

risk management MATTERS

A Risk Management Newsletter for NTCA Members

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Join us for NTCA's Annual Meeting & Expo February 8-11, 2009

Because we know you have a busy schedule, we thought we'd let you know where we're going to be during the meeting. We hope we'll get "to visit" at all of these events:

Sorry all, but the Super Bowl will be over by the time the Annual Meeting comes this year. So, there is no Super Bowl party sponsored by Telcom this year. But, never you fear, I know we are going to have some fun times still.

Monday, February 9th: Bright and early from 7a-8a our Policyholders, Board, and Shareholders are invited to join us for a special "Thank You" **breakfast**. It's invitation only and you must respond to the invitation that you received by Jan. 26, 2009 so that we can have enough food and fabulous goodies for everyone. Contact Marilyn at MAB@telcominsgrp.com, if

you have questions. (*Hyatt Regency—Beacon Ballroom*)

Tuesday, February 10th: TIG's Board of Directors meets from 8am-11am (*Hyatt Regency Seaview A Ballroom*) and the Expo opens. We're at **booth #336**. We'd love to say "hi" and visit with you; so, we hope you'll stop on by. Also, we're hosting a Workshop from 1:30p-2:15p and repeating at 2:30p-3:15p on "Insuring Intellectual Property and Other Intangible Risks - How to Protect Yourself".

Exact locations and times are subject to modification. So, please be sure to check out the program when you arrive for the specifics. We look forward to this opportunity to see so many of our Telcom family members and to get acquainted with some new ones too.

See in soon in what we hope to be "Sunny and Warm" California!

Presidential Matters 2009

By Peter J. Elliott, CPCU

Happy New Year! The past year, 2008 was a challenging one for our nation. The economic turmoil touched almost every American and virtually all industries including telecommunications and insurance. It is times like these that the staff at the Telcom Insurance Group is proud to have a positive impact on the operations of so many National Telecommunication Cooperative Association member companies. We embrace the fact that our job is to protect you by minimizing the potential for loss from the foreseen and the forecasted. However, even the best insurance loss prevention specialist cannot completely eliminate accidents or predict the future and that means our work is not done until our valued customers have been assisted in their time of need. At last count, 234 member companies, which is 41% of the total NTCA membership, sought us out for our expertise in exposure recognition, loss minimization, coverage solutions, and claims assistance. This is a true testament to the way that we conduct ourselves in our business, which is professionally but with a personal touch driven by a sincere care for those we protect.

How did you make your insurance buying decision? Was on expertise of the agent? How well informed do you think your insurance provider is about the evolving trends, which include regulation and economic conditions, which impact you as a telecommunications provider? Maybe knowledge isn't that important. Possibly choosing an insurer should strictly be based on the premium with the lowest cost being most important. All insurance is basically the same, right? Beyond your choice being made on cost and expertise, I am sure that the relationship that you have with your provider offers you a feeling of security and trust and it plays into your decision to some degree. Hopefully, you have used some combination of these techniques to determine what is the best insurance option for your company.

Honestly, all insurance is not the same and it is easy to be fooled by a variety of things. For instance, with the challenges of 2008 were you and your agent prepared for the economic

turbulence, the weather catastrophes, and the intellectual property or data liability risks that the year developed?

With regard to the economy, the typical insurance provider might state that a poor economy is simply a business risk which is uninsurable. Nice answer, but not true. For businesses that extend large amounts of credit there is protection against a default with receivable insurance and not the standard kind found in the normal telecommunications insurance products. The economic challenges that the country has faced did not creep in silently overnight. Did your agent or provider ask you anything about your concerns and analyze the risk you faced? Maybe it wasn't that important...

After Hurricanes Katrina and Rita in 2005, everyone had their eye out for exposure to weather catastrophes. However, 2006 and 2007 were relatively incident free, and it lulled many back into a sense of false security. Well, 2008 snapped us back to reality as flooding hit the Midwest States hard and Hurricanes like Ike and Gustav that tore through the Gulf Coast proved that insurable losses of \$11 billion were still possible. Were you and your agent or provider prepared for these events? Did your policy cover your underground plant against the peril of flood? Maybe coverage just wasn't that important...

By now you are sick of hearing about Customer Proprietary Network Information and Red Flag Rules, but has your agent or provider ever heard of them? The issues and exposure that these regulations brought to your attention is network security and data liability. The insurance industry has had policies that address these challenges since 2007. Were you aware of this in 2007 or even last year when the regulations were brought to your attention? Maybe it just isn't that important...

Trust is critical if you are going to rely on your insurance provider to analyze exposures with you and even if you do not agree that the items that I have listed as problems in 2008 posed a threat to your business, you still hopefully see how important it is that your agent has at least



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Underwriting Matters

By Susan L. Flanders, AU, CISR

What's the Value of Your Property Before a Loss and How Much Will it Cost You to Replace it After a Loss?

Replacement Cost versus Actual Cash Value

Many people mistakenly believe that insurance will always put them back “whole” to the same as they were before a loss. Definitely, this is one option for some forms of property, but unfortunately, not everyone has chosen this option...and some don't even know it. Insurance is purchased to protect against major losses. However, many insureds could still have substantial losses after receiving payment from the insurance company because the typical payment may only cover the depreciated value of the property and not the cost to replace it. In these cases the insured may have to replace the property for substantially more cost than what they received in an insurance settlement.

Who determines the value of replacing your lost/damaged property? Well actually you do, with the help of an agent who understands your business, when you choose a method of valuation of your property. Replacement Cost is defined as the cost to repair or replace damaged property with like, kind and quality, (less deductions for wear, tear and deterioration) Actual Cash Value (ACV) is calculated by estimating the replacement value of an item, then subtracting the depreciation. Depreciation is the amount an item has lessened in value since it was purchased, taking into account age, wear and tear and market conditions. The only difference between replacement cost and actual cash value is a deduction for depreciation. Both are based on the cost today to replace the damaged property with new property that is like, kind and quality.

Many carriers offer replacement cost on real and personal property, but not all carriers insure contractors equipment (CE) on a replacement cost basis and some carriers limit the replacement cost for CE to equipment that is less than 8-10 years old. If you have a total loss to your equipment, this could cost you higher out of pocket expenses than you expected. For example: A trencher catches fire and is totally destroyed, the trencher was purchased new in 1991. It is insured to value and the cost to replace this trencher with a new one that is like, kind and quality is \$50,000. If you only have ACV on

the CE, the carrier will depreciate the trencher for wear and tear which may result in a payment of \$13,500 vs. \$50,000. The insured would pay \$36,500 out of pocket for expenses to replace the equipment with like kind and quality. It works similar to your automobiles when it comes to depreciation. This could make a substantial difference in insurance recoverables—especially on older contractor's equipment. We know that sometimes you have some older big contractor's equipment that you don't use very often, certainly not as often as your trucks, and therefore they are still around for you to occasionally use. It might not be every day that you need it, but when you do need it—you need it.

A third valuation method is called Functional Replacement Cost. Functional Replacement valuation is the cost to replace the damaged or destroyed property with property that serves the same function. Functional Replacement is typically used for older properties with expensive and obsolete features which are replaced with less expensive and less costly material. This same valuation can be applied to equipment and personal property. Would you want your equipment or parts replaced with like, kind and quality or less expensive equipment that serves the same function?

Sometimes valuations vary with different types of property within the same policy. For example: Buildings may be insured for replacement cost, Contractor's Equipment could be insured for ACV and Central Office Equipment for Functional Replacement cost. It is important to understand the type of valuation method used by your carrier **before** a loss occurs. Review your policy and if necessary ask your agent to explain how your policy would respond in the event of a loss. Understanding your policy before a loss occurs can help prevent disappointment and confusion.

After a loss, is not the time to dig-out your policy and see what kind of valuation that you bought. Talk to your agent now and make sure that you have what you need. If you're already with Telcom, then we're confident that you will be protected and have the right valuation on your property.



It is important to understand the type of valuation method used by your carrier before a loss occurs.

Claims Matters

By Cheri L. Condee, AU

The Claims Process

With the New Year starting, Telcom Insurance Group's Claims Department would like to share with you an overview of the claims process; beginning with the "Notice of Loss" to the insurance company and ending when it is settled and paid.

Telcom receives calls similar to this; "I have my first claim to file and I really am not sure where to start" or, in other instances the telco has not had a claim for a long time or, perhaps it's a claim situation that is not what you consider to be an everyday claim! In any of these situations we always welcome your calls, and we are glad to help walk you through the claims process!

All reports for claims have a common ground in the beginning of the claims process: When a loss notice is filed with the insurance carrier there are some general practices that are followed for all claims, including Workers Compensation. The general flow for the beginning of the claims process is:

- As soon as the insured becomes aware of a possible claim, the claim is reported using the Acord Loss Notice or, for all Workers Compensation claims, by calling the 800 reporting number.
- Once the claim is reported, a claim number is assigned, as well as a claim professional, who will have oversight of the claims process.
- The carrier strives to make contact with the insured within 24 working hours of the loss notice. If initial attempts to contact are unsuccessful, the carrier will continue to follow-up until contact is established. Claim acknowledgement letters are issued to confirm receipt of a claim (the claim acknowledgement letters are sent out on a weekly "batch" mailing).
- Statements may be requested from the parties directly involved with the claim.
- 1317). Do not wait until you have all of the information, a short description and a contact name is enough to get the claim started.
- The faxed claim data is automatically routed to the correct department for follow-up to the insured contact listed on the Notice. For your convenience, Telcom includes the "master Loss Notice forms" with your insurance binder package and with you policy manual.
- The claims professional assigned to the loss will determine whether the claim submitted requires an onsite review or if the insured only needs to submit documentation for the loss.
- If an on-site claims professional is required, an appointment is scheduled with the insured to see the damaged property. The on-site review is typically done by a local independent adjuster who works for the carrier. They complete their reports, typically within 30 days, and supply their information to the claims professional.
- The insured will be asked to provide documentation for the loss which may include, invoices, labor hours for repairs, names of witnesses (if applicable), or reports to a local authority/police.
- Once you have submitted the documentation and it is compared to your policy coverages, your claim contact may have additional requests or questions which will help clarify the loss.
- Finally, at the end of the claim process you will be contacted in regards to finalizing the loss. The terms vary according to the type of loss, for example, a property loss is finalized by a "Sworn Statement in Proof of Loss, which will list the loss total claim amount less the deductible applied. If it is an auto claim, the claims professional will seek an "agreed figure" for the repair or replacement of the vehicle.

Reporting Property, General Liability,

Crime and Auto Claims: The specific process for any of these types of claims is to complete the Acord Loss Notice that Telcom provides for you (as much as you know at the time of loss) and FAX it to Great American (888-223-

Reporting Workers Compensation (WC)

Claims: Use the 877-836-1555 to report all WC. This reporting number goes directly to the claims reporting center that is open for use 24 hours a day, 7 days a week.



We always welcome your calls, and we are glad to help walk you through the claims process!

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Human Resource Matters

By Marilyn A. Blake, AU, CRM

It's Time to Post the OSHA 300A Log Summary (Feb-April)

The Occupational Safety & Health Administration (OSHA) is an agency of the Department of Labor, and the Act was signed into law by Richard Nixon on 12/29/70. Its sole responsibility is to provide workers safety and health protection while on the job. OSHA applies to all private-sector employers/employees in the 50 states and all territories and jurisdictions under federal authority that have 10 or more employees or are in a high hazard job category. Telecommunications is considered high hazard. It does NOT cover: self employed, immediate members of farming families, or state/federal employees. OSHA's mission is to send every worker (more than 115 million workers in the US) home whole and healthy each day by providing safety and health information, training, and assistance to workers and employees.

The OSHA requirement of recordkeeping includes the OSHA 300 log, 301 incident report, and 300a Summary sheet of the log. Some key components of the 300 log are:

- It is for a specific calendar year (January to December regardless of your fiscal year)
- Injuries/illnesses must be recorded within 7 calendar days of the incident
- If the situation changes from the original recorded information, draw a line through the original entry and check off new information as appropriate
- There is a 180 calendar day "cap" on each individual injury/illness (includes weekends not just work days but not the day of the injury)
- The Employer must keep the 300 log for 5 years following the year to which it pertains
- Recordkeeping should be done for each work site; contact your state specifically for definition of work site
- Do not send the completed forms to OSHA unless requested to do so
- The 300A Summary must be posted from Feb. 1-April 30 in a conspicuous place

- Totals of all categories
- SIC Code: Telephone Communications=481
- NAICS: 517---
- Total the number of employees and total hours worked (include part-time, seasonal, temporary)
- Must be certified/signed by a company executive/officer/general manager

Have questions?

OSHA has a "frequently asked questions" section at their website, www.osha.gov, that you can use to find an answer to most of your questions. We also have some handbooks and a video or two that could be of assistance. If you have questions, please contact Marilyn Blake at 301-220-1085 and we'll be happy to help in any way that we can.



Telcom Matters

FUN FACTS

- **Upcoming Holidays:** Our offices will be closed on **Monday, February 16th** for the President's Day holiday. Please report all claims directly to the carrier. If you need claims reporting phone/fax numbers, please dial our main line at 301-220-3200 for a complete listing.
- We offer our Congratulations to the following Telcom family members:
 - Welcome Sid Applin, the new General Manager at Alenco Communications, in Texas to our family of policyholders.
 - Wish Les Anderle, of Community Telephone Company (TX), good wishes as he plans to retire on April 1, 2009.
- We ask that you keep Alvin Fuhrman of NORTEX in your prayers for a speedy recovery from a recent serious hospital visit.
- We would like to invite you all to meet our newest Telcom employee. Tina Wynter started as a Risk Management Assistant on January 12th. Tina is married with two children, her daughter Jordan is 10 years old, and her son Kirk, II is 4. Tina and her husband, Kirk, own a part-time photography business; you can see some of their work at www.KirkWynter.com. They photograph a wide range of subjects, but they specialize in weddings and family portraits. Tina is also a Girl Scout Troop Leader; she leads an active Troop of 12 girls. Along with being an avid bike rider, both mountain and road, she enjoys any challenging outdoor activity. We're excited about what she brings to the table and will be happy to have everyone meet her. Her email is TMW@telcominsgrp.com and her phone number is 301-220-3206.

March: Keep America Beautiful

Telcom's Spring Art Contest for the kids in your local communities will focus on Keeping America Beautiful which is typically celebrated during the month of March. Watch for upcoming mailings at the beginning of March for more information on how you can enter. We offer prizes from \$100 to \$50 in three age groups (under 8; 8-10; and 11-14) for the most creative pictures on 8 ½ by 11 papers depicting various ways to save and protect our planet. We publish the winners in our newsletter and on our website.



Random Acts of Kindness Week is February 9-15



Many of us set personal goals as we enter a New Year—why not resolve to practice kindness? Performing acts of kindness not only benefits the receiver of kindness but the doer as well. In fact, practicing kind acts has been proven to benefit both one's mental and physical health! Check out this website for more information: www.actsofkindness.org.

5 Ways to Use Your Tax Refund

1. **Pay Down Debt:** Consider paying down higher-interest debt or completely eliminate your smaller debts.
2. **Fund Your Retirement:** How much are you putting away for retirement? Consider investing your tax refund in a tax-favored retirement account.
3. **Add To Your Emergency Fund:** Financial experts recommend everyone have about six month's worth of living expenses in interest-earning liquid accounts as an emergency fund.
4. **Make Home Improvements:** Putting your tax refund toward necessary home improvements is money well spent.
5. **Donate to a Charity:** Many times, you can deduct the amount of your contributions on your next tax return.



Remember: When you receive a large tax refund, you've really given the IRS an interest-free loan. Check the IRS website (www.irs.gov) or with your human resources department to check your withholdings and get more information.

Presidential Matters

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discussed them with you and allowed you to dismiss by choice and not by chance. Ignorance maybe bliss but that all changes when an uninsured loss happens. At Telcom Insurance Group, we have insurance products, coverage, and risk management tools available to address all of the major challenges that I have stated for 2008 and they have been in place since 2007.

I believe that you buy insurance from people you trust that understand your business not just on the surface but in depth. This statement, a person you trust with in depth knowledge of your industry, creates a formula for the best buying decision. Our staff is always looking for

ways to demonstrate how Telcom differs from other insurance programs for telecommunications providers. In most cases, relationship development is our primary focus which establishes trust. This often leads to a friendship with our customers. It is very common to see this connection mature into the oneness that many families share. Our sole focus on the telecommunications industry and examples of our product development that I have already shared point to an insurer with in depth knowledge of the only industry we serve. The Telcom staff and I are extremely grateful for the opportunities we have to care for the members of the NTCA that have

placed their trust in us. We enjoy the positive and negative feedback that we are offered because it helps us grow. It is very clear to all of us that where you insure your telecommunications business has *always been a matter of trust* and we seek to earn it each year.

In 2009, I hope to meet many of you at NTCA events, Statewide meetings, and on personal visits to your offices to tell you more of the Telcom story. This Company has a proud history and legacy. Thank you for your support and making this possible.

Claims Matters

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- The intake operator will record the data for the accident/injury information and send it electronically to the geographically correct "claims adjusting center".
- The called in claim also automatically starts the preparation of the First Report of Injury for submission to the proper state office, electronically. To be prepared for all of the questions that will be asked, to provide your state with the First Report of Injury, check the WC posting notice materials that Telcom sends to you.
- A claim number and a claim's professional are assigned based upon your geographic area.
- The type of WC claim submitted will determine the process of the claim from this point, if it is an incident report only (which means that there is not a claim at this time, just notice of a potential claim) or, if it is a medical only report (meaning there will not be any lost time) you

will receive a notice in the mail stating this and how you should proceed if additional help is needed in either situation.

- If the reported claim will result in lost time for the employee, the employer will receive a call from the claims professional, who will explain what to expect and what information will be needed; the claims professional will attempt a three-point contact (for lost time claims) including, the employer, the employee (claimant) and the physician.
- Workers' Compensation claims are regulated state-by-state. There are general principles that apply to the majority of states, but each state's particular statutes and regulations make up their laws and ultimately govern that states Workers Compensation system and how the work injury is rated for settlement purposes. The claims professional handles your claim in accordance with your state's laws and statutes.

Finally, what about those claims that you think won't really ever be a claim! The best advice from an insurance carrier is to always report the matter—you can report it as an incident, it won't cost you anything except the reporting time, and if nothing ever comes from the situation the claim will be closed.

After the claim is filed and before it is settled: Remember, since no two claims are exactly alike, there will be variations in each loss submitted as to the processes and adjusting of the claim. Telcom provides information and help with all claims matters for our policyholders. *We really are just a phone call away*, and if you have any questions or need additional information and resources for any claims matters; please visit the Telcom website: www.TelcomInsGrp.com or call 800-222-4664 and ask for Cheri Condee (ext. 1082) or Marilyn Blake (ext. 1085).



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