



Striving to exceed your expectations!



Annual Report 2007

KNIGHT CROCKETT MILLER
INSURANCE *Group*

December 2007

Striving to Exceed Your Expectations

Dear Stakeholder:

Six years ago, we coined this statement for our organization; today it remains a visible goal that lives and breathes in the halls of 22 North Erie. Many organizations would have been on the next "flavor-of-the-month" years earlier, but we think the statement really epitomizes what we are here to do. For if we exceed our stakeholders' expectations, the rest takes care of itself.

We chose this theme because we are most pleased this year with the results of our client service efforts. The results are a culmination of years of work. Our efforts have been rewarded with high client retention and a reputation of excellence among clients and carriers.

In 2007, we reached a significant milestone in the life of Knight Crockett Miller. We brought on Diane T. Keil-Roe as a partner in our firm. Diane begins the next generation of owners entrusted with carrying on the legacy of Knight Crockett Miller Insurance Group. We committed to our stakeholders that we would perpetuate the agency with our own employees and not sell to the outside. We begin living that commitment with Diane's ownership.

Thanks for your interest in our organization. We appreciate your partnership and look forward to working with you in 2008.

Sincerely,



A handwritten signature in cursive script that reads "Kenneth P. Knight".

Kenneth P. Knight
CEO



A handwritten signature in cursive script that reads "Samuel Hammons III".

Samuel Hammons, III
Vice President, Sales



A handwritten signature in cursive script that reads "Thomas G. Hart".

Thomas G. Hart
CFO



A handwritten signature in cursive script that reads "Diane T. Keil-Roe".

Diane T. Keil-Roe
Vice President, Operations

KNIGHT CROCKETT MILLER
INSURANCE *Group*

Client Seminars

Again this year, we sponsored business seminars on timely topics, given by local experts. We were proud to host four seminars this year.

Here are some comments we've received...

"When I received the flyer in the mail from Knight Crockett Miller, I could make the assumption that it would be a worthwhile seminar to attend... it was a nice 'valued-added' service."

JANUARY

Your Bonding; Your Business

By Ron Carter of Knight Crockett Miller

Key Learning Points:

- What do you mean, bonds aren't insurance?
- Taxes – who do I believe?
- What do I tell and what shouldn't I tell?
- How to avoid wounding or killing your bond line and your company.

FEBRUARY

Improve the Effectiveness of your Business with Lean Business Solutions

By Paul Sieben of LeanTrak

Key Learning Points:

- What is Lean?
What can Lean do for you?
- The seven benefits of Lean
- Hot teams, scrum meetings.
- Lean accounting – from cop to coach.

MAY

Workers Compensation: Clear the Confusion

By Bobbi Mancillas of Mancillas & Clark

Key Learning Points:

- New rules in 2006 will make the system even less business friendly.
- One claim **can** quadruple your premium.
- Discounts don't last forever.
- Putting band-aids over bullet holes – why that doesn't work.

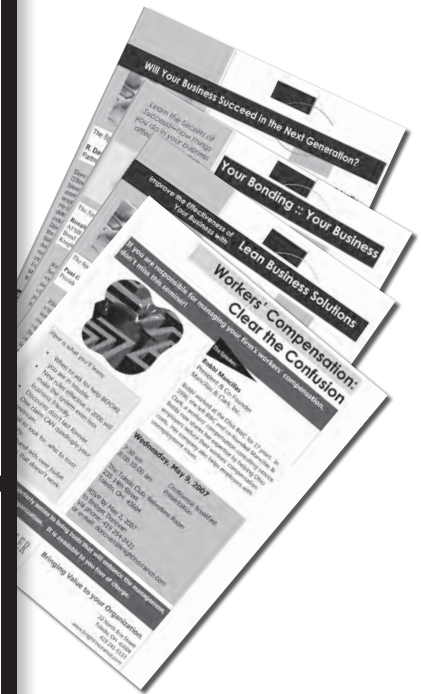
OCTOBER

Will Your Business Succeed in the Next Generation?

By Dave O'Brien of Weber O'Brien

Key Learning Points:

- Methods of succession planning.
- Funding mechanisms for succession.
- Tax implications of each method.



"This was extremely well done, very knowledgeable speaker--organized and well spoken."

"Great seminar. Hope to see the next!"

Exceeding Expectations through Technology

Part of Exceeding Expectations is bringing value to clients in the areas they value. This means not spending time doing behind-the-scenes paperwork that takes us away from our clients. Here's where technology comes in.

Knight Crockett Miller is a leader of technology among regional insurance agencies. This year, we implemented a new commercial lines workflow process that streamlined our steps from 8 to 3. We also eliminated the filing and storage of commercial lines paper. The mundane task of recording carrier transactions has also been eliminated by the implementation of automatic download. Why is all of this relevant? Because it has allowed our service team to reduce the time they spend on paper-pushing and increase the time they spend with clients. This is where the real value is, and our clients appreciate the responsiveness.

In 2008, our Group Health division will make significant strides by implementing automated applications. The time saved in completing applications manually can be devoted to servicing our clients in a way that Exceeds their Expectations! This is the true value of technology.



Well done is
better than
well said.

Benjamin Franklin



Consulting Division

2007 marked the launch of our Business and Information Technology Consulting Division. Here are some of the projects Diane Keil-Roe and John Gage have been on:

Business Consulting / Diane Keil-Roe:

- Implement paperless initiatives.
- Facilitate strategic planning sessions.
- Coach manager on supervising skills.
- Assess readiness for employee reward program.
- Re-design performance review process.

Diane's expertise has drawn the attention of other insurance agencies! She has consulted with various owners and managers to overhaul their operations into a professional, automated business that focuses on serving the client. These major "make-overs" use Lean principles, technology, and most importantly, a participatory management style to transform firms and ensure their sustainability.

Information Technology Consulting / John Gage:

- Solved problems with wireless network connectivity.
- Trained user how to administrate wireless network.
- Designed a wired local area network to replace wireless LAN.
- Moved website to new vendor.
- Solved chronic corporate e-mail delivery problems.

Having worked as the agency's systems administrator for the last eight years, John is excited to now be able to offer technology planning and implementation services to KCM clients. With his help, small- and medium-sized businesses have been able to reach technology goals without the expense of a full time in-house professional.

Diane Keil-Roe has been a valuable asset to the Bokerman, Yackee, Koesters Insurance Agency this past year. Her ability to identify workflow deficiencies accompanied with systematic solutions has allowed us to implement change with minimal resistance and increase productivity. . . . Another key component to Diane's success with our agency is her prioritization of workflow changes accompanied with technology integration while utilizing the strengths of individual employees and ultimately bringing the most value to the customer.

Sonia Merz, Operations Manager
Bokerman Yackee Koesters Insurance

Bollin Label Systems asked Diane to facilitate our Strategic Planning Process. Diane did an excellent job of facilitation; she is a very good communicator. . . . Diane brought out the key issues and facilitated a process to improve them. I will ask her to do it again in the future.

Mark Bollin, President
Bollin Label Systems

When my server went down, John was able to restore all the data and get our remote location reconnected. He also reviewed my backup strategies to ensure I was prepared for any future disasters. I have been very happy with John's service and look forward to working with him in the future.

Tonia Wallace
Ozzie's General Store



Consulting Partnership

A new element of our Consulting division is our partnership with Bobbi Mancillas of Mancillas & Clark. Bobbi brings nearly twenty years of experience in Ohio Workers Compensation, a tricky and complicated subject. Because of our partnership, our clients can take advantage of a free evaluation of their workers compensation rating and group. Bobbi will analyze their claims history, group status, classifications, and business operations to determine if they're getting the best value for their dollar.

Our partnership with Bobbi is another example of how we are always striving to bring new benefits to our clients.

Ohio Workers Compensation at its best.

1859
The year our agency was established in Toledo

28
Years of experience in Ohio workers compensation

1000s
Number of clients assisted

\$\$
Hundreds of thousands of dollars saved in work comp costs

⌚
Thousands of hours saved for employers

Let us navigate the workers compensation maze for you!

Expert help. Through the expertise of Bobbi Mancillas, you will be assured of a thorough analysis of your account, leading to the most effective recommendations for saving money and time.

Holistic. Bobbi's approach looks at all aspects of your workers compensation program—from managing claims, getting injured employees back to work, and reporting payroll for the lowest premiums.

Local, personal. Bobbi lives and works in the area, so you're not talking to a 1-800 number. Appointments can be face-to-face at your location and convenience!

Free initial consultation. Not sure if you need a consultant? Your first meeting is free, with no obligation. You'll receive a list of recommendations and estimate of fees for implementing our cost-cutting changes. There's nothing to lose!

Benefits:

- Cut your workers compensation cost
- Gain your time back
- Reduce your risk
- Focus on your business, not your work comp
- Have a proactive future plan

Contact Bobbi at 419-535-3960 for more information.

KNIGHT-CROCKETT-MILLER
INSURANCE GROUP

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Financial Services Update

Our financial services division has continued to thrive and grow in 2007. We are pleased to have added two new, highly motivated employees to help service our clients in the same excellent manner in which they have become accustomed.

We have added several new group benefit and retirement programs. Trustee and employee education continue to be a strong focus. Our practice of annual trustee meetings helps clients meet their fiduciary liability to trustees.

Clients benefited from our communications on the changes in tax code, Pension Protection Act, and new 401(k) rules. These communications helped clients take advantage of all the opportunities for cost savings. Our clients received customized portfolios, using some of the 40,000+ investment products that we have available.

2007 brought extreme market volatility. From record highs over 14,000 to 400-point drops in one day, the Dow has taken us on a very bumpy ride. Factors causing these fluctuations include the decline of the real estate market, credit problems (including the defaulting of mortgage and sub-prime loans), increasing cost of oil, and lack of investor confidence. On the positive side, large U.S. companies have posted solid earnings and foreign markets have experienced significant growth.

As we approach 2008--a presidential election year--we will continue to help our clients weather the changes and make the most of market opportunities.

An investment
in knowledge
always pays the
best interest.

Benjamin Franklin

Community Service

Our KCM Activities Committee was hard at work this year. They organized employee participation in three events to raise money for worthwhile charities.

We raised over \$3800 for the American Heart Association through their Heart Walk. This donation won us a second place award in our division! We also participated in the Susan G. Komen Breast Cancer Awareness Run/Walk and the Jingle Bell Run for the Arthritis Foundation.

For the fifth year in a row, we've sponsored a family at Christmas time, providing necessities and Santa gifts for under the tree. This is a very personal endeavor, for we deliver the gifts and see first-hand the family that we're helping. Those who have participated in the delivery commented on how gratifying it is to know we're helping a family who is truly in need.

These donations came straight from KCM employees—a testament to the generosity of our team members.

For over thirty years, Ken Knight has opened his home to friends, family, and clients, asking of them only one thing: bring a donation to his chosen charity. This tradition continued in 2007. This year, Mom's House is the beneficiary of party-goers' donations at Ken Knight's Annual Christmas Celebration.

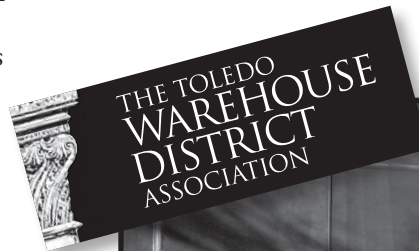
Toledo Warehouse District Association

2007 brought changes to the Toledo Warehouse District Association, and Knight Crockett Miller is proud to increase its participation in this worthwhile group. Relying solely on dues as its income stream, the TWDA has had to "get creative" to accomplish its projects. Thanks to the generosity of TWDA members, we were pleased to beautify the neighborhood at Washington and South St. Clair Streets with colorful window art. We duplicated this window art on Erie Street, at our neighboring building.

The *Toledo Free Press* picked up on the project and published an article. Working together, we can increase awareness of this historic neighborhood. Keep watch for TWDA events in 2008!



KCM team members at Race for the Cure.



Artwork at Washington and South St. Clair Streets.

Meet Our New Employees



Cecilia Lindsey joined us in January as a group health account manager. CeCe services our group health clients, providing them that personal touch clients enjoy. CeCe has over 25 years of experience in the health benefit industry, having worked at area hospital business offices, Medical Mutual, and at a local agency. How does she like working at KCM? "It's great to be here. KCM treats everyone so well; it's wonderful to be a part of it."



Kristin Ruyle provides service to our financial services clients. She joined us in August and quickly became part of the team. Kristin has worked in the financial services industry since 2004 and looks forward to studying for her Series 7 license in 2008. Her computer knowledge has been a great asset to the team. "I enjoy the challenge of learning new things, and this position provides me with great opportunity to grow in this industry."

Please welcome CeCe and Kristin to our KCM Team!

New Sales



Personal Lines

Home and auto insurance continued to be a competitive field in the metro-Toledo area. There are many “basic” policies out there at a “cheap” price. We continue to educate our clients on the differences between the various policies, for we know at claim time, every client is going to want to be covered. Our breadth of products allows us to offer clients the type of coverage that suits their needs best.

In 2007, we surpassed last year’s sales by 37 percent, writing 185 new clients. Our new sales premium exceeded last year by 19 percent. Part of our success was due to the launching of the Premier Club, an exclusive benefit we offer to our business clients. Through the Premier Club, owners and employees of our business clients receive a discount on their home and auto insurance. That’s right—employees get a discount on their home and auto insurance simply because their employer is insured with us. Employers love it because it’s a benefit they can offer at no cost to them. Employees love it because...let’s face it, who doesn’t like to save money?!

Commercial Lines

2007 continued a trend that began in 2005—many carriers competing for business. Pricing wars were heavy in the first quarter, then relaxed a bit. Our carriers work hard to balance market share against profitability—an equation known in all industries. Industry experts predict that 2007 will still be a profitable year, forecasting that prices are likely to remain soft in 2008.

In this challenging market, we nearly doubled our new sales over last year, writing 106 new clients. We broke the \$1 million mark in premium, an increase of 73 percent over 2006.

Financial Services

Keeping with the trend of greater sales in 2007, Financial Services also posted an impressive increase—our new clients were 42 percent more than last year. Both our group health and investing products saw increases. In fact, 2007 saw us write our largest group health case ever.

We secured many new investment clients because of the level of consultation we provide. Clients were seeking out a “financial partner” to help them manage the complexities of investing. We were happy to oblige!

New Sales Statistics

	Count	Percent Increase over 2006	Premium
Personal Lines	185	37%	\$ 270,913
Commercial Lines	106	47%	\$1,215,043
Total P&C	291		\$1,485,956
Financial Services*	54	42%	\$ 99,950

*This dollar amount represents commission.

TAD Update

Last year, we introduced Total Account Development, or TAD, as a significant strategy to provide our clients with multiple products and services.

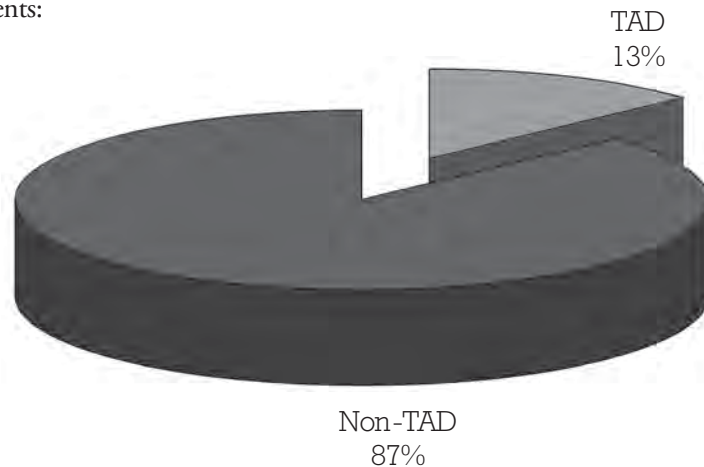
We have many products and services to offer clients:

- Commercial Insurance
- Bonding
- Personal Insurance
- Health Insurance
- Life Insurance
- 401(k) Programs
- Individual Investing
- Computer Consulting
- Business Consulting

In 2007, the employee committee built an automated tracking mechanism to more effectively manage and track our efforts. TAD has been a whole-agency effort; our service team manages the data and our sales team promotes the departments.

Our results of 2007 are impressive—nearly a 40% increase in sales from existing clients. As a percentage of sales, TAD sales accounted for 13 percent of total sales.

2007 TAD Sales



TAD Sales by Department

	Count	Premium
Personal Lines	23	\$ 32,069
Commercial Lines	9	\$ 67,494
Total P&C	32	\$ 99,563
Financial Services*	19	\$ 18,266

*This dollar amount represents commission.

Client Retention



Personal Lines

Late last year, we launched the Multi-Quote Advantage—our marketing tool to remind clients and prospects about the value of an independent agency. In 2007, we took it full force, and the results exceeded our expectations!

Retention of clients, a key measurement in our industry, improved 18 percent over last year.

Rather than call elsewhere to shop rates, clients realized the Multi-Quote Advantage and let us do the shopping for them. And the figures prove it out. Our lost business due to price and nonpayment were down 22 percent from last year.

Commercial Lines

Certainly 2007 was a challenging year for retention of our commercial accounts. The economy and price softening caused many businesses to shop their insurance. All the more reason for us to differentiate ourselves with service.

Smart workflows, advanced technology, and great people are the keys to great service. In 2007, we streamlined even more of our processing work. Using Lean principles, we examined the work being done. We used technology to reduce the “paper tasks.” Because our commercial lines service team doesn’t have to spend time pushing paper, they are more accessible to clients’ requests—the service that brings real value.

A business absolutely devoted to service will have only one worry about profits. They will be embarrassingly large.

Henry Ford

Carrier Statistics

Last year, we identified a goal to expand our relationships with two carriers, recognizing the importance of a more balanced group of carrier-partners. We achieved that goal for both carriers. Acuity increased its share from 9 percent to 13 percent of our total volume. Frankenmuth went from 3 percent to 6 percent. Even with this growth, we maintained our relationship with Westfield, our premier carrier. Its share is now 40 percent, only down a point.

In 2008, we will continue our efforts to create balance in our total volume, knowing the importance of solid relationships with multiple carriers.

Loss Ratios

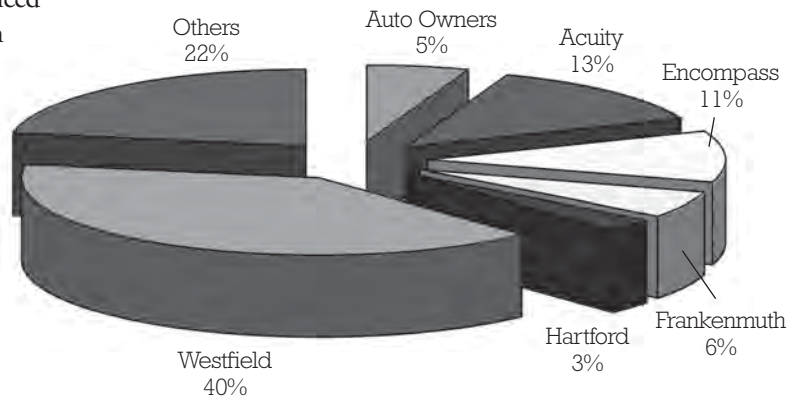
Our 2007 loss ratios are similar to last year's, with the exception of a large commercial loss in Frankenmuth. Most of the carriers' ratios varied just a few points from 2006, showing the stability of our book over time. We were especially pleased with Acuity's 44.8 percent loss ratio, given the large premium increase it saw this year. Considering Westfield's large premium volume, its 49.5 percent loss ratio is impressive.

Our hallmark continues to be quality. While our competitors may focus on writing any kind of business, we underwrite it carefully, mindful of its profitability.

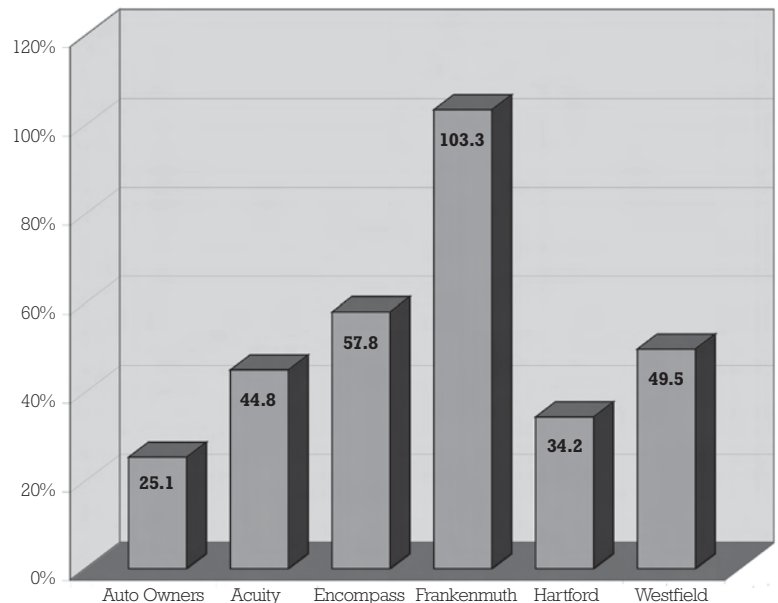
In the business world, the rearview mirror is always clearer than the windshield.

Warren Buffett

2007 Premium Volume



2007 Loss Ratios



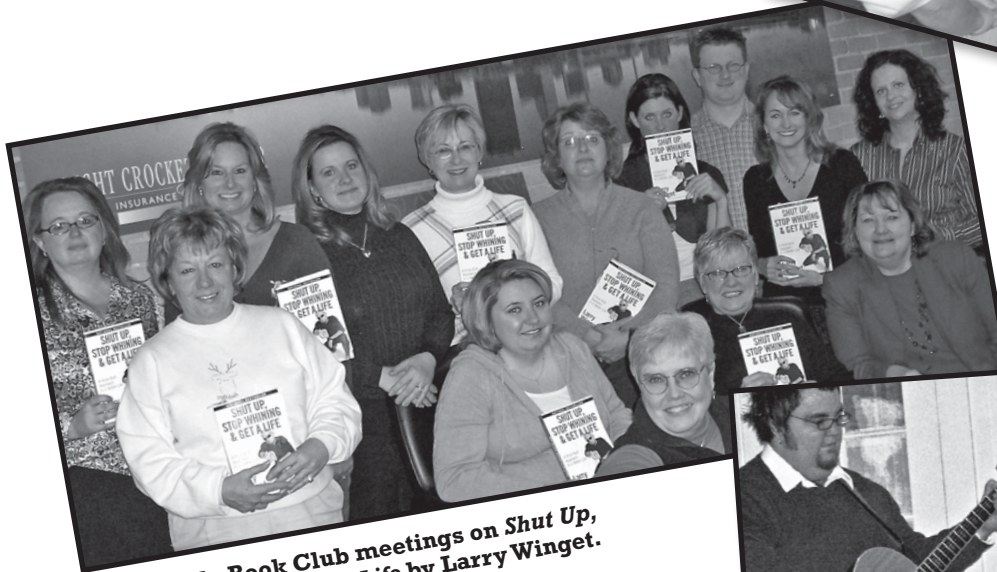
Fun Stuff

We work hard at what we do, but we also like to have fun. 2007 found us celebrating significant events with each other, socializing at Mud Hens games, thanking each other for a job well done, initiating our Rookies with an annual Christmas performance, holding a book club, and just having fun.

Take a look at some of our fun in 2007:



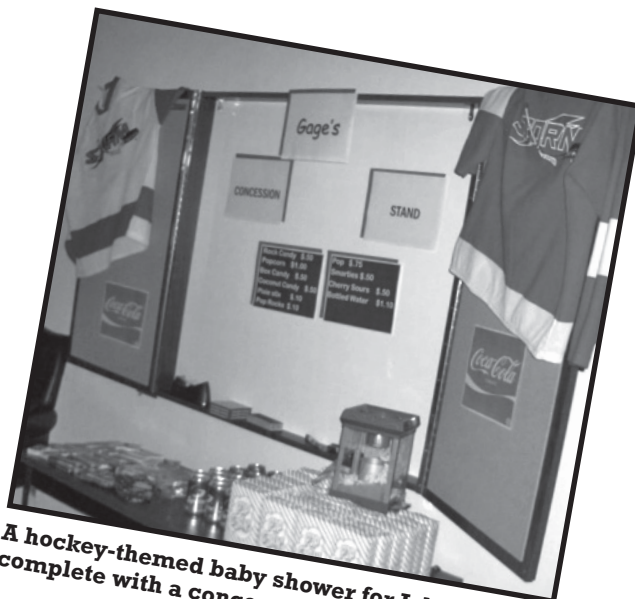
Sam getting his gift on Bosses' Day, where the team thanked the owners.



Our weekly Book Club meetings on Shut Up, Stop Whining and Get a Life by Larry Winget.



Rookie Christmas performance by Allison.



A hockey-themed baby shower for John, complete with a concession stand.

And in the end
it's not the years
in your life that
count. It's the life
in your years.

Abraham Lincoln

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