

# STAYING THE COURSE



ANNUAL REPORT

*Two Thousand Eight*



KNIGHT CROCKETT MILLER  
INSURANCE *Group*

December 2008

# STAYING THE COURSE



Dear Stakeholders:

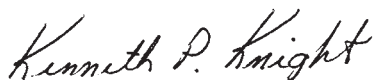
Wow! What a year! Economists, analysts, and historians will be dissecting the repercussions of the events of 2008 for years to come. 2008 brought the country significant challenges, but it's in tough times that well-run companies show their fortitude.

How was our 2008 at Knight Crockett Miller? Diversity in our product offerings have helped us manage the ups and downs of the economy. When one division is faced with challenges, another is doing well. We have been challenged by a soft commercial market over the last two years. We see that ending as 2009 unfolds. More than ever, commercial clients relied on us for our risk management advice during this period of volatile price wars. Our group health division has grown, both in revenue and product line. We expanded our offerings to include voluntary benefits as a full product line. Our Financial Services Division worked hard to calm fears and encourage investors to *Stay the Course*. Our home and auto clients have appreciated our counsel and rewarded us with high retention.

2009 brings a special event for Knight Crockett Miller: our 150<sup>th</sup> year in business. We belong to an elite group of businesses that have stood the test of time. Truly an event worth celebrating ... and we plan to! So watch for some special events as the year unfolds.

Thank you for your interest in our organization. We welcome your questions or comments.

Sincerely,



Kenneth P. Knight  
CEO



Thomas G. Hart, CPA  
CFO



Samuel Hammons, III  
Vice President, Sales



Diane T. Keil-Roe  
Vice President, Operations



ANNUAL REPORT

*Two Thousand Eight*

KNIGHT CROCKETT MILLER  
INSURANCE GROUP

# Awards, Awards, Awards, Awards!

Awards galore! It was a stellar year for Knight Crockett Miller! Four team members were distinguished among our peers in four different categories. No other agency in the Northwest

Ohio area has achieved this type of recognition across such broad categories. These awards are examples of how KCM is *"Insurance At Its Best."*



**Bridgett Purpich** was honored with Ohio CSR of the Year Award. Given by the National Alliance, an industry education firm, Bridgett was selected from entrants across the state. This honor recognizes her delivery of client service that goes beyond merely responding to requests. Bridgett gives new meaning to "personal service" by building relationships with her clients.



**Kate Becker**, one of our newest employees, won a double honor as Rookie of the Year for the Northwest Ohio region of Insurance Women of Toledo and as the winner at the state level. Kate is a salesperson who specializes in Voluntary Benefits and Group Health. She has become very involved in Insurance Women of Toledo, holding various committee positions in her first year as member.

For the last two years, Knight Crockett Miller has sponsored a college intern through the Professional Insurance Agents of Ohio. 2008 was the second year in a row that Knight Crockett Miller's intern won Intern of the Year at the Ohio Conference.

**Blake Boulton** was honored in front of hundreds of our peers for his work this past summer. In 2007, our intern, **Andy Connell**, received the same honor. We are proud to report that Andy is now working at an insurance company, fulfilling our goal of bringing young people into our industry.



Our CEO, **Ken Knight**, was recognized at the Insurance Women of Toledo's Industry Night for his years of support to the organization. Ken was nominated by his team members at Knight Crockett Miller for his financial and moral support of the trade organization.



ANNUAL REPORT

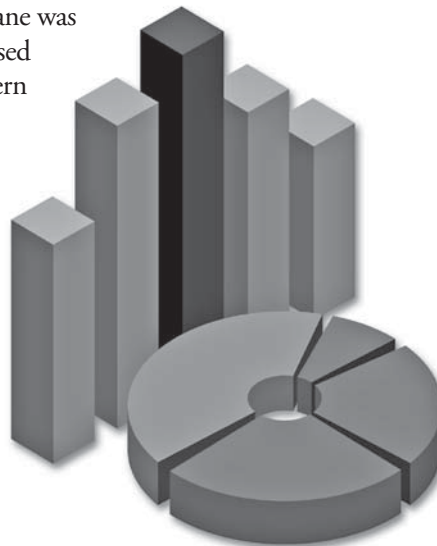
*Two Thousand Eight*

2

# 2009 Insurance Industry Forecast

Certainly 2008 brought economic challenges our way. It also brought a hurricane, called Ike, to the mid-western part of the United States. This hurricane, the only one we can recall to hit Ohio, caused severe wind damage to homes and businesses in Ohio. Westfield Insurance reported 13,000 claims from this single event—a record in its 160-year history. Grange also reported its largest claim in history from Ike. This hurricane was different in that its resulting damage was caused by wind, not water, and it affected mid-western states, not southern states. As a result, our carriers have experienced higher-than-expected claims. We expect that to mean higher rates in homeowners insurance, averaging 5 percent.

Commercial insurance has been in a “soft market” for a few years. This means that carriers are aggressive about writing new business, and therefore, pricing is very competitive. However, we see that changing as well. Declining stock market returns and the Hurricane Ike



catastrophe have reduced carriers’ surplus. In order to rebuild surplus, carriers will turn to premium. We expect carriers to be cautious about any rate increase in 2009, first attempting to maintain level rates. In 2010, we expect rates to increase in the single digits.

Group health insurance is the most controversial of all our product lines. President-elect Obama promised a change in health care in his presidency. We are uncertain about how that will unfold. We do not see a government-sponsored health insurance program as the answer. Addressing the high cost of health care is complex because of the number of players: doctors, hospitals, pharmaceutical companies, health insurance carriers. Each group plays a role in a solution. Certainly, this complex problem will require a complex answer—one that will not be derived in 2009.



ANNUAL REPORT

*Two Thousand Eight*

3

## 2009 KCM Forecast

**G**iven the economic and industry forecasts for 2009, what do we have in store for the New Year? We are still optimistic about the opportunities for us to expand our operation and increase our size.

In 2006, we developed a Five-Year Plan to grow each department within our organization. We planned to accomplish that through organic growth, acquisitions, and additional staff. Although this year's economy has thrown us a curve ball, it has also opened some doors that wouldn't have been otherwise. We looked at several opportunities in 2008, some that may come to fruition in 2009.

We do not plan to scale back on any of our growth plans in 2009. Quite the opposite. We see this time as an opportunity to look at even more acquisition/affiliation possibilities. Economic conditions and carrier pressures may cause other agencies to struggle financially, which equates to opportunities for us.

Our employees can feel confident that their jobs are secure. We have practiced *Lean Thinking* for years and have incorporated it in our every-day work. By constantly asking, "What **value** does this task bring to our clients?" we have been able to reduce or eliminate nonessential items. That, coupled with our advanced technology, allows us to bring better service to more clients with the same number of employees. So by staying *Lean* all along, we aren't faced with lay-offs or downsizing.

We work in tandem with our carrier-partners, interdependent for our mutual success. They have our commitment to continue to behave in a fair and ethical manner. We value the carrier relationship for the long term. Because of that, we enjoy a reputation as a well-respected agency.

It's part of our 150-year history to be able to weather the storms when they come. That stability brings great security to our stakeholders, who count on us to be a viable organization.

**Five-year plan  
Opportunities  
Lean Thinking  
150-year history**



ANNUAL REPORT

*Two Thousand Eight*

4

KNIGHT CROCKETT MILLER  
INSURANCE Group



# Financial Services Update

An investor without investment objectives is like a traveler without a destination.



Ralph Seger

In a year of extreme market volatility, our Financial Services Division was able to provide excellent service and education to our clients. The market swings resulted from the negative economic news, rising unemployment, global recession, and the failing of several large financial institutions. Investor confidence was very low and we saw a selling off of assets in response to fear. To help clients weather this rocky decline, we greatly increased our client contact and reviews, as well as provided several timely market commentaries. During a bear market, we feel it is more important than ever to contact our clients and provide direction to help them understand financial news as it arises.

Our division had a record year for adding new individual clients, 401(k) groups, and employee benefits to our existing base. Our business and service model continues to attract businesses who are concerned about fiduciary liability and participant education.

We are looking forward to 2009 and we will continue to strive to exceed your expectations!

\*Securities and advisory services offered through Multi-Financial Securities Corporation, Member FINRA/ SIPC. KCM Consulting is independent of Multi-Financial Securities Corporation. Information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. KCM Consulting – 22 N. Erie St. – Toledo, OH 43604 419-241-5133

Past performance is not an indication or guarantee of future results.



ANNUAL REPORT

*Two Thousand Eight*

5

KNIGHT CROCKETT MILLER  
INSURANCE GROUP

# Introducing... Voluntary Employee Benefits

## Voluntary Benefits at its best.

1859

The year our agency was established in Toledo.

26

Employees here to serve you.

12

A dozen different benefit products to suit your needs.

7

Years of industry expertise.

1:1

Meetings with all employees to discuss their program.

### Major Carriers We Represent:

- UNUM
- Transamerica
- Broker's National
- Guardian
- AFLAC

### What else do we do?

- Business Insurance
- Contract & Fidelity Bonding
- Financial Services
- Personal Insurance
- Business Consulting
- IT Consulting

**We understand the rising cost of employee benefits, yet the need to recruit and retain quality employees.**

We work in conjunction with your current benefit plan to enhance your employees' benefit options at no hard-dollar cost to you, the employer. Voluntary benefits are 100% employee paid.

### We care about your employees' needs.

We use our industry knowledge and experience to match carriers and products in order to design a Voluntary Benefits Plan that fits the needs of your employees and their families. Many of these plans are portable, meaning the employee can keep the plan even after leaving employment.

### We provide a wide menu of benefits and carriers to choose from.

To fit your employees' unique needs, we offer the following: Voluntary whole life, term life, short- and long-term disability, critical illness, dental, vision, and GAP coverage.

### Knowledgeable. Solutions-oriented.

These are the things that make Knight Crockett Miller the best at what we do. If you want the best for your business, you owe it to yourself to take a look at Knight Crockett Miller Insurance Group.



**KNIGHT CROCKETT MILLER**  
INSURANCE Group

419.241.5133 • WWW.KNIGHTINSURANCE.COM

**T**his year, we expanded our Financial Services Division to include Voluntary Employee Benefits. These are the employee-paid benefits such as life insurance, disability, dental, and vision. The voluntary option is a great alternative for employees to add fringes to their benefit package. Employees can benefit from group pricing and save themselves the hassle and confusion of trying to buy these products on their own. In fact, because of the hassle, many employees don't secure these benefits on their own. So an employer can help by bringing the benefits to them.

**Kate Becker**, our Voluntary Benefits Consultant, can walk you through how easy it is to bring these benefits to your employees. Kate came to us from a large national broker and has 12 years of experience in this product line. She researches the options, handles the enrollments, and counsels your staff. If you are looking to shave some fringe benefits costs, the voluntary option could be a great solution for you!



ANNUAL REPORT

*Two Thousand Eight*

6

**KNIGHT CROCKETT MILLER**  
INSURANCE Group

# New Sales

The sales results of 2008 reinforced our rationale for diversifying our income sources. When one division is down, another is up. Overall, our revenue is up 5 percent, with Group Health (Financial Services Division) showing the largest departmental increase. Revenue within Group Health is up 25 percent over last year. The entire Financial Services Division posted a 14 percent increase over last year.

Commercial Lines new accounts were equivalent to last year, but commissions were lower, again reflective of very competitive pricing in the marketplace. Personal Lines new accounts maintained last year's average premium of \$1,464, with a total of 141 new accounts written.

## New Sales Statistics

	COUNT	PREMIUM
Personal Lines	141	\$206,480
Commercial Lines	99	\$873,860
<b>Total P&amp;C</b>	<b>252</b>	<b>\$884,997</b>
Financial Services*	79	\$123,080

\*This dollar amount represents commission.



ANNUAL REPORT

*Two Thousand Eight*

7

KNIGHT CROCKETT MILLER  
INSURANCE GROUP

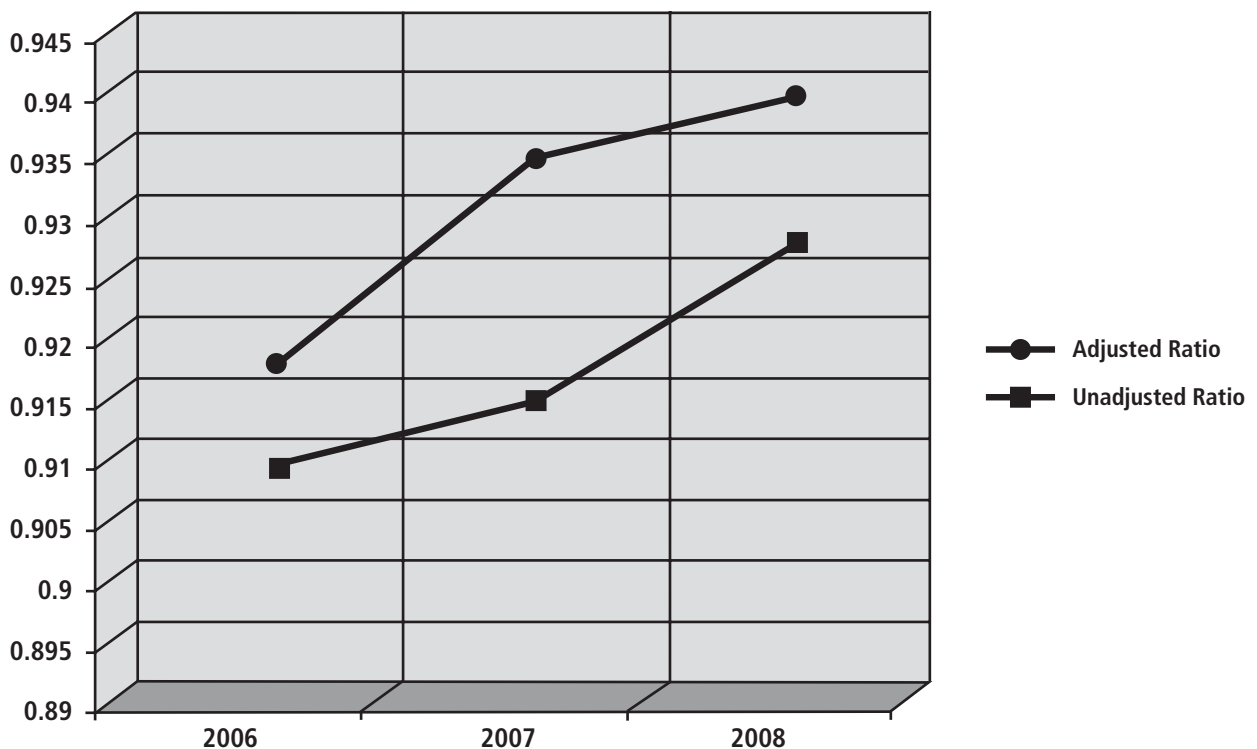


# Client Retention

**P**ersonal Lines again enjoyed a better-than-average retention rate. We focused our service efforts on our target market: those clients who value our counsel and are concerned about being properly insured. Consumers who shop for only the cheapest price tend to move year after year—an unprofitable target market.

In Commercial Lines, we worked hard to maintain our clients in a very competitive environment. We helped clients balance price against coverage, by coming up with safe ways to reduce costs. More than ever, our role as risk manager helped clients make informed decisions about their insurance.

The measure of service success is our Retention Rate—the percentage of clients that remain with us year after year. If we keep those people happy, we will thrive as an organization. Because we focus our efforts on our target market, we track two types of retention: total retention (all clients who stay) and retention of those in our target market. As you can see from the graph, our target market retention is nearly 94 percent—over a point higher than our total retention. Agency profitability increases with every client we keep!



ANNUAL REPORT

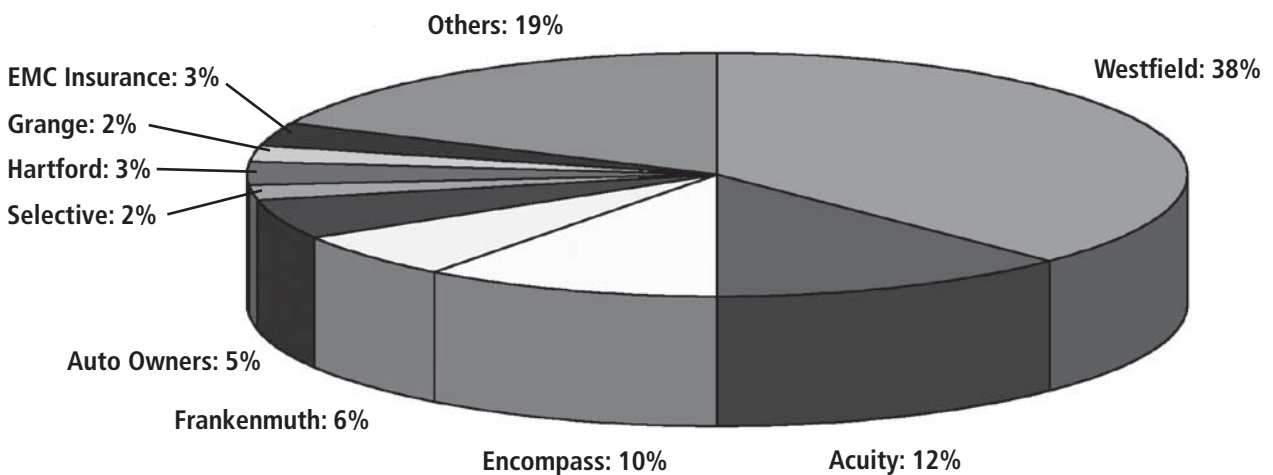
*Two Thousand Eight*

# Carrier Statistics

Carriers have had to balance higher costs against price competition. This year, with record claims and a negative stock market, the pressures are even greater. This creates a domino effect, as the carriers have reduced agency compensation to relieve their budget pressures. Agencies are then forced to examine their operations. They either become more professional and streamlined or they suffer. For consumers, this means the cream is rising. Only the strong survive.

As a result, we re-examined our carrier contracts with an eye on profitability, stability, and future growth. The information we garnered will help us in 2009 to focus our activity on those carriers with the best mix. We have continued diversifying our volume, spreading it among our top partners.

## Premium Volume



Our state is attractive for insurance carriers, so we enjoy lots of competition. However, with competition comes pricing tactics that hurt the industry. Some carriers employ tactics, such as “buying business” (under-pricing policies one year, only to raise rates a year or two later.) In fact, some of the carriers struggling today were the “hot market” a few years ago. We all know this strategy is short-lived, yet many consumers chase the lowest price.

We impress upon our clients that insurance pricing is cyclical, and over a five-year span, the rates of carriers will average out. Chasing the lowest price each year is expensive and risky; the labor resources spent switching and comparing policies could be better used in other areas of the business.



ANNUAL REPORT

*Two Thousand Eight*

9

KNIGHT-CROCKETT-MILLER  
INSURANCE GROUP

## Road Ready Teens

Last year, we launched Road Ready Teens, a seminar that teaches teens and their parents how to responsibly save money on auto insurance. This past spring, we partnered with Westfield Insurance and Ford Motor Company in offering *Driving Skills for Life*.

The *Driving Skills for Life* program is taught by **professional race car drivers at the Ford Motor Test Track in Dearborn**. The event gives newly-licensed drivers behind-the-wheel training to improve skills in four key areas that are critical factors in more than 60 percent of vehicle crashes: hazard recognition, vehicle handling, speed management and space management.

Our clients who attended raved about the experience. Parents were in attendance, but the teens were the drivers. At the test track, teens were able to simulate real-life situations—attempting to stop quickly, being distracted by talkative

passengers, following too closely. They learned how quickly an accident can occur and learned defensive driving skills to help prevent accidents.

We hope to offer this program again in 2009. It is open to all Knight Crockett Miller clients, so if you're interested, let us know in advance. Space fills up quickly.



Presented by Ford Motor Company and  
the Governors Highway Safety Association



## College Internship Program

The PIA College Internship Program, begun in 2006, has a goal of attracting college graduates into the insurance industry—one student at a time. To date, close to a dozen students have found employment in the insurance industry. This is exciting for our industry, for these are our leaders of tomorrow.

Knight Crockett Miller is proud to participate in the program by hosting summer interns. In addition, Diane Keil-Roe sits on the Internship Committee to help shape the future direction and growth of this successful program.



ANNUAL REPORT

Two Thousand Eight

10

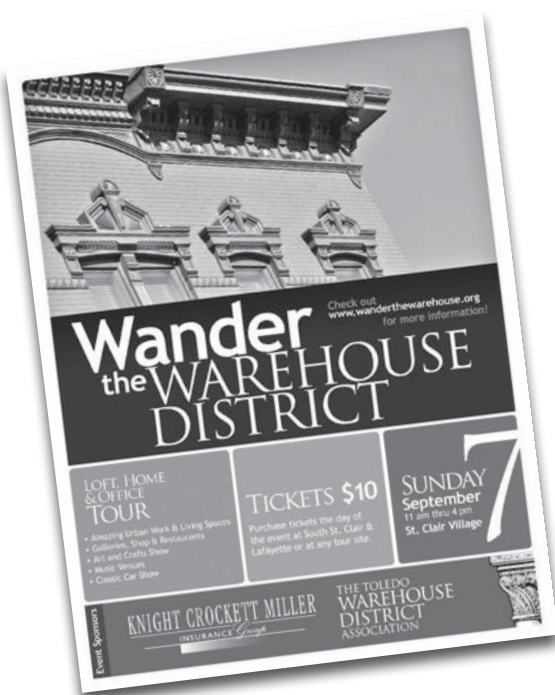
KNIGHT CROCKETT MILLER  
INSURANCE GROUP

# Wander the Warehouse District

Again this year, Knight Crockett Miller was the major underwriter for the Warehouse District Association's annual *Wander the Warehouse District*. This event spotlights renovated buildings—residential and commercial—in Toledo's Warehouse District. Seven buildings were open for tour on a beautiful Sunday in September.

**Five of the seven buildings were renovated in the last two years.** This is a great testament to the activity that's taking place in the Warehouse District. Individuals are making their homes in this urban community. Businesses are renovating old buildings. The spirit of the area is very positive and uplifting, for those who made a commitment to the area are passionate about its future.

Be on the watch for 2009's Wander the Warehouse District and make a point to visit. You'll be amazed at the activity in the community. And you are always welcome to stop at our office and tour our renovated building.



## Community Service

The team members of Knight Crockett Miller are not only great insurance people, they also serve their community in a variety of volunteer roles. Here are some of the volunteer organizations that we serve:

14th Ward Ladies' Auxiliary  
American Cancer Society  
American Heart Association  
Arthritis Foundation  
Brad Reddick Fund Raiser  
Cedar Creek Church  
Emmanuel Baptist Church  
First Book  
Hannah's Socks  
Kiwanis  
Learning Club of Toledo  
Mom's House  
Missions International of America  
Mother's March on Birth Defects  
Olivet Lutheran Church  
Rotary Club of Perrysburg  
St. Rose Catholic Church  
Susan G. Komen Race for the Cure  
Toledo Metroparks  
Toledo Warehouse District Association



ANNUAL REPORT

# Two Thousand Eight



# On Being a Family...

**W**ith all the time that we spend together, we are like family to each other. We celebrate with each other in life's significant moments, and we support each other in our trials. KCM is a family, and our employees say that's what makes us special.

Knight Crockett Miller is much more than a business. It's home. We've celebrated, mourned and supported each other through good times and bad. What more can be said—only family stands beside you through all of that.

The definition of family, for me, is a network of people who share their joys, troubles, hopes and dreams. The staff at KCM has become that network for each other through their genuine concern, love and support. I feel blessed to be part of this organization.

The KCM team is our work family. In any other work place, it would be hard to beat the fun, laughter, support and warmth that we share from the receptionist to management.

Team members are not just co-workers; they are friends with whom we share laughter, tears, growth, and love for one another.



**Girls' Night Out**



**Bosses' Day**



**Rookie Christmas Performance**



**Pumpkin Decorating Contest**



ANNUAL REPORT

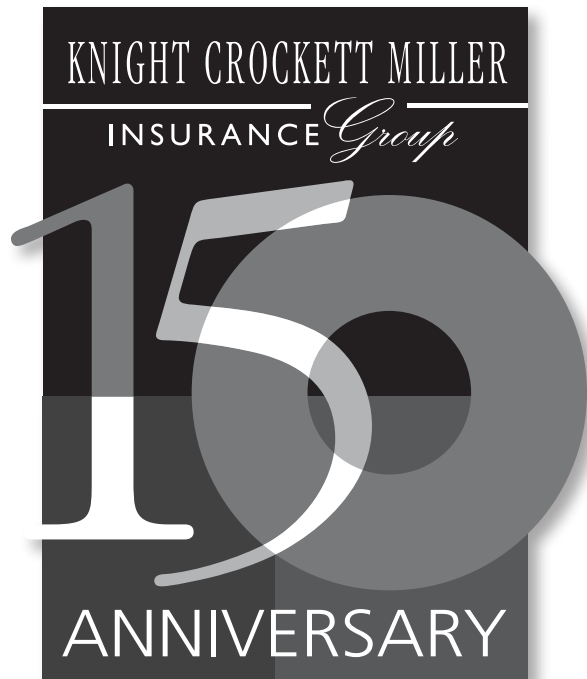
*Two Thousand Eight*

12

**KNIGHT CROCKETT MILLER**  
INSURANCE GROUP



Knight Crockett Miller... *Always there.*



In 2009, Knight Crockett Miller will celebrate 150 years in business. Yes, 150 years of providing insurance protection for the businesses and residences of Northwest Ohio. In 1859, insurance was very simple: we would pay a specified amount if your home or building caught on fire. In 1859, there were no cars, so auto insurance hadn't even been invented. Amazing to think about.

Here's a sneak peek at what we have in store to celebrate our 150<sup>th</sup> anniversary:

- Listen for us on WRVF (101.5 FM) and WSPD (1370 AM).
- Watch for us in The Toledo Free Press.
- Celebrate with our anniversary gifts to clients and partners.
- Complete a survey on our new website and enter in a raffle for a free IPOD!

Our specially designed 150<sup>th</sup> anniversary logo will be seen on all of our print materials.

We thank you for allowing us to service your insurance needs. You are the reason we are here today, celebrating 150 years as an independent insurance agency.



ANNUAL REPORT

*Two Thousand Eight*

13

KNIGHT CROCKETT MILLER  
INSURANCE Group



KNIGHT CROCKETT MILLER  
INSURANCE Group

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

22 North Erie Street • Toledo, Ohio 43604-1940  
419.241.5133 • 800.241.5133 • 419.321.5280 f