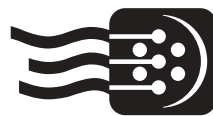


Telcom Insurance Group

ANNUAL
REPORT
2002



Your Business
Your Risk
Your Captive!



Telcom

INSURANCE GROUP

Fly sheet

Fly sheet

Telcom Insurance Group

Mission Statement

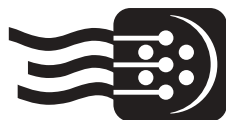
The Telcom Insurance Group is dedicated to providing every NTCA member system with the best possible property and casualty coverage program at a fair price. We will support NTCA, our sponsor, through our participation in, and promotion of, Association programs.

We will strive to exemplify the highest standards of integrity, excellence in personalized customer service, and leadership in offering specialized, telecommunications-specific coverage packages. We will partner with our fellow members by providing educational programs designed to assist them in their quest to protect their corporate assets and provide stability for the corporate entity through a variety of insurance risk management programs.

Achieving success in these areas will fulfill the mission of the NTCA originators and NTC shareholders by . . .

*“Bettering the World of Commercial Insurance
for Rural Telephony ...
One NTCA Member at a Time.”*

01



Peter J. Elliott, CPCU	President and CEO, Telcom Insurance Group
Richard K. Veach	Chairman of the Board, Telcom Insurance Group
Changing Times	<i>"We must adjust to changing times and still hold to unchanging principles." --Jimmy Carter</i>



National Telcom Corporation (NTC) is an insurer that has a chronicle of accomplishment. 2002 was a year in which another chapter was added to the legend. The year was not without challenges, but by adhering to best business practices and the principles that this company was founded upon, the end result was successful.

In the United States, 2002 was a year of conflict and uncertainty. The war of words with Iraq started late in the year, while US soldiers maintained a presence in Afghanistan fighting a war on terrorism. The Department of Homeland Security was officially created by Congress. The Washington, DC area, the location of the Telcom's office and home to many of the company staff, was under a sniper attack that left residents of the area in fear of leaving their homes. It was also a year where the following companies made headline news: Enron, Arthur Andersen, Merrill Lynch, WorldCom, Johnson & Johnson, Global Crossing, Citigroup, and Kmart. The list reads like a Who's Who of what some would call the United States' most well-known and well-respected businesses. These companies and several other entities came under fire in a wave of embarrassing and, in most cases, self-destructive corporate scandals. All of these events caused the economy to turn and twist throughout the year. It hit a low point in November and the stress of all of this impacted the rural telecommunications and insurance industry alike.

For the Telcom Insurance Group, 2002 was a year of challenge and change that ended with record performance results. The captive, National Telcom Corporation, was coming off one of the worst claims experience years in company history and 2002 was a year to determine if this was a developing trend or merely an aberration.

In January, the company introduced a new fronting carrier, Liberty Mutual Group, to our customers and

National Telecommunication Cooperative Association prospects. Much like any new program, the new relationship had challenges and hurdles to clear. Due to the hard work of both the Telcom Staff and the Liberty Mutual Underwriting Department, the early transition went exceptionally well. The program developed quickly and greater expansion and growth, than could have been contemplated when the business plan was formed, did occur.

Growth of premium and development of the customer base in 2002 was one of the highlights of the year. National Telcom Corporation realized premium growth of 32.9% in 2002. The combination of new business accounts written, continued operational expansion of existing customers and a modest rate increase all were responsible for the company growth. National Telcom Corporation also expanded geographical representation by adding insureds in both Ohio and South Dakota.

In May of 2002, Steven Blackburn resigned as President and CEO of National Telcom Corporation and Telcom Insurance Services Corporation. Yet another change would occur at Telcom. Michael A. Huffman assumed the role of Chief Financial Officer and Treasurer and Peter J. Elliott assumed the Chief Executive Officer and President role during the third quarter.

A.M. Best Company, the oldest and most respected insurance rating agency in the world, in September reaffirmed the rating of "A-" to National Telcom Corporation. The research and analysis they conduct concluded that the operational and financial stability of National Telcom Corporation was "Excellent". This rating is quite a tribute to the men and women of the company that have worked tirelessly to exhibit excellence in all they do.

Later in the year, the strain of a hardened insurance market, where availability and affordability are at issue, challenged the Telcom Insurance Group. The contraction that the market had experienced over the past few years had gained momentum. Despite changing fronting

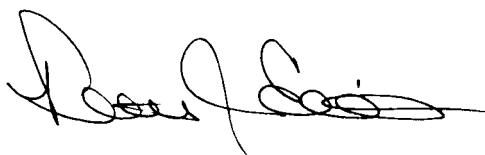
carriers during the first of the year, it became evident that a search for a new partner for 2003 would be necessary. The challenge of this type of change cannot be fully appreciated in written word. Even after conducting a search less than 12 months earlier, the insurance market required starting the process all over again without offering credit for work done in the past.

In December, after a thorough search, an agreement was negotiated with Great American Insurance Company to act as a new fronting carrier for National Telcom Corporation in 2003. Great American Insurance Company is owned by American Financial Corporation. American Financial Group ("AFG") is engaged primarily in property and casualty insurance—focusing on specialized commercial products for businesses and in the sale of retirement annuities, life, and supplemental health insurance products. The Company is committed to building value for its shareholders as property and casualty insurance and annuity specialists and providing profitably priced quality products and services to its customers. Property and casualty operations emphasize underwriting profitability, entrepreneurship and specialization based on a common operating philosophy. It is this vision that will allow Great American Insurance Company to be a long-term partner for National Telcom Corporation on the NTCA Captive Property and Casualty Insurance Program.

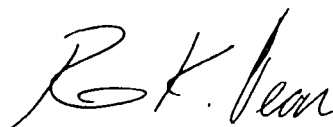
The rest of what you will see and read in the 2002 Annual Report will provide in depth analysis of the year that was. National Telcom Corporation has a proud history, a bright future, and an incredible story to tell.

The staff of Telcom would like to thank you all, our sponsor NTCA, Shareholders, Directors, Officers, and Policyholders, for listening to our story. Without you it would not have been possible. Like all good partners, we have weathered each others' storms and participated in the milestones and successes. We look forward to more of the same in 2003. We also expect to earn your business in 2003 by protecting your future with stability and expertise.

Sincerely,



Peter J. Elliott, CPCU
President and Chief Executive Officer



Richard K. Veach
Chairman of the Board

The Foundation and History

Evolution

Always NTCA; Always Your Captive

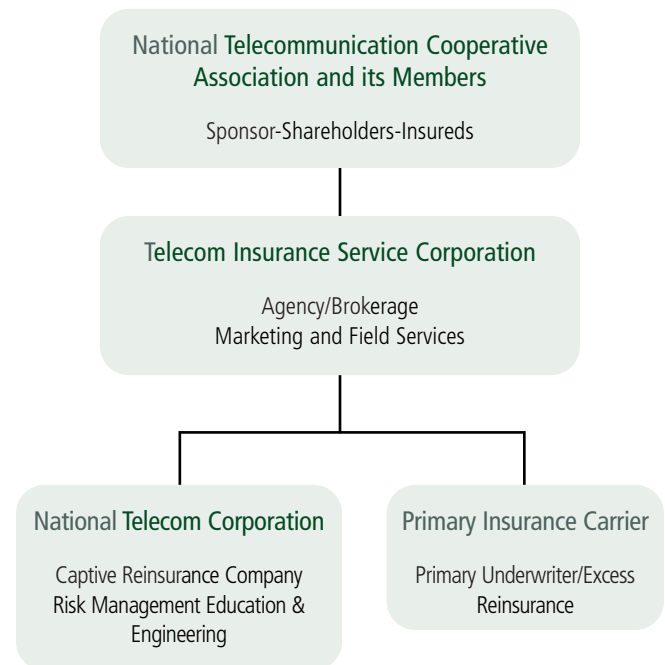
In 1976, an informal membership survey revealed both the need and potential for a National Telecommunications Cooperative Association Property and Casualty Risk Management program for primarily four reasons:

1. Business risk exposures were too broad
2. Coverage and capacity was lacking
3. No cost control
4. Service was poor

Formed in 1982, Telcom Insurance Group was the fourth (4th) captive and the first (1st) association captive licensed in Vermont. Currently, there are twenty-four (24) shareholders/owners of Telcom and over 130 insured telcos. The “universe” of potential clients includes all members of the National Telecommunications Cooperative Association. NTC, after initial capitalization of \$1.1 million through the purchase of stock by NTCA and individual members, has grown current assets to \$15.8 million. NTC acts as a reinsurance company that shares a portion of the risk assumed from the primary underwriting companies, which is also known as a “front”. Telcom’s captive partners provide exceptional underwriting, reinsurance and claims services.

In 1989, the National Telcom Corporation program was expanded to include its own full-service brokerage facility known as the Telcom Insurance Services Corporation (TISC). The company provides brokerage for this comprehensive insurance program, as well as field services and risk management education and resources. The agency and all its risk management employees are fully licensed to do business in every state where NTCA members do business. TISC acts as the sales outlet for the captive program and also writes specialty lines not insured by NTC.

The Telcom program has evolved over the years since it was created in 1982. As it stands today, it is an industry leader in coverage. Telcom has enjoyed a mutually



beneficial fronting and reinsurance arrangement with well-known national carriers such as American International Group (AIG), Fireman’s Fund Insurance Companies, Travelers Insurance Group, Liberty Mutual Corporation, and Great American Insurance Companies.

NTC is proud to be one of the few captives to have earned an A.M. Best’s security rating of A-, which is considered excellent. In addition to the company’s own stability, relationships are maintained with partners that carry a minimum of an “A” rating.

As the NTCA membership’s property/casualty and risk management needs evolve, so do the programs and coverages of Telcom. As your captive and as an entity solely dedicated to NTCA, it’s our job to follow your trends.

Shareholders

As of 12/31/02

Comanche County Telephone Company, Inc.	De Leon, TX
Craw-Kan Telephone Cooperative, Inc.	Girard, KS
Etex Telephone Cooperative, Inc.	Gilmer, TX
Farmers Telephone Cooperative, Inc.	Kingstree, SC
Hancock Telecom	Maxwell, IN
Horry Telephone Cooperative, Inc.	Conway, SC
KanOkla Telephone Association, Inc.	Caldwell, KS
National Telecommunications Cooperative Association	Arlington, VA
Panhandle Telephone Cooperative, Inc.	Guymon, OK
Peoples Telephone Cooperative, Inc.	Quitman, TX
Piedmont Rural Telephone Cooperative	Laurens, SC
Pioneer Telephone Association, Inc.	Ulysses, KS
Pioneer Telephone Cooperative	Philomath, OR
Pioneer Telephone Cooperative, Inc.	Kingfisher, OK
Polar Communications	Park River, ND
Santa Rosa Telephone Cooperative, Inc.	Vernon, TX
Skyline Telephone Membership Corporation	West Jefferson, NC
Star Telephone Membership Corporation	Clinton, NC
Surry Telephone Membership Corporation	Dobson, NC
Taylor Telephone Cooperative, Inc.	Merkel, TX
Twin Lakes Telephone Cooperative Corporation	Gainesboro, TN
Wilkes Telephone Membership Corporation	Millers Creek, NC
Yadkin Valley Telephone Membership Corporation	Yadkinville, NC
Yorkville Telephone Cooperative, Inc.	Yorkville, TN

2002 Annual Meeting & Shareholders Meeting

Stowe, VT • October 7, 2002



Members present from left to right: (bottom row) Richard C. Parker; Peter J. Elliott; Henry G. McNeill; Richard K. Veach; William H. Stanley, Jr.; Leroy H. Lage; (top row) Robbie L. Allen; Charles H. Creason, Jr.; Tim Hills (shareholder); George W. Nostrand; William P. Hegmann; Edgar L. Olson; William I. Nexsen, III; Jeffrie A. Adams.
Board Members not pictured: John A. McAllister; Norman R. Welker

Officers

Richard K. Veach	Chairman
Richard C. Parker	Vice Chairman
Peter J. Elliott	President
Michael A. Huffman	Treasurer
Claire E. Blackburn	Secretary
George W. Nostrand	Asst. Secretary/General Counsel

Peter J. Elliott, CPCU

Operations Report

"Do not protect yourself by a fence, but rather by your friends."

--Czech Proverb

National Telcom Corporation (NTC) and Telcom Insurance Services Corporation (TISC) provide insurance protection for the members of the National Telecommunications Cooperative Association (NTCA). The companies operate as a captive insurer and an independent insurance agent and broker. Protecting our customer's property, assets, and employees is our goal. Securing peace of mind and stability for our customers is the reward of a mission successfully completed. Concentrating on only NTCA members allows us to obtain a level of expertise that is unparalleled, which permits us to meet our goals.

In a year where world, national, and local events were concerning, NTC made a change to a new insurance fronting carrier, Liberty Mutual Insurance Company. The mission of the staff at Telcom was to institute the new program with minimal disruption to our customers and to eliminate unnecessary concern. Stability of service and expertise in insuring NTCA telecommunications operations, the foundation of the business plan, paid off in a year of transition. The name of the insurer issuing the policy may have changed but the strength of National Telcom Corporation and Telcom Insurance Services Corporation remained steadfast. The staff at Telcom accepted every challenge in 2002 and toiled to be of assistance to the friends we have made over the years.

There is a continued operational emphasis on being the best service provider to the telecommunications industry. Excellence, however, comes at a price. Countless hours were spent in 2002 in training and development of the staff. The Telcom Insurance Group remained committed to professional development of insurance knowledge despite the operational changes that we faced during the year.

The Telcom Underwriting and Field Services staff were not only visible visiting personally with insured and

noninsured members of the NTCA but also were active presenting insurance and risk management seminars at all NTCA events and at industry statewide meetings.

Underwriting Update

The 2002 marketplace, in underwriting terms, would be classified as a hard market with respect to availability and affordability of insurance coverage for consumers. The average premium rate increase in the United States last year was approximately 28%. The market is being driven by current economic conditions in the country and by a need of the insurance industry to earn an acceptable return on investment of funds to keep capital in this segment of commerce.

The National Telcom Corporation operation was able to avoid following the industry trend with respect to rate increase in 2002 due to captive participation in the insuring process. The economic factors that play a major role in typical insurers pricing decisions do not directly drive the rate and premium NTC charges. A prudent and conservative investment strategy has lessened the peaks and valleys of investment income for NTC and have allowed for consistent revenue support for the underwriting operation. The cost of most claims paid is tied directly to the state of the economy and NTC is realizing an increase in cost associated with medical injuries. No immediate action has been required because of this trend, but it is being monitored closely. Having an indirect impact is the cost of reinsurance that is placed behind the fronting carrier and NTC. The expense of this item has increased but the operational success of the NTC program has allowed for the majority of the difference to be assumed internally.

Growth of the underwriting premium in 2002 was based upon positive development of the insured base. Written premium grew by 32.9% or \$2,057,000. The

continued growth and acquisition of assets by insured companies was a key factor. Insured operational growth accounted for approximately 28% of the increased written premium. Another factor was NTC's ability to assist, protect and serve new insureds. New business written accounted for approximately 32% of the increase. Finally a modest rate increase of 15% accounted for approximately 40% of the total increase in written premium. Expansion of insurance written also occurred geographically as the Telcom Insurance Group wrote business in Ohio and South Dakota bringing the total state representation to 30 as of year-end.

The underwriting operation continued to operate near a breakeven level. After combining expenses and claims losses, NTC developed a combined ratio of 101% in 2002. That means for every premium dollar accepted the company paid out one dollar plus a cent. NTC continues to outperform the overall industry which developed a 107.2% combined ratio during the same period.

A.M. Best and Company, the oldest and most widely respected insurance carrier security rating company, recognized the favorable results of National Telcom Corporation in 2002 and reaffirmed the companies (A-) rating. A.M. Best's rating scale of security and stability shows (A-) as excellent.

The underwriting department of National Telcom Corporation and Telcom Insurance Services Corporation are proud of the results we have earned in 2002 and stand ready to build on the excellence and continue to offer security and stability to all members of the National Telecommunications Cooperative Association.

Field Services Update

2002 was a year of continued emphasis on customer visits and service. The underwriting department relies on the professional field staff of the company to act as their eyes and ears.

It is only with a thorough understanding of our customers operations that we can determine the appropriate coverage and insurance. The rapid development and deployment of new products and services by customers makes every visit as important as the first one. The Telcom Insurance Group field staff have been able to blend education and fact finding into their visits with our NTCA friends.

The staffs of NTC and TISC continue to search for the most effective means of communication when a physical visit is not possible. The *Telcom Watch* is in its second year and this important facsimile document continues to play a vital role in this mission. The staff finds itself relying more on the electronic transfer of data as a way of communicating. However, we all recognize that it just can't take the place of a personal visit to see a friend.

As the proverb states, we are proud that so many NTCA members have chosen, National Telcom Corporation and Telcom Insurance Services Corporation as the friend they desire to offer them insurance protection and stability. Without loyal Association member owners, directors, officers, policyholders and supporting vendors our accomplishments would not be possible. We will continue to do our part to be a good friend and to earn the respect and support of those we have dedicated our business to helping.

Michael A. Huffman, CPA

Fiscal Review

"Let us not confuse stability with stagnation."

--Mary Jean LeTendre

At Telcom Insurance Group, our financial goal as an association captive insurance company is stability. We are a member-benefit, and we serve the members of NTCA by providing a comprehensive property-casualty insurance program and insurance brokerage services. The insurance industry, as a whole, is experiencing tumultuous times. Your captive insurance company's purpose is to help its policyholders weather turbulent times and to be a shelter in the storm. Through sound fiduciary practices that promote stability, Telcom will be here for NTCA members, **"before, during, after, always."**

2002 was a year of unprecedented growth for Telcom. Gross written premiums (GWP) increased by 32.9% over the results of 2001 - our largest increase in GWP since 1987. Because of the new fronting arrangement, net written premium (NWP) increased by 22.1%; and due to the timing of this growth, earned premiums increased by 11.1%. Telcom's growth was better than the property-casualty industry average 14.1% increase in NWP. The growth is a result of three factors:

1. Increases in exposure of existing policyholders
2. New policyholders
3. Premium rate increases

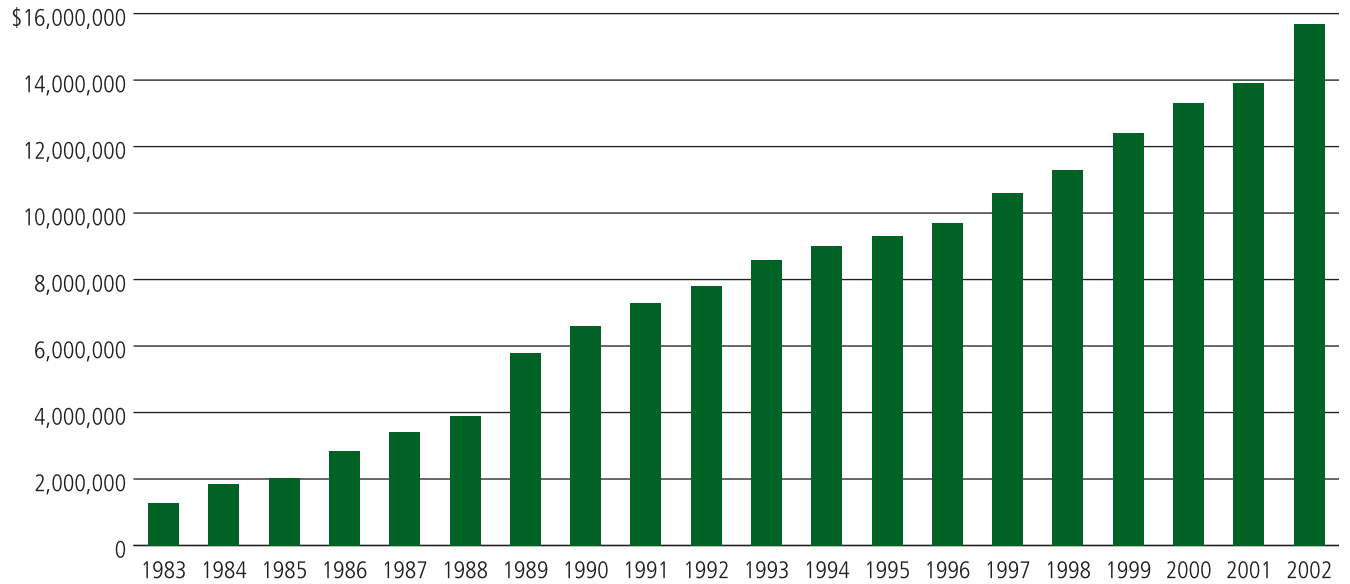
Like the property-casualty industry as a whole in 2002, Telcom used the increase in premium revenue to strengthen loss reserves. We increased the incurred loss ratio from 60% to 63.25%. This allowed us to increase the reserve for losses by about 7.5% and puts us above the midpoint of our actuary's acceptable range of the reserve for losses and loss adjustment expenses.

Just as an appropriate, strong reserve for losses and loss adjustment expenses enhances the stability of Telcom, prudent management of our assets ensures liquidity for the payment of claims. Overall, Telcom's assets increased by 13.7%, however, the composition of the assets shifted as a result of our relationship with Liberty Mutual Group. Telcom must provide to its fronting carrier security for the business conducted with it. This is usually a letter-of-credit secured by Telcom's investments. Liberty Mutual opted for a combination of a letter-of-credit and funds-withheld. As with the rest of the insurance industry, Telcom suffered lower than expected investment returns because of the on-going bull market. The ratio of investment income to the amortized cost of the portfolio was 4.7% and 6.0% for 2002 and 2001, respectively.

Even with the amazing growth in GWP and increase in our assets, our goal was to ensure our stability, so that we could continue to serve the members of NTCA. Our shareholders also shared in the positive results of 2002. Their equity grew by 1.2%. Our plan for the NTCA membership, our insureds, and shareholders is stability, stability, stability.

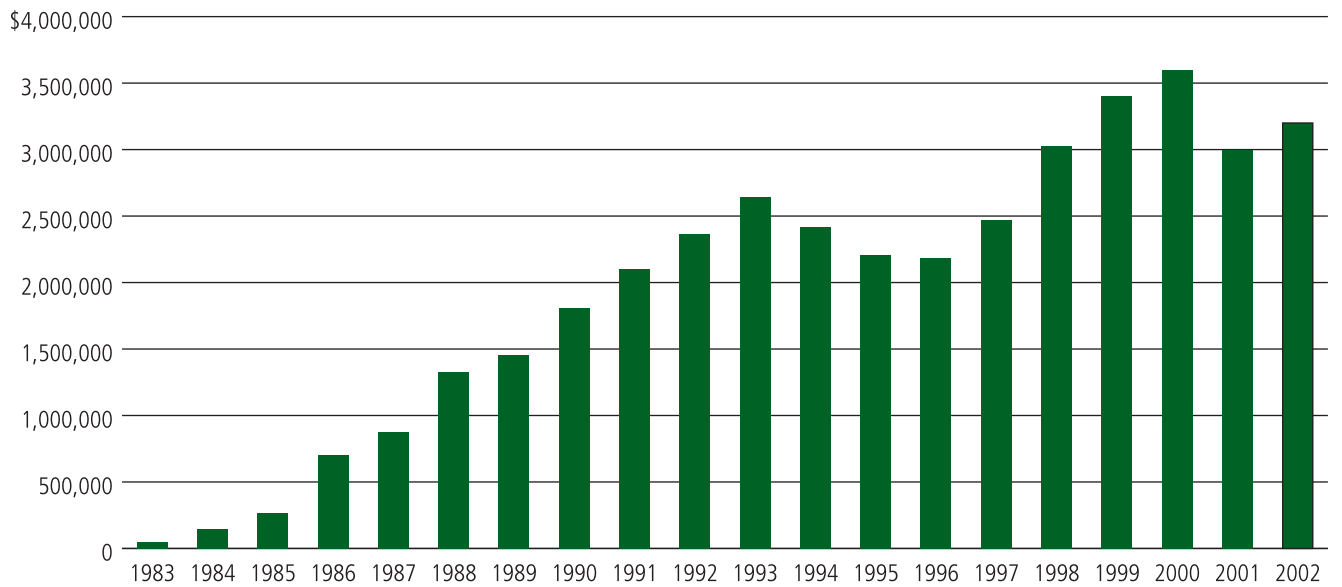
Total Assets

Constant, Steady Asset Growth Through Careful Fiscal Management



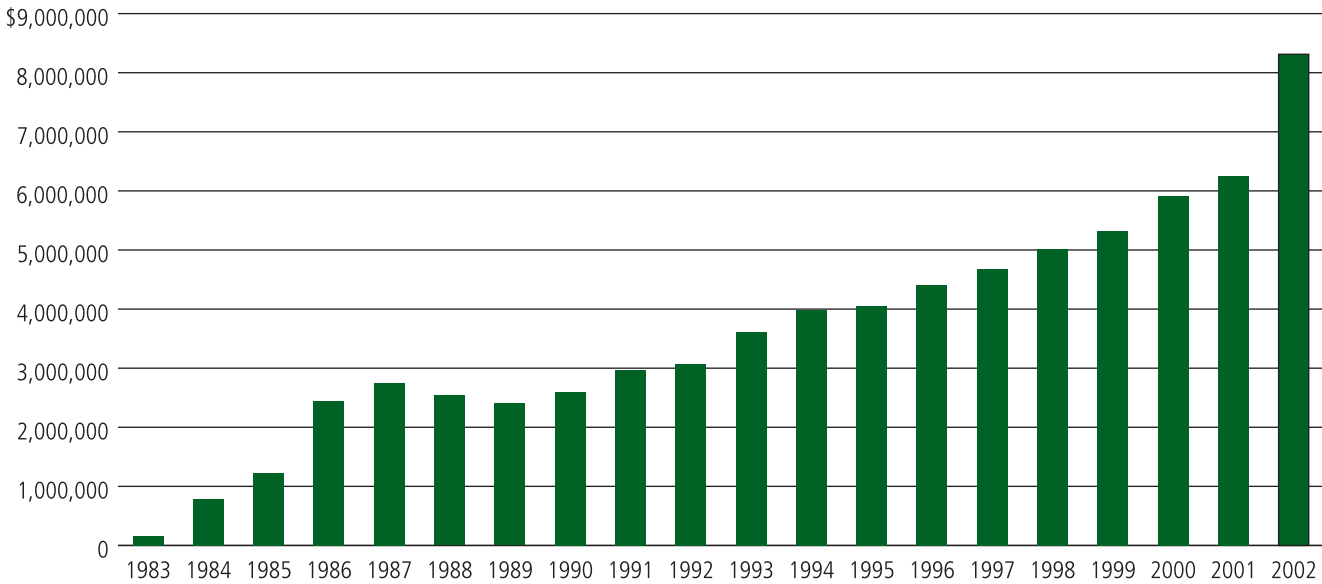
Reserves for Losses

Security in Ample Reserves for Paying Claims



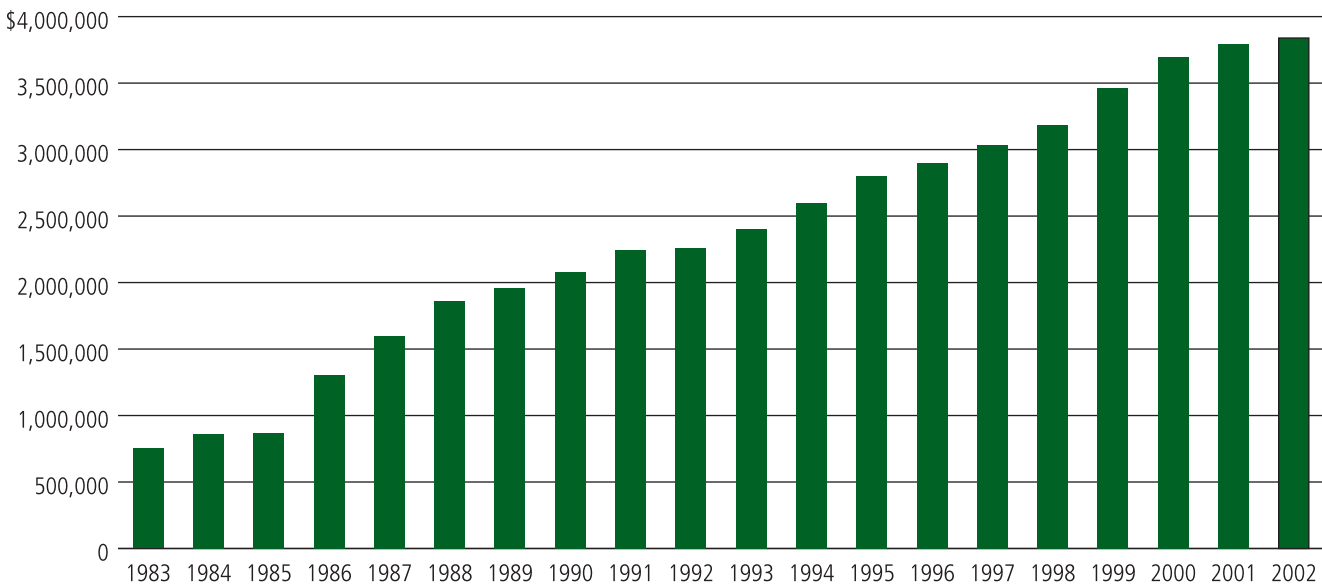
Written Premium

Experienced, Ethical Underwriting Practices and Policyholder Retention



Shareholders' Equity

Responsible Ownership Protections



National Telcom Corporation and Subsidiary

2002

Consolidated Statements of Financial Position

	December 31	
	<u>2002</u>	<u>2001</u>
Assets		
Investments in fixed-maturity securities, held-to-maturity, at amortized cost (market value \$6,954,087 and \$7,405,837)	\$ 7,005,280	\$ 7,376,289
Cash and cash equivalents	412,539	447,443
Assumed reinsurance premiums receivable	3,604,454	1,757,171
Agency billings receivable	3,941,614	3,388,788
Deferred policy acquisition costs	203,559	265,201
Prepaid claims adjustment expense	101,358	-
Deposits	257,142	257,142
Deferred tax asset	145,575	131,488
Furniture, fixtures and equipment, net of accumulated depreciation of \$377,415 and \$294,796	124,517	146,751
Federal income taxes recoverable	-	100,616
Other assets	4,415	23,388
Total assets	<u>\$ 15,800,453</u>	<u>\$ 13,894,277</u>
Liabilities and shareholders' equity		
Liabilities:		
Reserve for losses and loss adjustment expenses	\$3,214,098	\$2,990,696
Agency billings payable	4,053,574	3,339,179
Ceded premiums written in advance	2,267,995	1,684,149
Premiums and commissions billed or collected in advance	18,554	107,114
Unearned premiums	1,789,360	1,458,604
Federal income taxes payable	19,787	-
Accounts payable and accrued expenses	598,080	524,010
Total liabilities	11,961,448	10,103,752
Shareholders' equity:		
Common stock, Class B - \$1,000 par value, 4,995 shares authorized, 851 shares issued and outstanding	851,000	851,000
Additional paid-in capital	779,726	779,726
Retained earnings	2,208,279	2,159,799
Total shareholders' equity	3,839,005	3,790,525
Total liabilities and shareholders' equity	<u>\$ 15,800,453</u>	<u>\$ 13,894,277</u>

National Telcom Corporation and Subsidiary

2002

Consolidated Statements of Income

	December 31	
	2002	2001
Revenue		
Premiums earned	\$ 5,554,859	\$ 4,997,731
Investment income	328,783	445,942
Commission income	282,432	224,018
Other income	<u>20,679</u>	<u>18,814</u>
	<u>6,186,753</u>	<u>5,686,505</u>
Expenses		
Losses and loss adjustment expenses	3,513,448	2,998,639
Salaries and employee benefits	1,066,482	994,281
Amortization of deferred policy acquisition costs	808,049	915,779
Travel related expenses	131,553	122,898
Risk management expenses	64,954	62,317
Management and service fees	5,000	5,000
Other expenses	<u>525,412</u>	<u>445,645</u>
	<u>6,114,898</u>	<u>5,544,559</u>
income before federal income taxes	<u>71,855</u>	<u>141,946</u>
Provision (benefit) for income taxes:		
Current	37,462	22,482
Deferred	<u>(14,087)</u>	<u>28,170</u>
	<u>23,375</u>	<u>50,652</u>
Net income	<u>\$ 48,480</u>	<u>\$ 91,294</u>

Note: Johnson Lambert & Co., Certified Public Accountants, has audited the financial statements of National Telcom Corporation for the years ended December 31, 2002 and 2001, prepared in conformity with generally accepted accounting principles in the United States, and issued their report dated February 1, 2003.

These consolidated balance sheets and consolidated statements of income of National Telcom Corporation for the years ended December 31, 2002 and 2001 were derived from the audited financial statements. The complete audited financial statements may be obtained from National Telcom Corporation at 6301 Ivy Lane, Suite 506, Greenbelt, MD 20770.

Policyholder List as of 12/31/2002

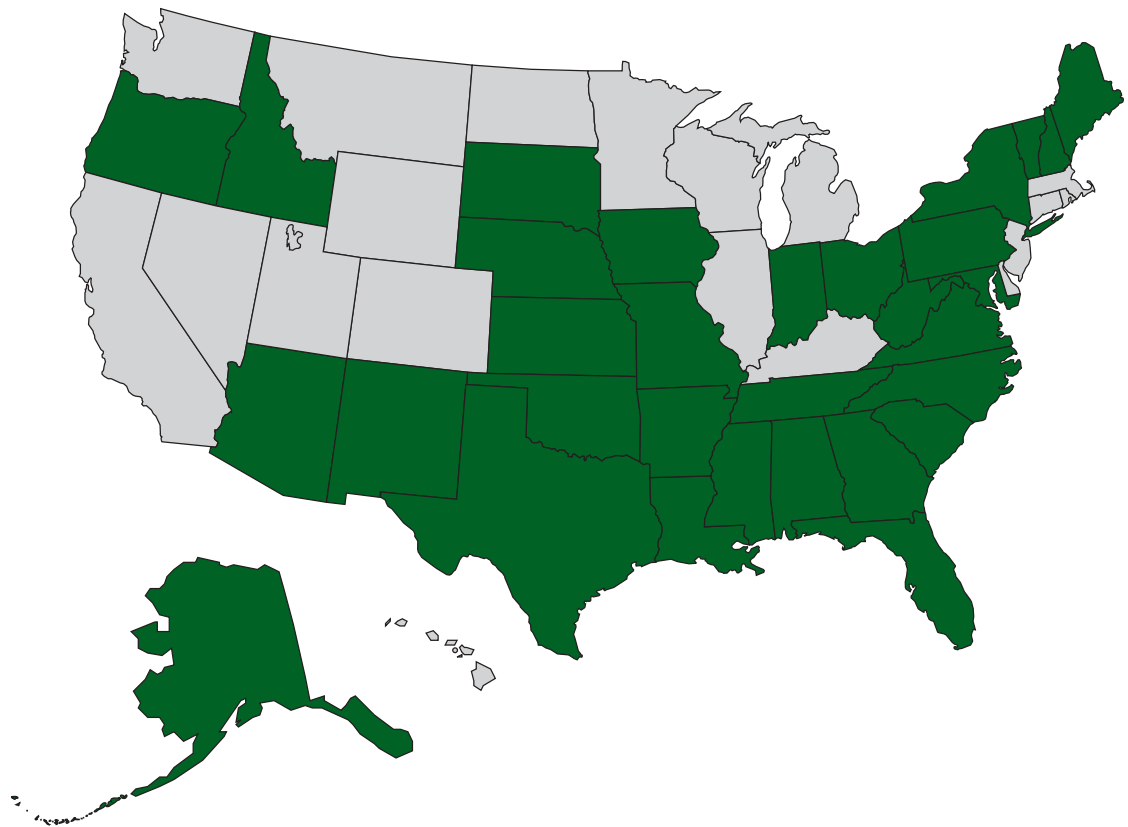
Customers

Valuing Our Customers as Partners

• AKS, L.L.C.	KS	• Craw-Kan Telephone Cooperative, Inc.	KS
Alenco Communications, Inc.	TX	Cumby Telephone Cooperative, Inc.	TX
Allen Communication Services	TX	Curtis Telephone Company, Inc.	NE
AppNet Technologies, LLC	LA	Decatur Telephone Company, Inc.	MS
• Bengal Telephone Company, Inc.	MO	• Dell Telephone Cooperative, Inc. (TX/NM)	TX
• Benkelman Telephone Company	NE	Denver City Cellular Partnership	TX
• Big Bend Telephone Company, Inc.	TX	• En-Touch Systems, Inc.	TX
Border to Border Communications, Inc.	TX	• Etex Telephone Cooperative, Inc.	TX
• Brazos Telephone Cooperative, Inc.	TX	Farmers Telephone Cooperative, Inc.	SC
Bretton Woods Telephone Company	NH	FEC Communications, LLP	TX
• Buggs Island Telephone Cooperative, Inc.	VA	Fiber Four	MO
• C.T. Cube, Inc.	TX	First American Communications Enterprises, Inc.	TX
• Cap Rock Telephone Cooperative, Inc.	TX	• Five Area Telephone Cooperative	TX
Caprock Cellular Limited Partnership	TX	• Ganado Telephone Company, Inc.	TX
• Castleberry Telephone Company, Inc.	AL	• Germantown Telephone Company, Inc.	NY
Central Arkansas Telephone Cooperative, Inc.	AR	• Glenwood Telephone Company, Inc.	GA
• Central Texas Telephone Cooperative, Inc.	TX	• Hancock Telecom	IN
• Central Texas Telephone Investments, Inc.	TX	Hardy Telecommunications, Inc.	WV
CGKC & H No 2. Rural Cellular Limited Partnership	TX	Heritage Technologies, LTD	TX
Cherokee Management Associates, Inc.	TX	Highland Telephone Cooperative, Inc.	TN
• Chester Telephone Company	SC	High Plains/Midwest LLC	KS
Choice Wireless, LC	TX	• Horry Telephone Cooperative, Inc.	SC
• Citizens Telephone Company of Hammond, Inc.	NY	• IAMO Telephone Company	IA
• Coleman County Telephone Cooperative, Inc.	TX	Industry Telephone Company	TX
• Colston Enterprises, Inc.	TX	KanOkla Telephone Association, Inc.	KS
• Communications Supply Service Association	AR	Kaplan Telephone Company, Inc.	LA
• Community Telephone Company, Inc.	TX	Lipan Telephone Company, Inc.	TX
Copper Valley Telephone Cooperative, Inc.	AK	Litestream Technologies, LLC	FL
Council Grove Telephone Company, Inc.	KS	Livingston Telephone Company	TX
CP-Tel Holdings, Inc.	LA	Local Exchange Carriers/Cass County Telephone Co.	MO

Margaretville Telephone Company, Inc.	NY	• South Plains Telephone Cooperative, Inc.	TX
McHenry Telephone Company, Inc.	TX	• Southwest Arkansas Telephone Cooperative	AR
Mid-Plains Rural Telephone Cooperative, Inc.	TX	• Southwest Texas Telephone Company	TX
Mid-South Telecommunications	TX	• Spectracomm, Inc.	AR
Milagro Wireless	NM	• Spruce Knob Seneca Rocks Telephone Company	WV
Millennium Telcom, L.L.C.	TX	• Star Telephone Membership Corporation	NC
Mon-Cre Telephone Cooperative, Inc.	AL	• Steelville Telephone Exchange, Inc.	MO
Moundville Telephone Company	AL	• Swayzee Telephone Company, Inc.	IN
National Telcom Corporation	MD	• Syringa Network, LLC	ID
New Paris Telephone	IN	• Taylor Telephone Cooperative, Inc.	TX
Nicholville Telephone Company, Inc.	NY	• Tech Telephone Company Limited Partnership	TX
NORTEX Communications Company, Inc.	TX	• Telapex, Inc.	MS
North Carolina Telephone Coop. Coalition, Inc.	NC	• Tennessee Independent Telecom. Group, Inc.	TN
Northeast Louisiana Telephone Company, Inc.	LA	• Texas R.S.A. 3 L.P.	NM
• Oxford County Telephone & Telegraph Company	ME	• The Texas Lone Star Network, LLC	TX
Peoples Telecommunications, Inc.	KS	• The Tri-County Telephone Association, Inc.	KS
Peoples Telephone Cooperative, Inc.	TX	• Townes Telecommunications, Inc.	AR
Piedmont Telephone Membership Corporation	NC	• TRC Engineering Services, Inc.	TX
Pioneer Telephone Association, Inc.	KS	• Tri-County Telephone Membership Corp.	NC
Pioneer Telephone Cooperative	OR	• Tupelo Street Ventures, Inc.	LA
Pioneer Telephone Cooperative, Inc.	OK	• Twin Lakes Telephone Cooperative Corporation	TN
PMN, Inc.	SC	• UDP, Inc.	TX
Poka-Lambro Telephone Cooperative, Inc.	TX	• Union Telephone Company	NH
• Project Mutual Telephone Cooperative Association	ID	• Uwharrie Communications Services, Inc.	NC
• Rainbow Telephone Cooperative Association	KS	• Valley Telephone Cooperative, Inc.	AZ
• Rock Port Telephone Company	MO	• Valley Telephone Cooperative, Inc.	TX
• Santa Rosa Telephone Cooperative, Inc. (TX/OK)	TX	• Venus Telephone Corporation	PA
• Scott County Telephone Cooperative	VA	• Vermont Telephone Company	VT
Selectronics Corporation	VT	• W.A.T.C.H. TV	OH
Slic Business Solutions	NY	• Waverly Hall Telephone Company, Inc.	GA

- West Carolina Rural Telephone Cooperative, Inc. SC **D&O Only Accounts**
- West Side Telecommunications WV DeKalb Telephone Cooperative, Inc. TN
- West Texas Rural Telephone Cooperative, Inc. TX Delhi Telephone Company NY
- Wes-Tex Telephone Cooperative, Inc. TX Golden West Telecommunications SD
- Wilkes Telephone Membership Corporation NC Palmetto Rural Telephone Cooperative SC
- XIT Rural Telephone Cooperative, Inc. TX SCTG Holdings SC
- Yadkin Valley Telephone Membership Corporation NC Telephone Service Company OH
- Yeoman Telephone Company, Inc. IN
- Yorkville Telephone Cooperative, Inc. TN • *Indicates a Directors and Officers policyholder*



Marilyn A. Blake, CRM

Risk Management

“Education is the most powerful weapon which you can use to change the world.”
--Nelson Mandela

While the Telcom Risk Management (TRM) department does not offer educational materials to change the entire world, our goal is to change, through safety and loss prevention training/education, the risk management climate at the individual member’s local level. In 2002, we saw many of Telcom’s tried-and-true risk management programs continue as a service to the membership. The *Risk Management Matters* newsletter offers insurance coverage, safety, human resources, and claims prevention and processing information in a glossy six-page color format to all regular members of NTCA. On a quarterly basis, timely safety items and informational brochures such as “the importance of having the proper tire pressure and adequate tread on tires with a tire gauge”, “summer safety and bee sting kits” and “how to detect carbon monoxide poisoning with a detector” are mailed to all the members of NTCA. As an organization, we provided three articles published in the Rural Telecommunications Journal. At the NTCA Annual Meeting, all Regionals, Fall Conference, and Legal Seminar, we continue to provide educational seminars on current insurance and risk management topics.

In light of the effects of September 11th, there was a demand by the membership to be better prepared for an emergency and to understand how their insurance policies could be affected if one occurred. We developed a simple fill-in-the-blank Emergency Preparedness Plan to serve as a springboard to help telcos meet the OSHA requirement of having a written plan. A short seminar on how to develop and implement just such a plan was presented at several industry and statewide association meetings. Additionally, the Underwriting department developed a presentation on the terrorism exclusion and how 9-11 had affected the insurance industry and marketplace. Both presentations were a compliment to each other and offered the membership some sound advice.

The Annual Risk Management Conference, held in Santa Fe, New Mexico, had more than 50 participants from 33 systems—four of which were not current Telcom policyholders. It was a great opportunity for the representatives from the insurance providers that partner with Telcom to be introduced and actually meet some rural telco people. We discussed the world marketplace, the advantages of a captive, emergency preparedness planning, terrorism exclusions, proper valuations for your property and equipment, and how to establish an effective return to work program. It truly was a “refreshing look at risk management”.

Claims management is one of the main reasons we have a risk management department. Telcom acts as a liaison and facilitator on behalf of the policyholders to the carriers. Currently, we monitor Travelers and Liberty claims through web-based reporting methods. These systems enable our claims specialist to review claim details, communicate with adjusters, and produce reports needed by the finance and underwriting departments as well. Claims management is certainly a big part of risk management in identifying trends so that risk control methods can be enacted both at a local telco level and at the captive level.

Not to be content with the status quo methods of communicating risk management and insurance advise, our brand new interactive website is up and operational. The goal is for the site to be a very user-friendly resource guide for all members of NTCA. Whether it is a Telcom specific form or safety video or an article on some specific property casualty insurance and/or risk management tool, you’ll be able to find it at the site www.TelcomInsGrp.com.

All of these programs in combination provide a powerful weapon in risk management education.

Telcom Team

"The achievements of the organization are the combined efforts of each individual."
--Vince Lombardi



specialty lines coverages in areas such as Directors and Officers, bonds and Cyberliability. Janice and Chris work together to service the needs of members in Regions 7, 8, and 10. Todd and Joyce work together to respond to the needs of members in Regions 1, 2, and 3. Todd is also the field representative in Region 5. Peter handles field representation in Regions 4, 6, and 9.

The Telcom team is composed of a group of dedicated professional individuals who work diligently everyday to provide all of the members of the NTCA with the best property casualty and insurance risk management services possible. The 2002 team is composed of literally 3 departments which are: Underwriting/Field Services, Risk Management, and Administrative/Corporate. Peter Elliott, as the CEO, directs all aspects of company operations and is ultimately responsible for underwriting, risk management, financial, and corporate functions.

In 2002, the Underwriting Department was composed of a Director of Program Development, Jim Mizell, an Underwriting Specialist, Sue Flanders, two Underwriting/Marketing Technicians, Janice Johnson and Todd Travis, an Underwriting Secretary, Pam Green, and two field representative, Joyce Hermann and Chris Jones. As a group they handle the entire underwriting process from initial visit, to application, to binding, and customer service for each individual account after binding. This group handles all the core property casualty lines as well as

The Risk Management department includes, Marilyn Blake as the director. Administrative help is provided by Rochelle Knick. Cheri Condee, who acts as the day-to-day claims specialist, rounds out this department. The risk management department, is responsible for internal human resources, claims and trending, safety and loss control education and training, meeting and seminar planning, and all Telcom publications.

The Administrative/Corporate department is headed by Mike Huffman who is the CFO. He is ably assisted by Beckie Menard in managing all financial and office management functions of the company. Cheri Condee is the corporate affairs contact for handling Shareholder and Board needs for the officers.

Together, the combined efforts of this team of individuals provides outstanding professional services to the members.

2002 Meeting Milestones

A Year in Review

California—The Land of Opportunity... NTCA's Annual Meeting and Expo February 10-14, 2002



The weather was bright and sunny and made it a pleasure to walk from any one of the conference hotels to the Convention Center. As usual,

NTCA hosted a great meeting, and we were proud to be a part of it. Telcom was pleased to host our annual "Special Friends" Breakfast on Monday morning at 7am. We had a wonderful turnout. We are grateful to our Shareholders, Board of Directors, and Policyholders for trusting us to administer your business insurance program. And, this is our opportunity to say thanks!

The theme was patriotic in nature in remembrance of 9/11 and the Olympics (which were happening in nearby Salt Lake City). The short program highlighted the companies who had experienced extremely low losses for the 2000 policy year. We, also, had 6 raffles for prizes that included patriotic shirts, California theme items, and gift certificates. The winners of the raffles were: Linda Missildine, Cindy Adams, Robert Broyles, Kirby Burert, Bill Miller, and Doug Horne. Hope you all enjoyed your prizes; better luck next time to those who didn't win a prize.

In addition to a Board of Director's meeting on Tuesday morning, we also had a booth set-up at the Expo Hall. At the booth, we gave away bottles of water in Telcom cozies to promote our annual Risk Management Conference. The theme was "Take a Refreshing Look at Insurance Risk Management"; hence, the refreshing water as a kickoff.

NTCA's Regionals

On Tuesday afternoons (Thursday at Region 6), we presented a workshop on the "Tricks and Traps of Employment Practices Liability." On average, employer-defendants lose 60%-70% of all cases filed against them by the EEOC. So, this session covered the current workforce marketplace (layoffs, ADA, and harassment), various options for purchasing insurance, and some sound risk management tools that could be used to help prevent potential employment practices claims.



2002 Risk Management Conference Santa Fe, NM June 9-11, 2002

The annual risk management conference is a time to network with other NTCA telecommunication company professionals and to gain a better understanding of property/casualty insurance and risk management specific to your companies. The two-day session included:



Liberty Mutual and Telcom ... What's New?

Telcom had a new partnership with Liberty Mutual Group to provide a comprehensive commercial insurance package for the rural telecommunications industry.

The World Marketplace in 2002

The changing dynamics of the world marketplace in the past few months is having a dramatic effect on the world in general and on insurance specifically. NTCA's captive, Telcom, has advantages in these turbulent times.



Terrorism Exclusions

No doubt, some form of a terrorism exclusion is likely to find its way to your policies in the very near future—if it hasn't already. What's the insurance industry is saying and doing about this topic?

The Importance of Emergency Preparedness Planning

Each year, emergencies take their toll on businesses in both lives and dollars. Planning ahead isn't only an OSHA requirement, but it can limit injuries and damages and help you return more quickly to normal operations.

Valuations Explored

There are various methods to determine valuation of your property. Telcom works to make sure your values are accurate before you sustain a loss.

WorkForce Fitness

There's a breakthrough approach to reduce lost work time, recapture lost productivity, and work more effectively with healthcare providers to manage Workers Compensation costs. It's not the typical return-to-work program.

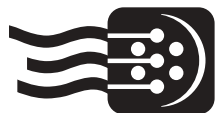
NTCA's Fall Conference Las Vegas, NV September 22-25, 2002

Telcom sponsored a session on "The Risks and Liabilities of Mergers". The session addressed risk management, commercial general liability insurance, percentages of ownership, board governance, successor liability, an employee issues generated by an acquisition or merger. Additionally, Peter Elliott and Marilyn Blake presented a seminar on "Emergency Preparedness—Minimize the Damage". This session focused on establishing a planning team, analyzing capabilities and hazards, developing a plan, and exploring standard property/casualty terrorism exclusions and risk transfer through insurance options.



Fly sheet

Fly sheet



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