



**“Nothing great was ever achieved
without enthusiasm.”**

Ralph Waldo Emerson

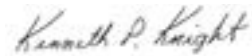
January 2018

Dear Stakeholder:

When most people see the term, 20/20, they think perfect vision. For us, 20/20 is a financial measurement that we'll achieve if we have perfect vision and flawless execution. Very simply, the first 20 represents 20% growth over prior year's commissions. The second 20 is 20% EBITDA (profit). Aggressive, right?! Yessiree, it is. But this simple term has resonated with everyone at the agency and has become our focus and vision.

2017 was the Year of Positioning for 20/20. We're excited to tell you more about all that we did in 2017 to prepare us to execute 20/20 in 2018 and beyond. Some very significant events took place that demonstrates our commitment toward 20/20, leading to our ultimate goal to remain independently owned and perpetuate for generations to come.

As always, we appreciate your support and partnership on our journey. Whether client, carrier, community, or team member, your involvement in our firm is essential to our success. Here's to our mutual success in 2018!



Kenneth P. Knight
Chairman of the Board



Bud Bonner
Chief Executive Officer



Samuel Hammons III
President



Diane T. Keil-Hipp
Chief Operating Officer



John Gage
Chief Information Officer

KNIGHT CROCKETT MILLER INSURANCE *Gage*

22

KCM CONSULTING FINANCIAL

Outlining our Strategic Plan

Last year, Bud Bonner joined us as the new CEO of Knight Insurance Group. When Ken Knight announced the news, he said, "Under Bud's leadership, we expect to make significant advances on our strategic goals." Well, the ship is picking up speed! We are very proud to share with you Bud's steps thus far in achieving our strategic goals.



**Bud
Bonner**

CEO of Knight
Insurance Group

**"Clarity is
power."**

Bold Law

Clarify and simplify our vision: 20/20

In creating the 20/20 vision, everyone in the agency knows our direction, focus, and expectation. It is our guiding star.

Become a Growth Engine

To do this, we have to write more new business than ever before. There are two ways to do this: add more salespeople and require more sales from existing salespeople. We did both in 2017: added three new salespeople in key departments and challenged our existing salespeople to set their sights higher, write larger accounts, and be accountable for their results. Long-term, our plan is to add 3-5 additional salespeople each year.

Become a Profit Engine

This goal requires us to examine our expenses and look for opportunities to reduce costs without sacrificing client service. We found opportunities to shave dollars here and there, reduce overhead costs, and gain productivity without adding cost. Work towards this goal will continue in 2018 and beyond.

Focus and Streamline

As we worked on these goals, we made another strategic decision: to sell our branch offices (Connersville, Hamilton, and Griffith) to the local managers. We feel this decision is a win-win for all parties. It allows us to focus our resources to achieve the 20/20 plan, and it provides the branch offices the opportunity to perpetuate themselves locally. Although one result of the sale is a decrease in short-term revenue, we will benefit from a more focused effort within our home office and believe that we will quickly regain—and exceed—our revenue, coupled with lower overhead cost.

This sale is a bold and brave initiative to be leaner, more profitable, and position ourselves for future growth.

Perpetuate for generations to come

Why are we so focused on 20/20? Ultimately it is to ensure that the agency remains independently owned for generations to come. We believe strongly in locally owned businesses—it is the lifeblood of communities across the country. We are also working on future ownership options that make perpetuation a systematic process, rather than a single event.

Your Local Agency

Over the last year, a very well-respected, multi-generational agency in Toledo was sold to a large conglomerate. Prior to the sale, this agency was heavily invested in the community and had a reputation as a successful local business that not only offered sound advice from quality carriers but also knew the importance of being civic minded. A competitor of ours, sure, but we shared a mutual respect.

The sale of this agency hit the community hard. Many clients, community organizations, and employees questioned, 'Why?' It caused us to reflect on the things we need to do to ensure that Knight Insurance Group does not follow that same path. We're not criticizing the decision of any local owner to sell his/her company. Owners sell for various reasons, and it's their prerogative. It is not our desire.

We believe in local businesses and the benefits they bring to the local economy, to local jobs, to schools, to city infrastructure, to community organizations, and to the livelihood of the greater region. It is our responsibility to perpetuate our agency for not just the next generation, but those to come. To do so, we have to increase revenue, generate a healthy profit, and set up a systematic way to pass on the agency to future leaders. This is why we are so committed to 20/20.

We also believe that our story is compelling...to prospects considering doing business with us and to potential employees interested in the insurance industry. It's exciting to have a hand in building something that's bigger, something that will have impact for years to come. We invite you to join us...as a client or an employee or a carrier.

Be a part of our success!

Golden Hammer Winner



Greg Corbitt

For the second year in a row, Greg Corbitt won the Golden Hammer at our 2017 Annual Meeting. This honor goes to the salesperson who wrote the most new business, meeting or exceeding his goal.

Report on Sales

As we already stated, 2017 was a year of positioning—setting us up for success in 2018.

Here are some of the things we did in the sales department to promote our 20/20 vision:

Adopted a **sales tracking tool** that integrates with our client management system. This tool provides real-time reports of each salesperson's pipeline, successes, and hit ratios.

Changed the **sales compensation system** to align with our 20/20 vision. We raised the bar of new business writings and added an attractive bonus plan for exceeding goal.

Enhanced our sales meetings with **Knight Vision coaching**.

Teamed our new salespeople with **experienced mentors** for faster results.

Created a **new business marketing leader position**. Denise Dunphy now oversees all new business insurance submissions over \$25,000 in premium.

Implemented a **sales training and development program**, complete with a handbook, customized coursework, and accountability meetings.

Added new valuable **tools for prospects and clients**. (See article on page 10.)

**“There are no secrets to success.
It is the result of preparation,
hard work, and learning from failure.”**

Colin Powell

Whew! We were busy!

Even with all this positioning going on, we added many new clients to our agency. Here are our sales results for 2017:

Individual & Family Insurance new premium:

\$400,000

Business Insurance new premium:

\$1.6 million

In 2018, we have set aggressive sales goals:

Individual & Family Insurance new premium:

\$540,000

Business Insurance new premium:

\$5 million

Hitting these goals would achieve our 20% growth target. How do we go from writing \$1.6 million in 2017 to \$5 million in 2018? By planning differently, offering risk management tools exclusive to us, targeting businesses that meet our desired account size, and thinking bigger. Our salespeople have already designed detailed plans around these ideas and are ready to dive in!

Bringing more than insurance: Tools to Improve the Bottom Line

As mentioned on the previous page, we invested in two new tools for our business prospects and clients. These tools are exclusive to us—we are the only agency in our territory to offer them. They enhance our Knight Vision approach by offering prospects and clients hardline methods to reduce costs, improve productivity, EBITDA, and ultimately owner value. We don't want to hold another "insurance meeting." Instead, our focus is to help business owners change their bottom lines through our partnership.



Now a



Company



“Without data, you are just another person with an opinion.”

Dr. W. Edward Deming

Financial Leakage & Value Reports

The Financial Leakage report accurately assesses the true total cost of risk—transfer cost **plus** hidden, indirect costs. Through this report, owners can see the impact of the hidden costs—those expenses incurred because of losses. Our report monetizes the costs that impair daily operations and reduce EBITDA. Impactful!

Some of the other available tools include:

Independent risk control consultants.

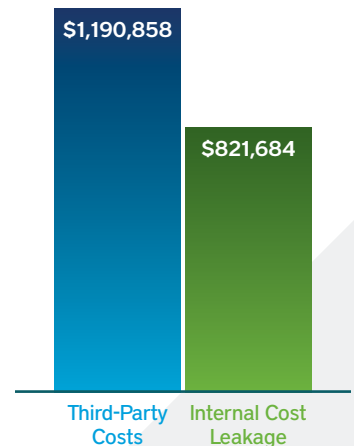
Automated tool for Certificates of Insurance.

Training documentation and employee training automation.

Human Resource training videos, handbook template, payroll benchmarks.

Job hazard analyses and safety observations.

These tools enhance the conversations we have with business owners. All of the sudden, insurance is not just an expense line. We show owners how to manage all of the costs of risk and give them tools to reduce those costs.



This sample shows the hidden costs, monetized, next to the direct loss expenses.

Bottom Line Impact for Clients

- ▶ Reduce costs
- ▶ Improve productivity
- ▶ Increase EBITDA
- ▶ Increase business owner value

The Risk Management Center Includes:

	Incident Track® Reduce your claims, incidents, and near misses by tracking incidents.		Training Track® A complete and automated employee training system
	SDS Track® Organize, maintain and manage your Safety Data Sheets, and comply with GHS standards.		BBS Track® Build Behavior-Based Safety programs easily!
	Job Description Track® Create job descriptions and return-to-work programs easily.		Safety Observation Track™ Maintain safe practices in your workplace.
	COI Track® Manage your certificates of insurance before a problem occurs.		Audit Track™ Create and maintain audits, surveys, and questionnaires.

KPA

Report on Service

At the risk of sounding redundant, the Service Team's goals in 2017 revolved around the same areas we've focused on for years: **Retention of targeted accounts** and **Reviews**. We believe this consistency is a strength, because when it comes down to it, Retention is the name of the game. Our Every-Day Objective in Service is very simple:

Every-Day Objective:

To provide the best counsel in a friendly manner and to do it accurately and quickly so that our good clients remain with us.

If we do this well, our clients will remain loyal to us, and our retention will peak. So, how did we perform in 2017? Here are the stats:

Individual & Family Insurance	Goal	Actual
Retention of targeted clients (premium)	94.5%	94.5%
Reviews	503	489
Business Insurance	Goal	Actual
Retention of targeted clients (premium)	94.5%	93.3%
Reviews	92	112

Reviews are dedicated conversations with clients about their business or family situation, their assets, and their lifestyle. We also talk about their risk tolerance—that is, their comfort level with higher deductibles or self-insuring. Based upon these conversations, we may recommend changes to their policy that maximizes their insurance investment. We believe that these Reviews are our opportunity to shine, sharing our insight and knowledge about a complicated product, and hopefully conveying that buying insurance shouldn't be "all about price."

What's on tap for 2018? In addition to our usual focus on **Retention** and **Reviews**, we have formal goals to identify coverage gaps and offer solutions to clients. We are also targeting clients who could bundle more policies with us for greater value.

Carrier Relationships

Some ingredients to success just don't change. Our relationships with our carriers is one of those. We have reported in previous years about our carriers being one of the most important parts of our success. And it stands to reason...their products are what we stand behind.

When selling an intangible product like insurance, we emphasize with clients that we're really selling a promise—the promise to pay when a claim occurs. Clients deservedly expect that the carrier will deliver on that promise. That's why we're so careful in our carrier selection. We represent only the best, most reputable, financially stable, and ethical carriers. We're proud to represent this fine group of quality carriers.



Carrier of the Year

Because the carrier relationship is so critical to us, we wanted to find a way to recognize one carrier a year who contributed significantly to our success. In 2017, we established the Carrier of the Year award to recognize one carrier for its outstanding partnership. We're proud to share that the **2016 Carrier of the Year** award was presented to Westfield.

Our agency has represented Westfield since the 1890s. Both of our organizations have changed tremendously over those many years, but the glue that holds us together is our strong relationship. Westfield's top leadership is accessible to us any time we need a conversation. Diane Keil-Hipp serves as President-Elect on the Westfield Agents' Association board, continuing the legacy of Knight Insurance Group owners who've served on that board. We have earned Trilogy status—the highest level of partnership with Westfield—for the past three years.



Congratulations, Westfield, and thanks for the support and mutual success we've shared.



L to R: Craig Welsh, Ken Knight, Mike Prandi, Diane Hipp, Ed Largent, Bud Bonner.

20/20 Retreat

In keeping with the theme of 20/20, we hosted an all-agency retreat at Easton Columbus. This is the first time in many years where the entire agency was together off-site for a planning session. We learned about the current State of the Agency, revisited the importance of our culture, then broke into departments for more specific work. It was a full day!

The biggest outcome of the day was a determined focus to spend time on high pay-off activities—those things that make a big impact on our results. Focusing on high pay-off activities each week ensures that we don't let the minutia control our time.

Of course, a Knight event isn't complete without some fun. Everyone came in the night before—along with spouses—for dinner at McCormick & Schmicks, stayed at the Hilton Easton, and shopped with \$100 gift cards from the agency.



The purpose:

- ▶ To come together as a team.
- ▶ For each department to build a goal-driven plan for 20/20 in 2018.
- ▶ For every person to leave the retreat with a clear picture of 20/20 and his/her role in making it a reality.
- ▶ To have fun, share laughs, and get pumped about our future!

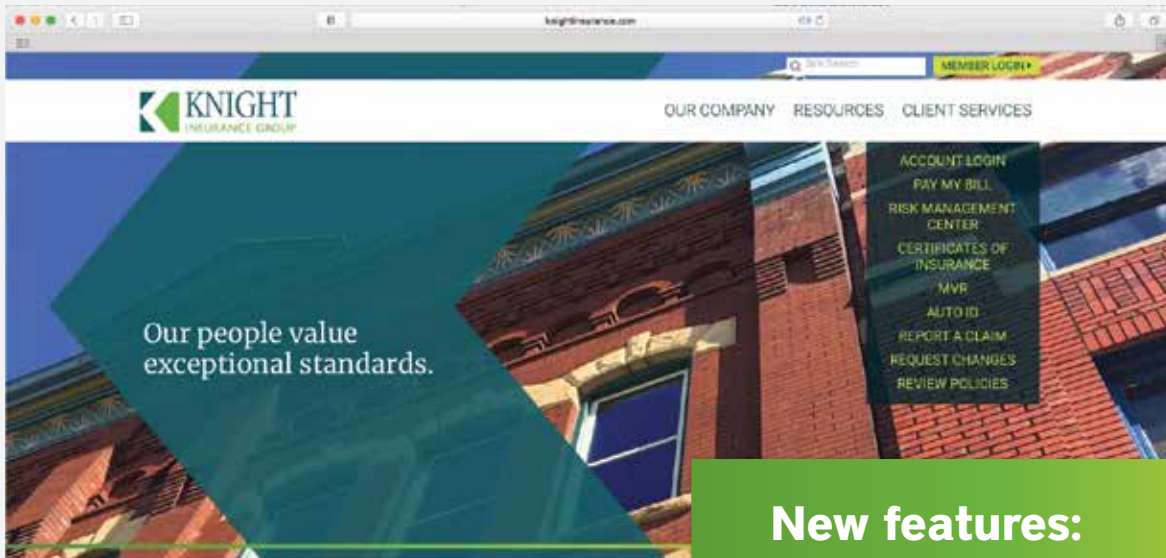


A splendid time was had by all!



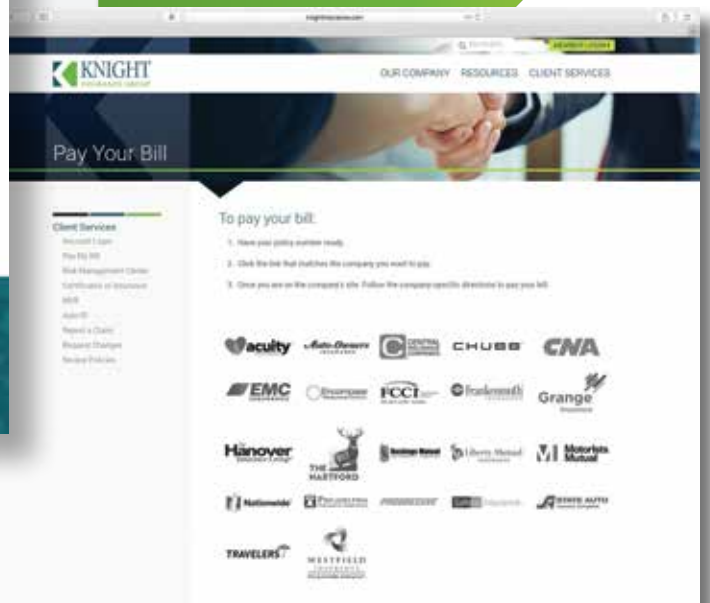
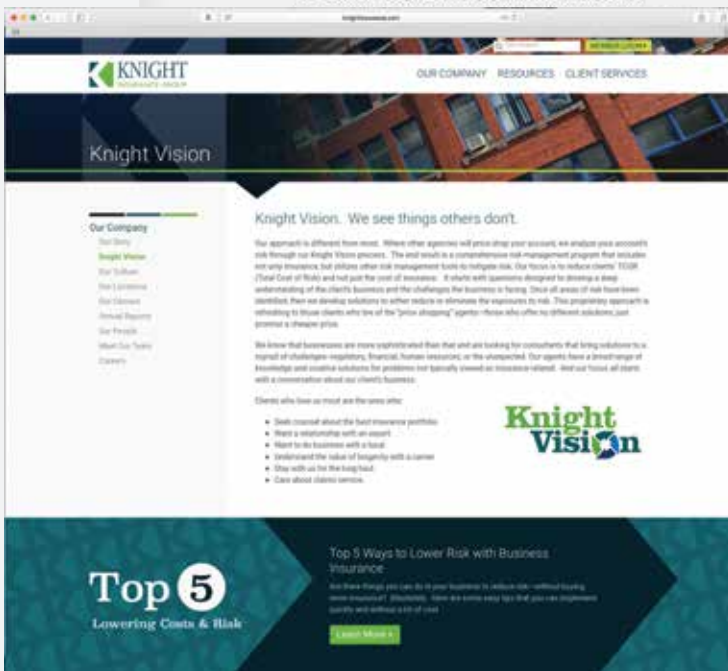
Meet our new website

As we position ourselves for rapid growth, our web presence must relay the expertise we offer and convey our brand. Clearly, a new website was in order. We are delighted with our new site, not only in its overall image, but in its easy navigation and informative content. If you haven't checked us out, please visit **knightinsurance.com**.



New features:

- ▶ Blog for individual and family clients
- ▶ Streamlined online review
- ▶ Online access to your policies
- ▶ Career page for Knight Insurance Group
- ▶ Insider tips to lower risk
- ▶ Blog for business clients
- ▶ One-click links to pay your bill



“A great thought begins by seeing something differently, with a shift of the mind’s eye.”

Albert Einstein



July 26, 2017: Day One Launch of Epic

Last year, we reported that we were preparing to migrate our client management system to Applied Systems’ Epic. Making this technology advancement enables us to electronically send clients their policies, auto ID cards, and other insurance documents in just a couple of clicks. We can also answer billing questions through our RealTime connection to our carriers. Most importantly, Epic’s technology minimizes the time we have to spend on documentation so that we have more time for client conversations.

The project, headed by John Gage, occupied hundreds of hours as we tested the accuracy of data conversion, fine-tuned new workflows, and inputted data into Epic. In July, we took our service team off-site for three days of focused training. A big thank you to Westfield for providing the use of their Inn and training facilities over those two weeks. The training facility was perfect for our use and saved us significant dollars.

As daunting as this project was, the core team helped everyone have fun with it. Check out our Day One festivities and photo of John “delivering” our new baby, Epic!



Remembering Sandra J. Mominee

In the fall of 2016, Sandi surprised us with her decision to retire. Up to that point, we gladly ignored the fact that she was past the traditional retirement age, thinking that she loved the agency so much, she didn't want to retire. But, all good things must come to an end.

What surprised both Sandi and us was the onset of cancer almost immediately after her retirement. Sandi spent her days at doctors' appointments and in hospitals for scans and treatments. The cancer was aggressive. By January, the prognosis was poor. On February 5, we lost her. Quite a blow to everyone who loved her. The promise of a relaxing and enjoyable retirement was robbed of her. The plans for social lunches and visiting the office were gone.

Sandi is in a better place now, and we think of her often. In the office, you will hear, "What would Sandi think of this?" or "How would Sandi handle this?" A testament to her influence on those who worked with her.

For those of you who knew her, enjoy these photos—old and new—of our friend, Sandi Mominee.

"What would Sandi think of this?"



"How would Sandi handle this?"



In the Community...

We continue to make Service to Others a priority. Here are just a few of the ways we gave back to our local community in 2017.



Scholarship to St. Francis de Sales High School

Diane Keil-Hipp presents Fr. Olszewski with a \$1,500 scholarship for a worthy student.



Polar Express: A Fundraiser for Hope Learning Academy & Northwest Ohio Scholarship Fund

Hope Learning Academy provides an educational alternative for students with mild learning disabilities and those who struggle in a traditional classroom environment. We donated \$5,000 to their Polar Express night in support of their mission.

Catholic Charities

In 2017, Diane Keil-Hipp was invited to serve on the Catholic Charities board. Catholic Charities helps people of all faiths by serving the poor, assisting the neglected and forgotten, and respecting and promoting life. In addition to being a board member, Diane serves on the Finance Committee.



Fellowship of Christian Athletes

Sam Hammons and Greg Corbitt serve on the board of FCA, whose mission is to minister to coaches and athletes and challenge them to use the powerful medium of athletics to impact the world for Jesus Christ. The agency sponsored numerous events in 2017: the Unity Breakfast, Hall of Champions dinner, and its golf outing. All told, our donations totaled over \$10,000.



50/50 Raffle

The Personal Lines team raised over \$1,000 for an employee's brother suffering from ALS.

The Learning Club

Through a dinner sponsored by Ken Knight, we raised \$7,600 for The Learning Club, an after-school tutoring service for Central Toledo students. Ken has served on The Learning Club board for six years.

Monroe County Jr. Livestock Association

For the past several years, Sam Hammons has purchased livestock from the Monroe County Fair, supporting 4H and the young people who work all year long to raise livestock. The skills learned through 4H encourage community service, personal responsibility, and leadership.



Building Exceptional Business Skills

Effective Leadership Development

A select group of our commercial account managers took part in an extensive program called Effective Leadership Development. ELD is a ten-week leadership course that involves attending 2 1/2-hour weekly sessions, reading chapters, completing homework, doing time studies, setting goals, planning, opening and closing their days, and attending weekly mentor meetings. Whew! It is a LOT of work.

Although rigorous, the group found it challenging, educational, and very rewarding. Here are some of their comments upon completion:

"The greatest benefit I have received from taking the class has been a renewed sense of purpose."

"I have gained confidence in myself with this course."

"I am now more aware and focused on my high pay-off activities and able to incorporate them."

"I was excited to take this once-in-a-lifetime class, but I am more excited about what I walk away with."



Congrats to Lesley Kleinhen, Bridgett Purpich, Kendallyn Jacobs, and Denise Dunphy (with instructor, Judy Harbaugh, center).



Toledo Area Insurance Professionals

At TAIP's annual Industry Night, two of our team members distinguished themselves yet again. Tracy Barber won Client Service Professional of the Year, and Cynthia Matus won Insurance Professional of the Year...a twofer for Knight Insurance Group!

Designations

Our personal lines team continues to work toward the Certified Personal Risk Manager designation, a five-course program that focuses on a risk management approach to individual and family insurance.



Denise
Adamski



Tracy
Barber



Stephanie
Ehman



Dorian
Harmon

Everyone here
has successfully
completed one
or more courses
toward the CPRM
designation.



Diane
Keil-Hipp



Marlene
Lemons



Selena
Stagnolia



Carol
Taylor

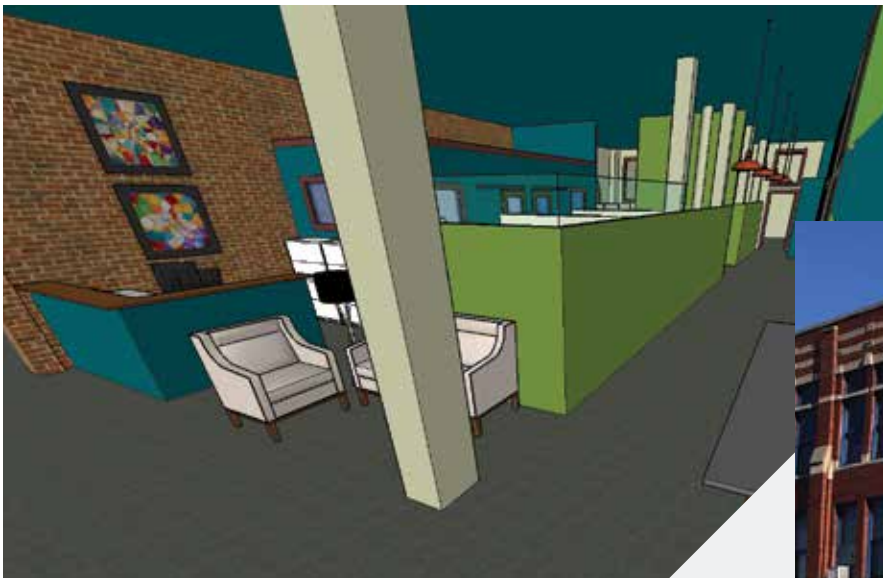
Expansion News


In September, Ken Knight purchased the building next to our offices on Erie Street, occupied by the Denver Wholesale Florist company. At 21,000 square feet, this building will allow us to remain in the Warehouse District of Downtown Toledo for years to come. It well positions us for planned growth in both our business and personal insurance departments.

Additionally, Ken is renovating the top floor as his personal residence. Long a supporter of the Warehouse District, Ken is making the bold move from his lifetime home in Maumee to a loft-style residence atop the agency offices.

The expanded office will house a modern kitchen, workout facility, and underground parking.

Meanwhile, the current office at 22 North Erie is undergoing a first-floor renovation. An updated layout, complete with new furniture, paint, and carpet provides a fresh face on our 120-year-old building. We invite you to stop by any time for a tour!





“Most obstacles melt away when we make up our minds to walk boldly through them.”

Orison Swett Marden



We are a Top Workplace!

Hot off the Press!

Energage (formerly known as Workplace Dynamics) named Knight Insurance Group a Top Workplace for 2018. The firm conducts employee surveys that cover areas such as Effectiveness, Leadership, Alignment, and Connection. Energage collects and analyzes the results and runs statistical tests to verify the outcomes. This is our first year participating in the survey, so we're batting a thousand!

"I am extremely pleased that our employees thought so highly of us in their rankings. We work hard to create a culture that's engaging, professional, and a lot of fun. Our team has rallied around our firm's strategic goals, and through their efforts, we are making great strides. This honor is a wonderful public recognition that we are the Employer of Choice," says Diane T. Keil-Hipp, COO.

Thanks to all of the employees who participated in the survey, making this honor a reality. Next year, a repeat?

Here is some of the fun we had in 2017.

With a business outcome of “We grow and thrive in a fun environment,” how can we not focus energy on the importance of having fun? Creating fun events, having laughs together, and enjoying off-work time all promotes a strong team. And guess what...we like each other! These sound like side benefits, but really, they are critical to our 20/20 success.





“Never ever underestimate the importance of having fun.”

Randy Pausch



That's a Wrap!



As another year goes into the history books, it's good to reflect on accomplishments, relationships, and even areas where we missed the mark a bit. Reflection is an important tool to future improvement. Most importantly, thanks to our clients for entrusting us with their insurance this past year. Without you, we don't exist. Everything we do is to continue to earn your business. We thank you for your interest in our pursuits this past year. From our family to yours, our best wishes for a successful 2018.





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