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Temporary Services Insurance Ltd.



A N N U A L R E P O R T

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Temporary Services Insurance Ltd.



## letter from the president

Dear Shareholders:

Temporary Services Insurance Limited (TSIL) continues its growth trends constructed on a formidable foundation of superior performance and sterling reputation in the marketplace.

By any measure, 2007 was another successful year. Annual business highlights include:

- Over 63 million dollars in annual premium
- 115 active member/owners
- 2.1 billion dollars in covered temporary payroll
- Member/owner retention rate of 98%
- Above-market returns on our Captive Investors Fund investments
- Recognition as one of the largest owner-operated captive insurance programs in the world

TSIL has continually demonstrated a superior risk management and insurance product in this market niche by the direct involvement and commitment of its members/owners. Supported by a cadre of the finest professional service providers, TSIL offers stability and consistency in the volatile business worlds of insurance and temporary staffing.

Looking forward, our future is bright and promising as involved member/owners endeavor to meet TSIL's strategic goals:

- To lead the alternative insurance market through continuous innovation
- To achieve world class risk control for its member/owners
- To offer the highest value in workers compensation insurance

Please share in the pride that the Executive Committee and all the other committee members have in the achievements of this last year as we celebrate fifteen years of success. It has been our privilege to lead this dynamic organization.

Sincerely,

Gordon R. Friedrich

*TSIL President*



## History & Mission

Temporary Services Insurance Ltd. (TSIL) was created to meet the needs of businesses to obtain adequate insurance coverage at affordable rates. The founders of TSIL perceived that the commercial insurance industry was not responsive to this basic commercial necessity.

Through numerous meetings, consisting primarily of typical business owners, TSIL was formed in 1993. With the assistance of Captive Resources' experience in the formation and ongoing consulting to offshore insurance companies, the original members of TSIL sought to create a more customized, affordable insurance alternative. In forming TSIL, the goal of these business owners was to increase buying power and allow member companies many of the same advantages of control generally afforded to only the largest of companies.

The mission of TSIL is to provide the highest quality insurance protection and services for its shareholders. By bonding together to create true sharing of risk, the shareholders can control their insurance costs and avoid the volatility of the general insurance industry. Additional benefits are created through the increased assurance of coverage, the stabilization of premiums and the improved management of risk through effective loss control.

TSIL, through the active participation of its shareholders, will endeavor to provide the long-term security of a well-managed offshore insurance company. To meet this goal, only those providers of services that can meet the highest standards of excellence shall be associated with TSIL. From the very beginning, only known experts in their respective field of insurance support services were used in the formation of TSIL.

The philosophy of TSIL emphasizes that insurance is a manageable cost. Through the understanding of insurance as a business, TSIL shareholders have unveiled the mystique of the insurance industry and the indiscriminate nature by which costs are determined. Based upon this simple yet powerful concept, TSIL has grown to a company approaching \$65,000,000 in annual premiums in almost 14 full years of operation. Through ownership in TSIL, shareholders have indeed taken control of their insurance destiny.

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Temporary Services Insurance Ltd.

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# hospitality staffing

Philadelphia, Pennsylvania

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Temporary Services Insurance Ltd.

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### Structure & Shareholders Involvement

The company is licensed and managed in the Cayman Islands to reinsure risks from the issuing insurance company, Zurich North American Insurance Company, that is licensed and provides coverage in the United States. The type of coverage written by TSIL is Workers' Compensation.

The company requires that each shareholder also appoint a director to the TSIL Board of Directors. Every shareholder, regardless of premium size, has one vote. A simple majority governs. TSIL shareholder responsibilities include controlling losses, participating in board meetings, and educating other high quality companies about the captive concept. Management strength lies in a strong committee structure and the individual involvement of all directors during frequent meetings held both in the Cayman Islands and other locations outside the United States. Presently, the committees and their primary responsibilities are:

1. **Executive** - Comprised of officers, committee chairpersons and designated members at large. The Committee's focus is to develop long-range plans for the company based on strategic analysis.
2. **Finance** - Reviews the company's interim and audited financial statements and monitors each member's compliance with its financial obligations to the company. Also advises the board on policies for the investment of the company's assets.
3. **Underwriting** - Advises the Board on desirable risks to be assumed and ensures that these risks are adequately underwritten.
4. **Risk Control** - Sets loss control goals for the members. Reviews the 'watchlist' and works with members to meet the required loss control and claims management goals of TSIL.
5. **Membership Development Committee** - Develops new strategies for membership growth. Also assists members in educating prospective candidates about TSIL and the benefits of ownership.
6. **Nominating Committee** - recommends to the Board of Directors future officers and committee chairpersons for a two-year term.

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Temporary Services Insurance Ltd.

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# manufacturing staffing

Detroit, Michigan

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Temporary Services Insurance Ltd.

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### Member Premium Development

TSIL has developed an experience rated formula to be used in calculating a member's premium for each year. It is primarily based on a member's expected losses for the upcoming policy year, as projected by the actuary's review of the member's claims and exposure history. The following is a brief outline.

The intent of the formula is that each member pays a premium to fund for its expected ultimate losses but it allows for risk sharing and risk shifting amongst the entire membership for 'shock losses' i.e. infrequent large claims (over \$100,000).

To develop a member premium, each member's previous five-year loss and payroll history is collected and the data is then trended and developed by TSIL's actuarial firm. The actuaries then produce what they believe a member's predictable losses will be, plus what should be reserved for 'shock losses' which together becomes the member's loss fund.

Next, the operating costs of the program such as excess reinsurance, fronting costs, claims service, brokerage, etc. are calculated for each member. These costs are fixed percentages of total premium for all accounts.

Finally, the member's loss fund contributions and fixed costs are added together, producing its premium for each year.

In addition to premium charges, a member can be assessed up to a maximum pre-determined amount if its expected losses exceed its loss fund contributions for the policy year.



# clerical staffing

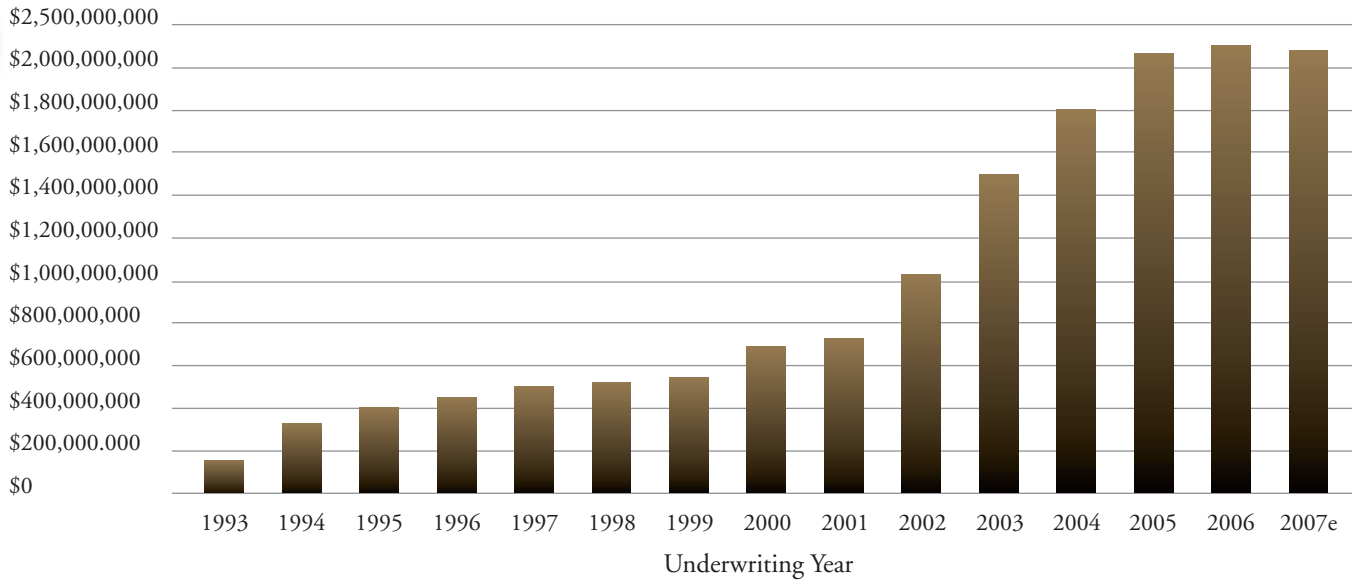
Miami, Florida

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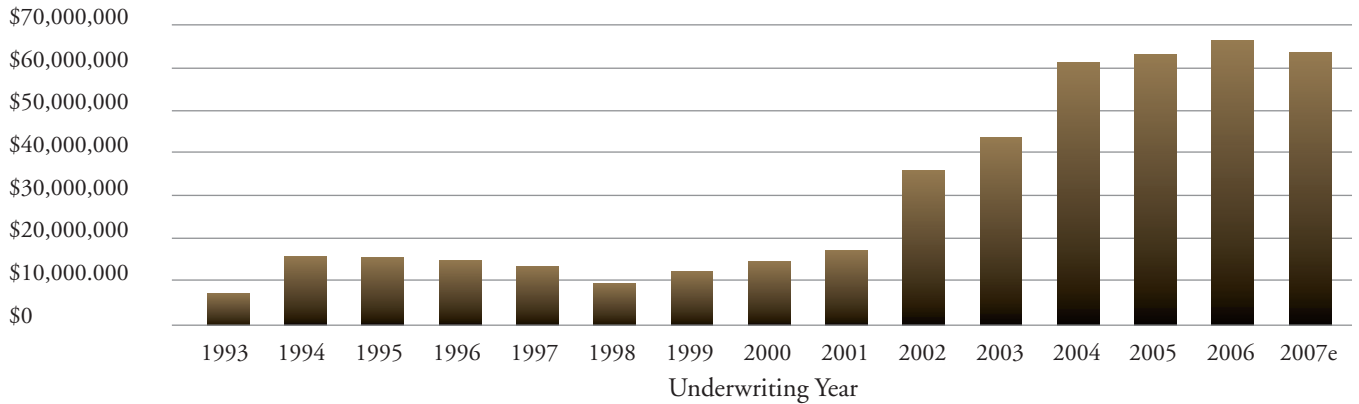
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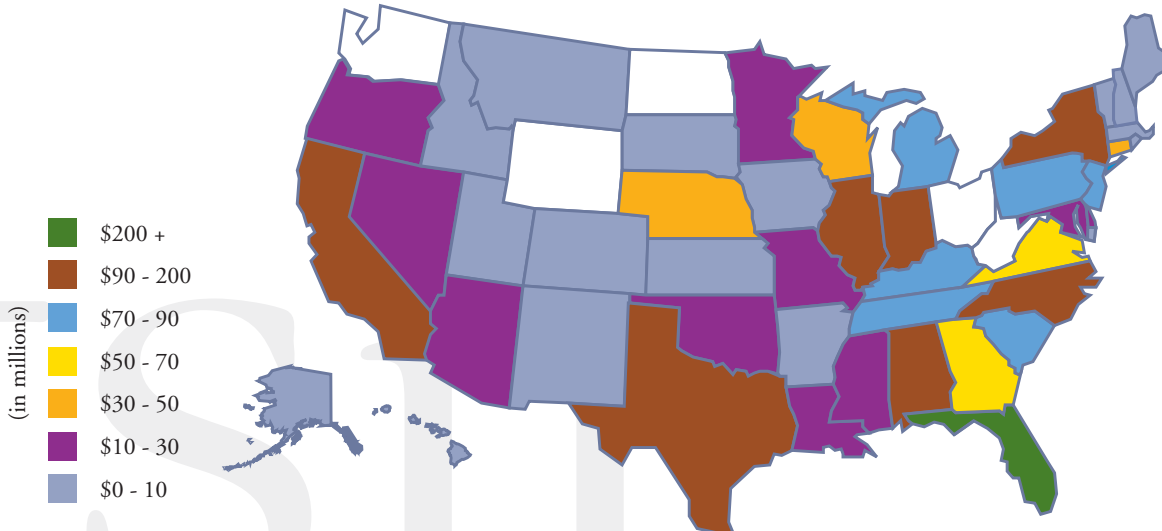
Temporary Services Insurance Ltd. Gross Payroll



Temporary Services Insurance Ltd. Historical Premium



Temporary Services Insurance Ltd. Payroll Regions



# medical staffing

Omaha, Nebraska



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Temporary Services Insurance Ltd.

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Temporary Services Insurance Ltd. **Balance Sheets**  
(Expressed in United States Dollars)

January 1,

Assets	2008	2007
Cash and restricted cash	\$20,768,014	\$8,457,163
Trading securities	103,428,768	92,271,890
Loss escrow funds withheld	8,441,000	7,041,000
Deferred cash flow premiums receivable	15,529,019	8,710,490
Premiums due from ceding insurers	3,904,265	7,328,954
Insurance balances receivable	13,635,448	13,449,021
Provisional claims indemnifications receivable	39,037,075	40,760,464
T2 Participants commissions receivable	-	426,148
Prepaid expenses and other accounts receivable	135,210	115,354
<b>Total assets</b>	<b>\$204,878,799</b>	<b>\$178,560,484</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
Reserves for losses and loss adjustments		
Reported	\$27,495,326	\$27,639,605
Incurred but not reported	71,305,227	67,588,869
	98,800,553	95,228,474
Losses payable	2,600,312	3,709,043
Accounts payable and other liabilities	3,494,400	1,052,571
T2 participants' commissions payable	266,449	-
<b>Total liabilities</b>	<b>105,161,714</b>	<b>99,990,088</b>
<b>Shareholders equity</b>		
Share capital	2	2
Additional paid-in capital	34,063,436	25,129,774
Retained earnings	65,653,647	53,440,620
<b>Total shareholders equity</b>	<b>99,717,085</b>	<b>78,570,396</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$204,878,799</b>	<b>\$178,560,484</b>

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# cumulative statement of income

Temporary Services Insurance Ltd. **Cumulative Statement of Income**  
 Period from January 2, 2007 to January 1, 2008 (Expressed in United States Dollars)

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	Tail Fund	2002 U/W YEAR	2003 U/W YEAR	2004 U/W YEAR	2005 U/W YEAR	2006 U/W YEAR	2007 U/W YEAR	2008 U/W YEAR	Total
<b>UNDERWRITING INCOME</b>									
Program premiums written by ceding insurers	0	22,231,426	35,382,228	43,582,536	60,205,710	68,143,948	65,727,633	63,210,974	358,484,455
Cost of excess of loss cover	0	(1,180,693)	(2,808,103)	(3,981,412)	(5,355,261)	(4,665,112)	(5,147,361)	(4,935,659)	(28,073,601)
Claims indemnifications	0	5,176,570	3,885,034	4,104,049	4,890,937	8,390,563	6,120,901	1,626,777	34,194,831
Provisional claims indemnifications	0	0	635,404	2,356,671	3,041,690	7,964,050	11,072,770	14,606,490	39,677,075
Policy issuance and referral fees	0	105,914	164,685	0	0	0	0	0	270,599
T2 participants' commissions	0	66,456	(511,255)	0	0	0	0	0	(444,799)
Provisional T2 participants' commissions	0	0	90,448	0	0	0	0	0	90,448
Funding	4,834,585	0	0	0	0	0	0	0	4,834,585
<b>Total Underwriting Income</b>	<b>4,834,585</b>	<b>26,399,673</b>	<b>36,838,441</b>	<b>46,061,844</b>	<b>62,783,076</b>	<b>79,833,449</b>	<b>77,773,943</b>	<b>74,508,582</b>	<b>409,033,593</b>
<b>UNDERWRITING EXPENSES</b>									
Losses incurred	4,382,725	16,380,174	20,843,196	26,325,004	34,499,997	50,620,995	52,726,006	48,480,000	254,258,097
Policy issuance and program operating costs	0	6,624,967	10,401,868	12,044,298	16,292,528	19,003,137	18,756,568	17,712,284	100,835,650
<b>Total underwriting expenses</b>	<b>4,382,725</b>	<b>23,005,141</b>	<b>31,245,064</b>	<b>38,369,302</b>	<b>50,792,525</b>	<b>69,624,132</b>	<b>71,482,574</b>	<b>66,192,284</b>	<b>355,093,747</b>
<b>Net underwriting income</b>	<b>451,860</b>	<b>3,394,532</b>	<b>5,593,377</b>	<b>7,692,542</b>	<b>11,990,551</b>	<b>10,209,317</b>	<b>6,291,369</b>	<b>8,316,298</b>	<b>53,939,846</b>
<b>Other expenses/income</b>									
Investment income	557,789	462,480	1,408,085	4,430,488	4,408,544	5,066,423	2,213,631	1,217,075	19,764,515
T2 Bad debt expense	0	0	0	0	0	0	0	0	0
Administration expenses	0	(557,130)	(695,822)	(898,581)	(1,168,455)	(1,605,888)	(1,184,407)	(1,270,042)	(7,380,325)
	1,009,649	3,299,882	6,305,640	11,224,449	15,230,640	13,669,852	7,320,593	8,263,331	66,324,036
<b>C Fund adjustment</b>	<b>0</b>	<b>(1,511,397)</b>	<b>(2,676,166)</b>	<b>(1,675,069)</b>	<b>3,170,357</b>	<b>10,099,200</b>	<b>0</b>	<b>0</b>	<b>7,406,925</b>
	1,009,649	1,788,485	3,629,474	9,549,380	18,400,997	23,769,052	7,320,593	8,263,331	73,730,961
Capital and security investment income allocation									7,869,341
Provision for doubtful debt									(2,640,000)
Bad debt expense									(730,000)
Dividends		(1,265,489)							(11,862,377)
T2/Ancillary net profit to settlement account		(522,996)							(714,278)
<b>RETAINED EARNINGS</b>									<b>\$65,653,647</b>

\*During the year ended January 31, 2008, the Company transferred the liability for all outstanding losses relating to the 2002 underwriting year into the Tail Fund.

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Captive Consultant  
Actuary  
Policy Issuance  
Reinsurer  
Insurance Brokers

Claims Administration  
Loss Control Consultant  
Captive Manager  
Bank

Captive Resources, LLC  
Pinnacle Actuarial Resources, Inc.  
Zurich North American  
ACE Tempest Re  
Arthur J. Gallagher, (TX & FL)  
JMB Insurance Agency  
Lyons Companies  
McElrath & Parrish  
Security Insurance Services  
Silverstone  
The Holmes Organization  
Wachovia  
WILLIS  
Gallagher Bassett  
Risk Control Services, Inc.  
Kensington Management Group, Ltd.  
RBC Royal Bank of Canada (Cayman Islands) Ltd.



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## membership criteria

Since each member of TSIL is an owner, the following criteria has been established to ensure the quality of membership and long-term strength of the company:

- 1: Management Commitment to Safety
- 2: Compliance with the Risk Control Program
- 3: Financially Strong Company
- 4: One Time Capitalization of \$36,000
- 5: Minimum Annual WC Premium of \$100,000

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## members list

A L Staffing  
A Team Temps  
A1 Contract Staffing  
Accuforce Staffing Services  
Action Staffing Group  
Advance etal  
AES Corporate Services  
Ahead Human Resources  
Alar Corporation  
All Medical Personnel  
Allied Personnel  
Alpha Omega Resources  
American United Employers  
Amtemps  
Argus Technical  
ATC Healthcare  
Atlas Staffing  
ATS Services  
Automation Services  
Best Personnel  
BG Personnel Services  
BJM & Associates  
Briggs & Briggs  
Bright Services  
C&A Industries  
Career Center  
Career Employment Professionals  
Careerxchange  
Certified Temps etal  
Coastal Connections  
Cone Financial Group  
Contract Professionals  
Creative Staffing  
Custom Staffing  
Davis Staffing  
Delta Personnel  
DePasquale  
Diversified Employment  
Dixie Temporaries  
dmDickason Personnel  
East-West Staffing

Elite Staffing Services  
Elwood Staffing  
EmployCo  
ERG Staffing  
ETS Staffing  
Evinco Professional  
Executive Staffing  
Favall Services  
First Call Temporary  
Focus of Georgia  
Friday Staffing Services  
Gage Personnel  
Gallman Personnel  
Gill Staffing  
Golden Employment  
Hamilton-Ryker  
Innovative Employee Solutions  
Integrity Staffing Solutions  
Jaci Carroll  
JC Malone Staffing  
Jerman Personnel  
Job Shop  
Judge Group  
JustiCorp  
Key Staff Source  
Lloyd Staffing  
Lofton Staffing  
Longs Personnel  
Mac, Inc.  
Mancan, Inc.  
Marquee Staffing  
MediScan  
Monroe Group  
MTP  
Northwest Services  
Northwest Staffing Resources  
Paramount Staffing  
Paula York

Peak Technical  
People Plus  
People Staffing  
Personnel Connection  
Personnel Plus  
Personnel Preference  
Precision Staffing  
Pro-Active Staffing, Inc.  
Pro-Image Solutions  
ProPeople Staffing  
Pro-Resources  
Qualified Resources International  
Qualified Staffing  
Quality Personnel  
Reliance Staffing  
Reserves Network  
Roper Personnel  
Savannah Outsourcing  
Select Staffing  
Solutions Staffing  
Squires Temporaries  
Staffing Associates  
Staffmasters, Inc. etal  
TeamQuest Staffing Services, Inc.  
Technical Works  
Temporary Alternatives  
Temporary Resources  
Thoemke Management  
Titan Staffing Systems  
TMD etal  
Tops Staffing  
TransHire  
Unistaff, Inc.  
Wal-Staf, Inc.  
Winston Resources  
Workforce Strategies  
Workplace  
Wyckoff Group

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[www.tempsinsurance.com](http://www.tempsinsurance.com)

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