEDULE C

Trustee's fees shall be $1,000.00 per year.

STATE OF OKLAHOMA

CITY OF OKLAHOMA

On this 27TH day of March, 2002, before me, a notary public in and for the city and State aforesaid, Brenda Batchelor, personally appeared, and she did depose and say that she/he is the Vice President of Bank One Trust Company, N.A., national banking association, Trustee, which executed the above instrument; that she knows the seal of said association; that the seal affixed to such instrument is such corporate seal; that it was so affixed by order of the association; and that she signed her name thereto b like order .

Faye Warrior

My Commission Expires: 03-19-2004

OFFICIAL SEAL
FAYE WARRIOR
NOTARY PUBLIC - OKLAHOMA
OKLAHOMA COUNTY
My Comm. Expires 3-19-2004

F164 17.6 MODEL SPECIMEN CERTIFICATE OF EVENTS

[Insert name and address of trustee] Attention: Trust Division Gentlemen:

In accordance with the terms of the Agreement with you dated , I ,
Secretary of [insert name of licensee], hereby certify that the following events have occurred:

1. [Insert name of licensee] is required to commence the decommissioning of its facility located at [insert location of facility] (hereinafter called the decommissioning).

2. The plans and procedures for the commencement and conduct of the decommissioning have been approved by the United States Nuclear Regulatory Commission, or its successor, on (copy of approval attached).

3. The Board of Directors of [insert name of licensee] has adopted the attached resolution authorizing the commencement of the decommissioning.

Secretary of [insert name of licensee] Date

F165 17.7 MODEL SPECIMEN CERTIFICATE OF RESOLUTION

I, , do hereby certify that I am Secretary of [insert name of licensee], a [insert State of incorporation] corporation, and that the resolution listed below was duly adopted at a meeting of this Corporation's Board of Directors on, 1 L .

IN WITNESS WHEREOF, I have hereunto signed my name and affixed the seal of this Corporation this -day of, 1 L .

Secretary

RESOLVED, that this Board of Directors hereby authorizes the President, or such other employee of the Company as he may designate, to commence decommissioning activities at [insert name of facility] in accordance with the terms and conditions describ to this Board of Directors at this meeting and with such other terms and conditions as the President shall approve with and upon the advice of Counsel.

ARTHUR ANDERSEN

K-M INSURANCE COMPANY

STATUTORY FINANCIAL STATEMENTS AS OF

DECEMBER 31, 2000 AND 1999

TOGETHER WITH REPORT

OF INDEPENDENT PUBLIC ACCOUNTANTS

ARTHUR ANDERSEN

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
K-M Insurance Company:

We have audited the accompanying statutory statement of admitted assets, liabilities and stockholder's equity of K-M Insurance Company (an Oklahoma corporation) as of December 31, 2000 and 1999, and the related statutory statements of income, changes in stockholder's equity and cash flows for the years then ended. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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.

As described in Note 1, these financial statements and the schedule referred to below were prepared in conformity with the accounting practices prescribed by the National Association of Insurance Commissioners and the Oklahoma Insurance Department, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and stockholder's equity of K-M Insurance Company as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended, on the statutory basis of accounting described in Note 1.

Our audit was made for the purpose of forming an opinion on the basic statutory financial statements taken as a whole. The accompanying supplemental Schedule P from the Annual Statement to the Oklahoma Insurance Department for the year ended December 31, 2000, is presented for purposes of additional analysis and is not a required part of the basic statutory financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic statutory financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic statutory financial statements taken as a whole, except for the amounts included in columns 4, 6 and 11, line 1 on Schedule P – Part 1D – Workers' Compensation and Schedule P – Part 1H - Section 1 – Other Liability – Occurrence which should be $1,169,000, $196,000, $1,365,000, $300,000, $100,000 and $400,000, respectively, and the resulting effects on the subtotals in columns 4, 6 and 11 of such schedules.

This report is intended solely for the information and use of the board of directors and management of K-M Insurance Company and for filing with state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Oklahoma City, Oklahoma,
May 14, 2001

Arthur Andersen LLP

K-M INSURANCE COMPANY

STATUTORY STATEMENT OF ADMITTED ASSETS, LIABILITIES AND STOCKHOLDER'S EQUITY

DECEMBER 31, 2000 AND 1999
(Thousands of Dollars)

ADMITTED ASSETS

	2000	1999
Note receivable from parent company	$ 8,700	$ -
Investments	4,288	12,852
Cash and short-term investments	2,204	2,048
Interest income accrued and other assets	33	80
	$15,225	$14,980

LIABILITIES AND STOCKHOLDER'S EQUITY

	2000	1999
Liabilities		
Unpaid losses and loss adjustment expenses	$ 320	$ 738
Payable to parent company for income taxes	486	427
Accounts payable to parent company	1	45
Total Liabilities	807	1,210
Stockholder's Equity		
Common Stock, $3,000 par value - 1,000 shares authorized, issued, and outstanding	3,000	3,000
Capital in excess of par value	7,001	7,001
Unassigned surplus	4,417	3,769
Total Stockholder's Equity	14,418	13,770
	$15,225	$14,980

The accompanying notes are an integral part of this statutory statement.

K-M INSURANCE COMPANY

STATUTORY STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999
(Thousands of Dollars)

	2000	1999
NET PREMIUMS WRITTEN AND EARNED	$ 91	$ 103
LOSSES INCURRED AND EXPENSES		
Losses incurred and loss adjustment expenses	-	325
Underwriting expenses	123	164
	123	489
Net Underwriting Loss	(32)	(386)
NET INVESTMENT INCOME	869	834
Income Before Income Taxes	837	448
PROVISION FOR INCOME TAXES	307	147
NET INCOME	$530	$301

The accompanying notes are an integral part of this statutory statement.

K-M INSURANCE COMPANY

STATUTORY STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

(Thousands of Dollars)

	2000	1999
Stockholder's Equity at Beginning of Year	$13,770	$13,456
Net income	530	301
Decrease in statutory loss reserve	118	13
Stockholder's Equity at End of Year	$14,418	$13,770

The accompanying notes are an integral part of this statutory statement.

K-M INSURANCE COMPANY

STATUTORY STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999
(Thousands of Dollars)

	2000	1999
OPERATING ACTIVITIES		
Cash received from policyholders	$ 91	$ 100
Cash paid to settle claims	(300)	-
Cash paid for underwriting expenses	(165)	(119)
Interest income received	975	895
Income taxes paid to parent company	(248)	(95)
Net cash provided by operating activities	353	781
INVESTING ACTIVITIES		
Proceeds from investments sold, matured or repaid	8,600	4,500
Purchase of investments	(97)	(5,087)
Increase in note receivable from parent company	(8,700)	-
Net cash used in investing activities	(197)	(587)
NET INCREASE IN CASH AND SHORT-TERM INVESTMENTS	156	194
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	2,048	1,854
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	$2,204	$2,048
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net income	$ 530	$ 301
Adjustments to reconcile to net cash provided by operating activities -		
Amortization of premiums on investments	34	57
Loss on investments sold	27	-
Decrease in interest income accrued and other assets	47	1
(Decrease) increase in unpaid losses and loss adjustment expenses	(300)	325
Increase in payable to parent company for income taxes	59	52
(Decrease) increase in accounts payable to parent company	(44)	45
Net cash provided by operating activities	$ 353	$ 781

The accompanying notes are an integral part of this statutory statement.

K-M INSURANCE COMPANY

NOTES TO STATUTORY FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

K-M Insurance Company (the Company) is a wholly owned subsidiary of Kerr-McGee Corporation (Kerr-McGee). The Company was organized on February 23, 1989, as an Oklahoma corporation to provide general and auto liability insurance coverage for certain operations of Kerr-McGee and its subsidiaries. Each general and auto liability loss is subject to a $900,000 deductible to be paid by the policyholder. In addition, the Company provides excess workers' compensation insurance in Alabama and Nevada for a Kerr-McGee subsidiary in excess of a $1,000,000 self-insured retention and provides various surety bonds for Kerr-McGee and its subsidiaries. The maximum liability of the Company under its general and auto liability and excess workers' compensation policies and surety bonds for any one loss occurrence is $1,000,000. The Company also insures certain business and personal property at a leased office of a subsidiary of Kerr-McGee with a $500,000 limit. The Company has also reinsured certain workers' compensation policies of Kerr-McGee and its subsidiaries (see Note 4).

The accompanying statutory financial statements of the Company have been prepared in conformity with insurance accounting practices prescribed by the National Association of Insurance Commissioners (NAIC) and the Oklahoma Insurance Department. In 1998, the NAIC membership adopted the Codification of Statutory Accounting Principles Project (the Codification) as the NAIC support basis of accounting. The Codification was approved with a provision allowing each state discretion in determining appropriate statutory accounting for insurers. The NAIC has stated that the adoption date for the Codification is January 1, 2001. The Oklahoma Insurance Department and the Oklahoma State Legislature have adopted the Codification as the basis of accounting for Oklahoma insurance entities, with an effective date of January 1, 2001. Management has determined that the only material impact of applying the new guidance will result in the reversal of the $65,000 minimum statutory loss reserve previously required by the Oklahoma Insurance Department guidelines. This effect will be recorded as a one-time statutory cumulative transition benefit in unassigned surplus.

Prescribed statutory accounting practices, which are designed primarily to reflect the Company's ability to meet obligations to policyholders, differ in some respects from generally accepted accounting principles (GAAP) in the United States. The following is a description of the significant accounting policies applied in the preparation of the accompanying statutory financial statements with a description, if applicable, of the differences in such policies from GAAP.

Admitted Assets

Assets in the Statutory Statement of Admitted Assets, Liabilities and Stockholder's Equity are stated at admitted asset values, which are the values permitted to be reported for financial statement purposes in the annual report to the Oklahoma Insurance Department. Nonadmitted assets are charged to unassigned surplus and excluded from the Statutory Statement of Admitted Assets, Liabilities and Stockholder's Equity. The Company did not have any nonadmitted assets at December 31, 2000 or 1999.

Income Taxes

Kerr-McGee and its subsidiaries, including the Company, file a consolidated income tax return. The amount of income taxes is recorded by the Company as directed by Kerr-McGee, but is generally calculated as though a separate tax return was filed by the

Company. Certain deductions or benefits generated by one subsidiary may not be utilized by that individual subsidiary, such as the benefit for an operating loss. For this reason, the current tax payable is reflected as a payable to the parent company in the accompanying Statutory Statement of Admitted Assets, Liabilities and Stockholder's Equity. For statutory purposes, no provision is made for deferred income taxes arising from temporary differences between the tax basis of assets and liabilities and their reported amounts in the statutory financial statements as would be required by GAAP.

Cash Equivalents

The Company considers all investments purchased with a maturity of three months or less to be cash equivalents.

Investments

At December 31, 2000, investments consisted primarily of U.S. Treasury notes with maturity dates extending through May 2004 and are stated at cost adjusted for amortization of premiums and discounts. The cost of investments sold is determined using the specific identification method. For GAAP purposes, these investments are classified as available for sale. Unrealized gains and losses on available-for-sale investments are recorded as an adjustment to stockholder's equity under GAAP. Unrealized gains and losses on investments are not recorded for statutory purposes.

Unpaid Losses and Loss Adjustment Expenses

The reserves for unpaid losses are generally based upon (a) the accumulation of estimates by claim for reported losses, (b) an estimate, based on ratios developed from prior experience, for losses incurred but not reported, and (c) guidelines for the calculation of required minimum statutory reserve adopted by the Oklahoma Insurance Department. The reserves for unpaid, unreported losses and loss adjustment expenses are generally based upon historic ratios. The estimates for unpaid, reported loss and loss adjustment expenses are continuously reviewed and, as adjustments become necessary, are reflected in current operations. For statutory purposes, changes in the required minimum statutory reserve are reflected as a component of stockholder's equity.

Recognition of Premium Revenue

Premiums are recognized when earned for statutory purposes. In accordance with the terms of the general and auto liability policy and the business and personal property policy, premiums are considered fully earned when paid by the insured. For GAAP purposes, premiums are amortized over the policy period.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities. Actual results could differ from those estimates.

2. NOTE RECEIVABLE

During 2000, the Company extended an $8,700,000 line of credit to Kerr-McGee. The line is not secured, may be repaid by Kerr-McGee at any time without penalty or premium, and is due on demand. The line bears interest at 0.35% in excess of the three month London Interbank Offered Rate (LIBOR), adjusted quarterly. At December 31, 2000, the interest rate on the line was 7.15%.

As required by Oklahoma statutes, the Company obtained prior written approval from the

Insurance Commissioner of the State of Oklahoma for this line of credit. Approval to continue the line must be requested each year prior to May 1. The line was approved for continuation in 2001 and increased to $9,400,000 with the remaining terms unchanged.

3. PLEDGED INVESTMENTS

A U.S. Treasury note carried at $1,500,000 at both December 31, 2000 and 1999, was pledged and on deposit with the Oklahoma Insurance Department. A U.S. Treasury bill carried at $70,000 at both December 31, 2000 and 1999, was pledged and on deposit with the Insurance Department of the State of Louisiana. A certificate of deposit in the amount of $200,000 was held in the name of K-M Insurance Company and the Nevada Department of Insurance at both December 31, 2000 and 1999.

4. REINSURANCE

Risks placed with reinsurers are treated as risks for which the Company is not liable. The Company is contingently liable with respect to reinsurance ceded to reinsurers in the event that such reinsurers are unable to meet the obligation assumed under the reinsurance agreements. No claims have been made under such reinsurance agreements.

Effective July 1, 1989, the Company assumed certain liability for losses covered by the Employers Casualty Company (Employers) workers' compensation and liability policies with Kerr-McGee. This reinsurance agreement with Employers was terminated effective February 28, 1991. The Company's liability is limited to $1,000,000 for each accident incurred from July 1, 1989 through February 28, 1991. Employers retains responsibility for the amount of any loss in excess of the aforementioned amounts. Employers receives a claims handling charge for each incurred loss, which is based on a percentage of such loss. All direct taxes applicable to the insurance coverages discussed above were paid by Employers before the premium was ceded to the Company. The Company provided a letter of credit with a bank to Employers in the amount of $620,000 for the purpose of securing the obligations of the Company under the reinsurance agreement. No drawings have been made under this arrangement. This letter of credit cannot be closed until all workers' compensation claims have been settled with Employers.

Employers was placed in temporary receivership on January 6, 1994, and placed in permanent receivership on February 11, 1994. The Commissioner of Insurance for the State of Texas was appointed Permanent Receiver over the assets and affairs of Employers.

The Company filed a claim against Employers on July 25, 1995, which was prior to the July 31, 1995, deadline. The priority of distribution of assets will be in accordance with the class order of each creditor as provided by the Texas Insurance Code. Each class will be paid in full or adequate funds retained for such payment before the members of the next class receive any payment.

At December 31, 1999 and 2000, the Company had amounts payable to Employers and no amounts due from Employers. Counsel has been retained to assist in the settlement of all remaining transactions between the Company and Employers.

5. TRANSACTIONS WITH AFFILIATES

The Company charged affiliates $84,000 and $94,000 in premiums for general and auto liability insurance coverage during 2000 and 1999, respectively. The Company charged affiliates $5,000 for excess workers' compensation premiums in both 2000 and 1999, $1,500 and $2,200 for surety premiums during 2000 and 1999, respectively, and $100 for a commercial property policy in both 2000 and 1999. These premiums are not necessarily the same as would be charged by an unrelated party for the same insurance coverage.

Kerr-McGee provides certain administrative services to the Company. The Company pays Kerr-McGee a fee for these services in an amount equal to 10% of premiums written. This amount is not necessarily the same as it might cost the Company to obtain these services from outside parties. As a result, the Company incurs non-interest bearing intercompany payables to Kerr-McGee, which totaled $1,000 at December 31, 2000 and $45,000 at December 31, 1999 and were shown as accounts payable to parent company in the Statutory Statement of Admitted Assets, Liabilities and Stockholder's Equity.

6. LIABILITY FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Activity in the liability for unpaid losses and loss adjustment expenses is summarized as follows:

(Thousands of dollars)	2000	1999
Balance at January 1	$738	$426
Incurred related to:		
Current year	-	(13)
Prior years	(118)	325
Total incurred	(118)	312
Total paid related to prior years	(300)	-
Balance at December 31	$320	$738

The change in prior years incurred losses and loss adjustment expenses for 2000 and 1999 results primarily from changes in the estimated general and auto liability and workers compensation reserve amounts. No additional premiums have been accrued as a result of the prior year effects.

7. DIVIDEND RESTRICTIONS

The amount of dividends which can be paid by Oklahoma insurance companies to shareholders without prior approval of the Insurance Commissioner of the State of Oklahoma is subject to restrictions relating to stockholder's equity. The maximum dividend payout which may be made without prior approval in 2001 is $1,442,000.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments at December 31, 2000 and 1999, primarily consist of cash, time deposits and investments in U.S. government securities. The U.S. government securities consist of treasury bills and treasury notes. The carrying amounts of the Company's financial instruments, classified as cash and short-term investments, approximate fair value at December 31, 2000 and 1999. The carrying value and fair value of the Company's financial instruments classified as investments was $4,288,000

and $4,329,000, respectively, at December 31, 2000, and $12,852,000 and $12,747,000, respectively, at December 31, 1999. All financial instruments shown as investments in the Statutory Statement of Admitted Assets, Liabilities and Stockholder's Equity at December 31, 2000, mature between 2002 and 2004.

9. RECONCILIATION OF STATUTORY FINANCIAL STATEMENTS TO ANNUAL STATEMENT FILED WITH THE INSURANCE DEPARTMENT OF THE STATE OF OKLAHOMA

The accompanying statutory financial statements for 2000 do not differ from the Company's annual statement filed with the Oklahoma Insurance Department. The following reconciles the difference in 1999.

(Thousands of dollars)	Admitted Assets	Liabilities	Stockholder's Equity	Net Income
	Increase (Decrease)			
As reported in 1999 annual statement	$14,980	$1,210	$13,770	$271
Adjustment to provision for income taxes	-	-	-	30
As reported in accompanying 1999 statutory statements	$14,980	$1,210	$13,770	$301

K-M INSURANCE COMPANY

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P - PART 1 - SUMMARY

($000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned: 1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss and Loss Expense Payments: Loss Payments: 4 Direct and Assumed	5 Ceded	Defense and Cost Containment Payments: 6 Direct and Assumed	7 Ceded	Adjusting and Other Payments: 8 Direct and Assumed	9 Ceded	10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	12 Number of Claims Reported-Direct and Assumed
1. Prior	XXX	XXX	XXX	1,469		296					1,765	XXX
2. 1991	215	14	201	173		11					184	XXX
3. 1992	159		159	100							100	XXX
4. 1993	169		169	200		400					600	XXX
5. 1994	167		167	362		38					400	XXX
6. 1995	167		167			100					100	XXX
7. 1996	126		126	100							100	XXX
8. 1997	104		104								0	XXX
9. 1998	101		101	100							100	XXX
10. 1999	103		103	100							100	XXX
11. 2000	92		92								0	XXX
12. Totals	XXX	XXX	XXX	2,604	0	845	0	0	0	0	3,449	XXX

	Losses Unpaid: Case Basis: 13 Direct and Assumed	14 Ceded	Bulk + IBNR: 15 Direct and Assumed	16 Ceded	Defense and Cost Containment Unpaid: Case Basis: 17 Direct and Assumed	18 Ceded	Bulk + IBNR: 19 Direct and Assumed	20 Ceded	Adjusting and Other Expenses Unpaid: 21 Direct and Assumed	22 Ceded	23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding-Direct and Assumed
1. Prior												0	XXX
2. 1991												0	XXX
3. 1992												0	XXX
4. 1993												0	XXX
5. 1994	100											100	XXX
6. 1995												0	XXX
7. 1996												0	XXX
8. 1997												0	XXX
9. 1998												0	XXX
10. 1999												0	XXX
11. 2000												0	XXX
12. Totals	100	0	0	0	0	0	0	0	0	0	0	100	XXX

	Total Losses and Loss Expenses Incurred: 26 Direct and Assumed	27 Ceded	28 Net	Loss and Loss Expense Percentage (Incurred/Premiums Earned): 29 Direct and Assumed	30 Ceded	31 Net	Nontabular Discount: 32 Loss	33 Loss Expense	34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves after Discount: 35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX			XXX	0	0
2. 1991	184	0	184	85.6	0.0	91.5				0	0
3. 1992	100	0	100	62.9	0.0	62.9				0	0
4. 1993	600	0	600	355.0	0.0	355.0				0	0
5. 1994	500	0	500	299.4	0.0	299.4				100	0
6. 1995	100	0	100	59.9	0.0	59.9				0	0
7. 1996	100	0	100	79.4	0.0	79.4				0	0
8. 1997	0	0	0	0.0	0.0	0.0				0	0
9. 1998	100	0	100	99.0	0.0	99.0				0	0
10. 1999	100	0	100	97.1	0.0	97.1				0	0
11. 2000	0	0	0	0.0	0.0	0.0				0	0
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	100	0

K-M INSURANCE COMPANY

SCHEDULE P - PART 1C - COMMERCIAL AUTO/TRUCK LIABILITY/MEDICAL

($000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned: 1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss and Loss Expense Payments: Loss Payments: 4 Direct and Assumed	5 Ceded	Defense and Cost Containment Payments: 6 Direct and Assumed	7 Ceded	Adjusting and Other Payments: 8 Direct and Assumed	9 Ceded	10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	12 Number of Claims Reported-Direct and Assumed
1. Prior	XXX	XXX	XXX								0	XXX
2. 1991	16		16								0	
3. 1992	17		17								0	
4. 1993	17		17								0	
5. 1994	19		19								0	
6. 1995	19		19								0	
7. 1996	8		8								0	
8. 1997	4		4								0	
9. 1998	3		3								0	
10. 1999	4		4								0	
11. 2000	3		3								0	
12. Totals	XXX	XXX	XXX	0	0	0	0	0	0	0	0	XXX

	Losses Unpaid: Case Basis: 13 Direct and Assumed	14 Ceded	Bulk + IBNR: 15 Direct and Assumed	16 Ceded	Defense and Cost Containment Unpaid: Case Basis: 17 Direct and Assumed	18 Ceded	Bulk + IBNR: 19 Direct and Assumed	20 Ceded	Adjusting and Other Unpaid: 21 Direct and Assumed	22 Ceded	23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding-Direct and Assumed
1. Prior												0	
2. 1991												0	
3. 1992												0	
4. 1993												0	
5. 1994												0	
6. 1995												0	
7. 1996												0	
8. 1997												0	
9. 1998												0	
10. 1999												0	
11. 2000												0	
12. Totals	0	0	0	0	0	0	0	0	0	0	0	0	0

	Total Losses and Loss Expenses Incurred: 26 Direct and Assumed	27 Ceded	28 Net	Loss and Loss Expense Percentage (Incurred/Premiums Earned): 29 Direct and Assumed	30 Ceded	31 Net	Nontabular Discount: 32 Loss	33 Loss Expense	34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves after Discount: 35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX			XXX	0	0
2. 1991	0	0	0	0.0	0.0	0.0				0	0
3. 1992	0	0	0	0.0	0.0	0.0				0	0
4. 1993	0	0	0	0.0	0.0	0.0				0	0
5. 1994	0	0	0	0.0	0.0	0.0				0	0
6. 1995	0	0	0	0.0	0.0	0.0				0	0
7. 1996	0	0	0	0.0	0.0	0.0				0	0
8. 1997	0	0	0	0.0	0.0	0.0				0	0
9. 1998	0	0	0	0.0	0.0	0.0				0	0
10. 1999	0	0	0	0.0	0.0	0.0				0	0
11. 2000	0	0	0	0.0	0.0	0.0				0	0
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	0	0

K-M INSURANCE COMPANY

SCHEDULE P - PART 1D - WORKERS' COMPENSATION

($000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported-Direct and Assumed
	Direct and Assumed	Ceded	Net (Cols. 1 - 2)	4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
1. Prior	XXX	XXX	XXX								0	XXX
2. 1991	94	14	80	73		11					84	11
3. 1992			0								0	
4. 1993	3		3								0	
5. 1994	3		3								0	
6. 1995	3		3								0	
7. 1996	5		5								0	
8. 1997	5		5								0	
9. 1998	5		5								0	
10. 1999	5		5								0	
11. 2000	5		5								0	
12. Totals	XXX	XXX	XXX	73	0	11	0	0	0	0	84	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21	22			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	Direct and Assumed	Ceded	Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding-Direct and Assumed
1. Prior												0	1
2. 1991												0	
3. 1992												0	
4. 1993												0	
5. 1994												0	
6. 1995												0	
7. 1996												0	
8. 1997												0	
9. 1998												0	
10. 1999												0	
11. 2000												0	
12. Totals	0	0	0	0	0	0	0	0	0	0	0	0	1

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves after Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	Inter-Company Pooling Participation Percentage	35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX			XXX	0	0
2. 1991	84	0	84	89.4	0.0	105.0				0	0
3. 1992	0	0	0	0.0	0.0	0.0				0	0
4. 1993	0	0	0	0.0	0.0	0.0				0	0
5. 1994	0	0	0	0.0	0.0	0.0				0	0
6. 1995	0	0	0	0.0	0.0	0.0				0	0
7. 1996	0	0	0	0.0	0.0	0.0				0	0
8. 1997	0	0	0	0.0	0.0	0.0				0	0
9. 1998	0	0	0	0.0	0.0	0.0				0	0
10. 1999	0	0	0	0.0	0.0	0.0				0	0
11. 2000	0	0	0	0.0	0.0	0.0				0	0
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	0	0

K-M INSURANCE COMPANY

SCHEDULE P - PART 1H - SECTION 1 - OTHER LIABILITY - OCCURRENCE

($000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned: 1 Direct and Assumed	Premiums Earned: 2 Ceded	Premiums Earned: 3 Net (Cols. 1 - 2)	Loss and Loss Expense Payments – Loss Payments: 4 Direct and Assumed	Loss Payments: 5 Ceded	Defense and Cost Containment Payments: 6 Direct and Assumed	Defense and Cost Containment Payments: 7 Ceded	Adjusting and Other Payments: 8 Direct and Assumed	Adjusting and Other Payments: 9 Ceded	10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	12 Number of Claims Reported-Direct and Assumed
1. Prior	XXX	XXX	XXX								0	XXX
2. 1991	105		105	100							100	2
3. 1992	142		142	100							100	2
4. 1993	146		146	200		400					600	7
5. 1994	142		142	362		38					400	6
6. 1995	144		144			100					100	1
7. 1996	112		112	100							100	1
8. 1997	93		93								0	1
9. 1998	91		91	100							100	1
10. 1999	92		92	100							100	1
11. 2000	82		82								0	
12. Totals	XXX	XXX	XXX	1,062	0	538	0	0	0	0	1,600	XXX

	Losses Unpaid – Case Basis: 13 Direct and Assumed	Case Basis: 14 Ceded	Bulk + IBNR: 15 Direct and Assumed	Bulk + IBNR: 16 Ceded	Defense and Cost Containment Unpaid – Case Basis: 17 Direct and Assumed	Case Basis: 18 Ceded	Bulk + IBNR: 19 Direct and Assumed	Bulk + IBNR: 20 Ceded	Adjusting and Other Unpaid: 21 Direct and Assumed	Adjusting and Other Unpaid: 22 Ceded	23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding-Direct and Assumed
1. Prior												0	
2. 1991												0	
3. 1992												0	
4. 1993												0	
5. 1994	100											100	1
6. 1995												0	
7. 1996												0	
8. 1997												0	
9. 1998												0	
10. 1999												0	
11. 2000												0	
12. Totals	100	0	0	0	0	0	0	0	0	0	0	100	1

	Total Losses and Loss Expenses Incurred: 26 Direct and Assumed	27 Ceded	28 Net	Loss and Loss Expense Percentage (Incurred/Premiums Earned): 29 Direct and Assumed	30 Ceded	31 Net	Nontabular Discount: 32 Loss	33 Loss Expense	34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves after Discount: 35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX			XXX	0	0
2. 1991	100	0	100	95.2	0.0	95.2				0	0
3. 1992	100	0	100	70.4	0.0	70.4				0	0
4. 1993	600	0	600	411.0	0.0	411.0				0	0
5. 1994	500	0	500	352.1	0.0	352.1				100	0
6. 1995	100	0	100	69.4	0.0	69.4				0	0
7. 1996	100	0	100	89.3	0.0	89.3				0	0
8. 1997	0	0	0	0.0	0.0	0.0				0	0
9. 1998	100	0	100	109.9	0.0	109.9				0	0
10. 1999	100	0	100	108.7	0.0	108.7				0	0
11. 2000	0	0	0	0.0	0.0	0.0				0	0
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	100	0

K-M INSURANCE COMPANY

SCHEDULE P - PART 1K - FIDELITY, SURETY

($000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned: 1 Direct and Assumed	Premiums Earned: 2 Ceded	Premiums Earned: 3 Net (Cols. 1 - 2)	Loss and Loss Expense Payments: Loss Payments: 4 Direct and Assumed	Loss and Loss Expense Payments: Loss Payments: 5 Ceded	Loss and Loss Expense Payments: Defense and Cost Containment Payments: 6 Direct and Assumed	Loss and Loss Expense Payments: Defense and Cost Containment Payments: 7 Ceded	Loss and Loss Expense Payments: Adjusting and Other Payments: 8 Direct and Assumed	Loss and Loss Expense Payments: Adjusting and Other Payments: 9 Ceded	Loss and Loss Expense Payments: 10 Salvage and Subrogation Received	Loss and Loss Expense Payments: 11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	12 Number of Claims Reported-Direct and Assumed
1. Prior	XXX	XXX	XXX								0	XXX
2. 1999	2		2								0	XXX
3. 2000	2		2								0	XXX
4. Totals	XXX	XXX	XXX	0	0	0	0	0	0	0	0	XXX

	Losses Unpaid: Case Basis: 13 Direct and Assumed	Losses Unpaid: Case Basis: 14 Ceded	Losses Unpaid: Bulk + IBNR: 15 Direct and Assumed	Losses Unpaid: Bulk + IBNR: 16 Ceded	Defense and Cost Containment Unpaid: Case Basis: 17 Direct and Assumed	Defense and Cost Containment Unpaid: Case Basis: 18 Ceded	Defense and Cost Containment Unpaid: Bulk + IBNR: 19 Direct and Assumed	Defense and Cost Containment Unpaid: Bulk + IBNR: 20 Ceded	Adjusting and Other Unpaid: 21 Direct and Assumed	Adjusting and Other Unpaid: 22 Ceded	23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding-Direct and Assumed
1. Prior												0	
2. 1999												0	
3. 2000												0	
4. Totals	0	0	0	0	0	0	0	0	0	0	0	0	0

	Total Losses and Loss Expenses Incurred: 26 Direct and Assumed	Total Losses and Loss Expenses Incurred: 27 Ceded	Total Losses and Loss Expenses Incurred: 28 Net	Loss and Loss Expense Percentage (Incurred/Premiums Earned): 29 Direct and Assumed	Loss and Loss Expense Percentage (Incurred/Premiums Earned): 30 Ceded	Loss and Loss Expense Percentage (Incurred/Premiums Earned): 31 Net	Nontabular Discount: 32 Loss	Nontabular Discount: 33 Loss Expense	34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves after Discount: 35 Losses Unpaid	Net Balance Sheet Reserves after Discount: 36 Loss Expenses Unpaid
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX			XXX	0	0
2. 1999	0	0	0	0.0	0.0	0.0				0	0
3. 2000	0	0	0	0.0	0.0	0.0				0	0
4. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	0	0