

Growing Stronger Together



2022 Annual Report



Intelligent Thankful
Supportive Dynamic Transparent Problem Solving
Innovative Responsive
Blessed Leaders
Positive
Helpful Kind
Observant Welcoming Strong
Inspiring Professional
Work Life Balance Educated Think Outside the Box
Awesome
Accepting
Brilliant Enthusiastic
Future Exciting Engaging
Family
Focus Camaraderie Flexible Ethical
Fun Ambitious
Perpetuation



L to R: Sam Hammons, Greg Corbitt, Allison Hammons, Ken Knight, Bud Bonner, John Gage, Diane Keil-Hipp

DEAR STAKEHOLDER:

Commitment fulfilled.

No doubt 2022 stands out as one of the most momentous years in our 163-year history: the year that the owners of Knight Insurance Group fulfilled a historic commitment to stakeholders by selling the agency to the employees. Becoming an Employee Stock Ownership Plan (ESOP) was years in the making. And, as we hinted in last year's Annual Report, this change secures our future for generations.

Becoming an employee-owned organization has made our team a family. Before ESOP, we prided ourselves on a culture that employees described as positive, inspiring, helpful, and fun. That culture is even stronger, now that employees directly participate in the agency's success. We are stronger together, bonded by the feeling that every single person is an integral part of the organization's financial performance.

Inside this report, you'll read comments from our employees on how it feels to be an employee-owner. Then, you'll see an overview of the ESOP structure, our Why, and how the new ownership benefits all stakeholders. Finally, you'll hear from the sellers on why they think the ESOP was beneficial for the agency.

Giving ESOP such a spotlight is not to take away from a successful year. As you'll read, we broke records in sales and retention. Our team proved yet again that they are goal-driven, no matter the roadblocks. Their resolve and resiliency are something to celebrate.

As an agency stakeholder, you benefit from the ESOP, and you'll read why we believe this was the best perpetuation option, bar none. We welcome your comments or questions and appreciate your loyalty and continued support.


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


Greg Corbitt
Chief Sales Officer


Allison Hammons
Business Development Team Leader



On Becoming an ESOP

Our Why

Our conversion to an employee-owned agency was 17 years in the making. In 2005, we first investigated the idea of perpetuating the agency via an ESOP. We liked the idea that employees would be rewarded for helping build the agency. After all, it takes everyone doing their best to make the agency a success. The ESOP structure is the perfect vehicle to share ownership with all employees. On top of that, it perpetuates the agency—not just to the next generation, but to the generation after and the generation after.

Since becoming an ESOP, we are often asked why we did it. Why did we sell the company to the employees? It is true—we could have sold to an outside third party for a higher price. But money was not our only motivation. Instead, our choice of perpetuation was driven by benefits that only an ESOP can offer.

- **Employee Reward.** The ESOP effectively rewards employees for helping build the agency. So it seemed only fitting that they share in our success in a tangible way.
- **Legacy.** Knight Insurance Group lives on through the ESOP. Had a third party purchased the agency, the name would have been lost, as has happened to many other local firms.

- **Benefits to all Stakeholders.** There's a feeling in the air of a close-knit family, which extends to how we support all our stakeholder groups. **Clients** benefit from long-term, stable and personal relationships with employee-owners who are committed to their success. They do business with a local company that supports other local companies. Our family wants to help other families in our **community** through charitable efforts. **Carriers** enjoy partnering with an independently owned agency filled with employee-owners motivated for mutual success. And now, because the **owners** are the employees, two stakeholder groups have merged into one. How fitting.
- **Leadership Continuation.** The existing leadership team wanted to continue to guide the company. Had we sold to an outside firm, the leaders would have potentially exited.

The ESOP form of ownership checked all the boxes, and although it's contrary to what is popular in mergers and acquisitions, it was right for us. In addition, as the first employee-owned insurance agency in the region, we have a unique proposition to offer prospective clients and employees.

Commitment



"The ESOP is excellent for attracting and retaining team members who will reap the benefits of long-term employment as an owner. While our day-to-day operations are the same, the benefit is that we'll have a more comfortable life when retirement rolls around!"

Bridgett Purpich

“All our team members are now part of our family and have a strong incentive for the agency’s well-being. The ESOP rewards everyone who helped build the agency to this point and will benefit those who continue to help build it. It is now their company. You won’t find a better workplace—we are committed to our clients and the greater community.”

Ken Knight Chairman of the Board



The Motivation

Since we first researched ESOP in 2005, the insurance industry has changed dramatically. The independent agency system has become a hot commodity for private equity firms, who have gobbled up agencies around the country at record prices. In the past few years, the Toledo area lost some locally owned agencies to private equity. Unfortunately, when they were sold, their legacy disappeared. Community support dwindled, employees lost their jobs, and clients were serviced from out of town. Watching this unfold increased our resolve to ensure that Knight Insurance Group would remain locally owned, committed to the community, and a source of local jobs.

The Benefits

An Employee Stock Ownership Plan is a defined benefit plan regulated by the IRS. Here are some of the benefits of ESOPs:

- Ownership value builds tax-free until withdrawn by the employee.
- Employees contribute no personal funds. Instead, they earn shares by being employed by the company.
- Employees sell their shares when either they retire or leave employment. They pay personal income tax on their distributions.
- An outside trustee is responsible for overseeing the ESOP in the interest of employees.
- The company pays no federal income tax. With the savings, the company can reduce debt faster, reinvest in the agency, or build cash.

com mit' (ko mit') verb.

To give in trust; to pledge; to bind.

Too often these days, commitments are pledged and then forgotten. Changing circumstances give businesses a loophole to forgo the commitment. Organizations come and go so quickly that commitments are hollow. As a 163-year-old company, we are neither hollow nor seeking a loophole. When we make a commitment, be it a handshake or a written statement, we intend to fulfill it.



Bud Bonner presents Stephanie Ehman with a \$1,000 check for recruiting a new employee. The program started in 2021 and rewards team members for referring potential employees to us.

Why Client Coverage Reviews?

Achieving our annual Client Coverage Review goal has been a service standard for many years. Why are these reviews so important? Several reasons:

- Clients' lives are busy! Whether a business or a family, clients make changes that affect their insurance without realizing it. As much as we'd like to believe, insurance is not top-of-mind to our clients on a daily basis. A periodic check-in brings these changes to the forefront.
- Client connections are important. This is **the most important** part of our job—talking to our clients, learning about their businesses and families. The more we know about our clients, the better we can serve them.
- Insurance products change over time. Like everything else, insurance products are enhanced or improved. The review gives us an opportunity to discuss new products and policy changes that may benefit our clients.
- Clients expect claims to be covered. Of course they do—and they should! A Coverage Review may uncover something we didn't know that would affect a claim being covered.

Report on Sales and Service Team Performance:

Committed to Success

Service

The service team displayed great determination and perseverance in a year that presented unusual challenges. Like every family, we had some ups and downs. Life's road is not always smooth. But the team rallied in support to stay on track. And by the end of the year, the team had met its goals. So although it appears that the team easily meets its goals year after year, it's important to know how hard they work to achieve them. Hats off!

For 24 years, the service team has worked together to achieve the goals set in our Gainsharing program. Each element of the program—Client Coverage Reviews, Account Rounded Premium, and Retention of Targeted Accounts—is a metric of customer service excellence. We are proud to share the results of this year's program.

GAINSHARING RESULTS		Goal	Actual	Difference
Personal	Client Coverage Reviews	740	790	+50
Personal	Account Rounded Premium	\$30,000	\$66,433	+\$33,433
Personal	Retention of Targeted Accounts	95%	95.4%	+0.4%
Business	Client Coverage Reviews	171	210	+39
Business	Account Rounded Premium	\$50,000	\$100,058	+\$50,058
Business	Retention of Targeted Accounts	93.5%	93.2%	-0.3%

"It feels like I have now become a piece of a much larger puzzle. As I continue to grow at Knight Insurance, the agency will also grow and blossom. Every step that we climb feels much more impactful and beneficial."

Ross Vilella



Sales

The sales team began the year with a bang, exceeding its commercial first-quarter goal by 19 percent. By the end of the year, the team wrote new business equal to 10.3% of last year’s revenue. Out of every ten people we met with, eight chose to become clients—an impressive ratio in our industry. The team spent many hours in training seminars, learning the finer points of identifying business risks that affect profitability. They also strengthened niches in transportation, general contracting, nonprofits, and commercial real estate, in addition to adding niches in utility contractors and moving and storage. We’re proud to share results of our sales team:

2022 SALES RESULTS	Number of new clients	New Premium	% Revenue Growth
Business insurance and bonds	187	\$3.4 million	13.4%
Personal insurance	255	\$570,000	3.1%



New Sales Leader

In 2022, Greg Corbitt became our Chief Sales Officer, responsible for overseeing our entire sales team and their results. For many years, you’ve seen Greg as our Golden Hammer Award winner. He has proven himself to be our top sales leader time and again. Informally, team members would seek Greg’s assistance and coaching, so it made sense to formalize the role!

Introducing our Personal Private Client Unit

The personal insurance division launched the Premium Asset Protection (PAP) program, offering a better way to insure high-value assets for clients whose assets are out of the ordinary. The PAP uses the Knight Vision process to identify exposures, understand the client’s risk tolerance, and design a customized plan.





Culture Target in 2023

As we enter 2023, we are excited about our first full year as an ESOP. The sales and service teams are even more motivated to achieve our aspirational 20/20 vision. We are still driven to live our Values, exhibit the Behaviors, and achieve the Outcomes we created in 2014.

Unlike most mission/vision statements that get dusty and forgotten, our Culture Target lives on in our every-day work. Components of it are integrated in performance reviews; they are on our office walls, on our computer screen as wallpaper, and the basis for our Agency of Choice Awards. In other words, the Culture Target is an indelible part of Knight Insurance Group.



"I'm proud to be part of an ownership team that looked beyond the dollars for a perpetuation solution. Our employees deserve this opportunity, and already, I feel the difference. We were a great team before, but becoming an ESOP makes us stronger together.

Diane Keil-Hipp

Golden Hammer Award

Sam Hammons broke Greg Corbitt's six-year winning streak by capturing the Golden Hammer Award for the highest new account sales in 2021. His win pumped the internal competition in 2022!



"[The ESOP] is a gift and privilege. It motivates my commitment because I know the harder I work, the better the rewards in the long run for all of us."

Becky Goodrich

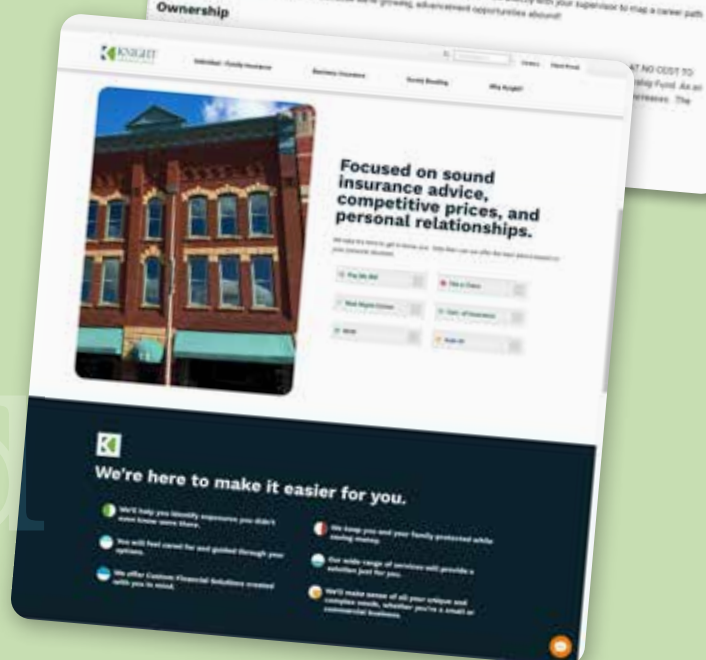
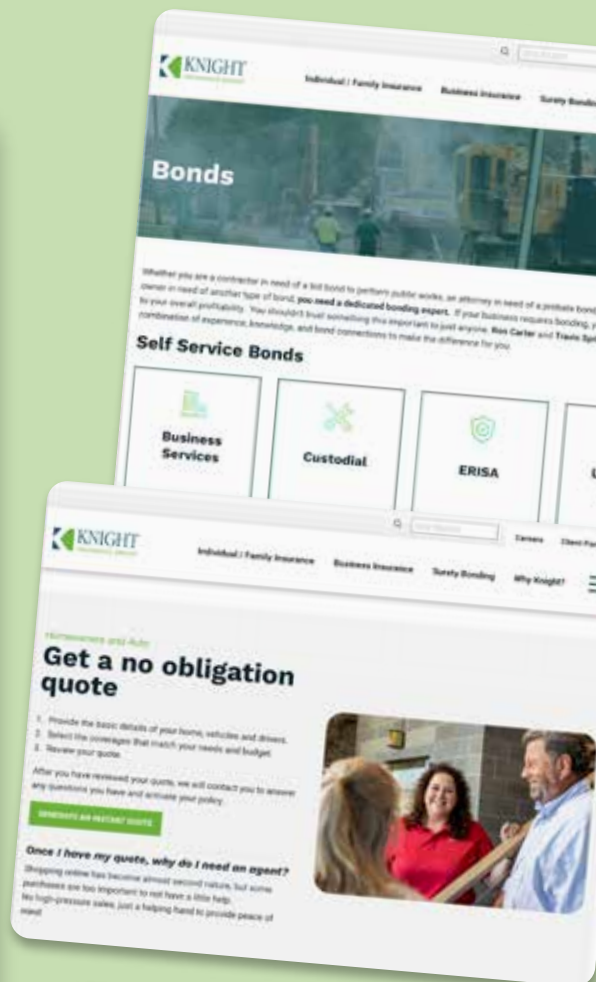
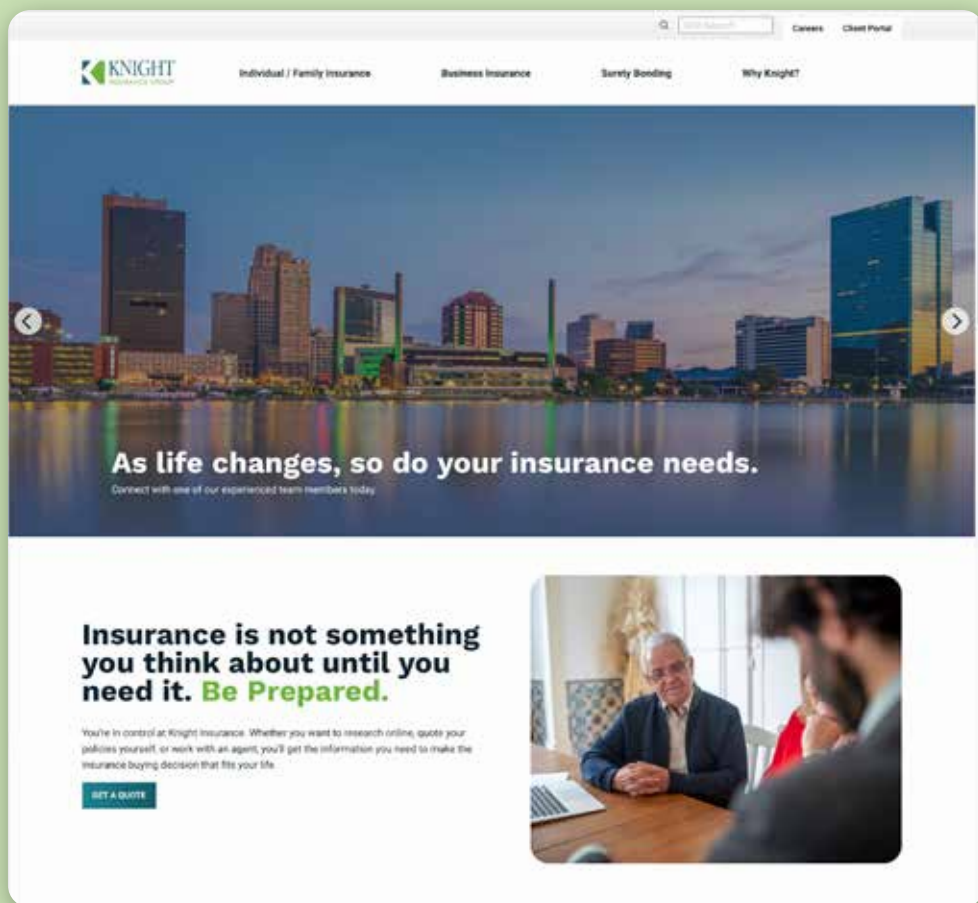
Knight Online: Feel the Energy!

Visit our website or view our social media posts, and the energy jumps off the screen! Visitors tell us they sense the fun, family atmosphere, and enthusiasm for what we do. Here are some of the posts on Facebook and LinkedIn this year.

Rave Reviews

We have nearly 500 five-star online reviews to date! Many visitors choose to do business with us after reading these reviews, so thank you for your glowing comments! If you would like to join in, it's simple: hover your smartphone over either of these QR codes to submit an online review.





New Website

Our new and improved website, launched in October, aimed to keep the user-friendly functions and improve the user-focused experience. Here are a few of the enhancements:

- **Online home and auto quotes.** Yes! With minimal input, you can now receive an online quote. Once you want to purchase coverage, click the call to action, and we'll reach out to you.
- **Career portal.** For those interested in joining our team, the career portal shares the benefits of employee ownership and lists currently open positions. Then, with a click, applicants can easily apply online.
- **Online bonds.** Now you can issue a whole host of bonds online! Probate, lottery, ERISA, license, and permit...virtually any surety or fidelity bond can be quickly issued. For more complex bonds that can't be immediately issued, turnaround is typically the same day.

Connected

Employee-Owner Anniversaries: Celebrating Togetherness



35 Years

Matt Werner

Matt and his agency, Werner Insurance Agency, Inc., affiliated with us in 1997. Werner Insurance was founded by Matt's grandfather, Charles D. Werner, in 1919. So it's an understatement to say that insurance is in Matt's blood. His dad, Jack, owned the agency for over 50 years. Jack passed away in 2022 at the age of 86. Matt is a commercial insurance expert who loves to dig into policy language and proactively advise clients.



10 Years

Aliya Knight-Haupricht

Daughter of Ken, Aliya has been around the agency since childhood. She officially started as an employee in 2012 while in college. Since then, Aliya has married and had two babies, all while working full-time. Aliya has an accounting degree from BGSU and is our accounting specialist and business account technician. No error gets past her eye for detail! Aliya has a reputation for thoroughness and precision.



5 Years

Bud Bonner

Bud met the agency owners in 2014 at an industry conference and hit it off immediately. When we learned he was open to a new opportunity, we jumped at the chance to offer him the CEO role. Bud is a visionary who helps others "see" what they can be and how they can reach their potential.



5 Years

Dorian Harmon

With Dorian, a competitor's loss was our gain. Dorian came to us as an already experienced personal account manager looking for a new home. She gelled so quickly with her co-workers that people forgot she was new. Clients love her gentle manner, infectious laugh, and listening ear.



5 Years

Travis Spitnale

Through a connection with a carrier, Travis heard about an opportunity to learn surety bonds and be groomed by Ron Carter, our surety expert emeritus. Travis studied beside Ron, attended client review meetings, and completed surety training. He obtained his CLCS (Commercial Lines Coverage Specialist) in 2016 and is a graduate of Taylor University (Upton, Indiana) where he also played football.



5 Years

Nick Etter

While in college, Nick was introduced to us through our relationship with Central Insurance. He started learning the basics of business insurance processing and almost immediately displayed a loyalty to the agency that impressed us all. Since his humble beginnings, Nick has fast-tracked in the service department, earning three promotions in five years. Today, Nick is an account manager for business clients and the leader of our business support team.

Employee-Owner Accomplishments: Family Brag Board

Since one of our values is Exceptional Standards, employee-owners continuously work to build exceptional business skills. After years of hard work, these employee-owners completed educational programs or earned designations and degrees.



Dorian Harmon
Certified Personal Risk Manager
(CPRM)

The CPRM program focuses specifically on risk management for individuals and families. Like other designations, CPRM requires five exams to be successfully passed. With Dorian's completion, all our personal lines account managers are CPRMs. As a result, clients can feel confident that highly educated insurance professionals are advising them.



Becky Goodrich
Certified Insurance Counselor
(CIC)

The CIC program requires courses such as Commercial Casualty, Commercial Property, and Insurance Company Operations. Five courses must be passed to earn the designation. Becky was determined to earn the designation in 2022 and worked tirelessly to make it happen.



Lesley Buccilla
Certified Risk Manager
(CRM)

The CRM is a rigorous five-course insurance designation focused on risk management. Courses include Control of Risk, Analysis of Risk, and Financing of Risk. Lesley completed the program in a record three years.



**Allison Hammons
and Greg Corbitt**
Agency Leadership Institute

Allison and Greg completed the Cincinnati Insurance Agency Leadership Institute, comprised of two on-site sessions covering topics such as personal leadership skills, agency growth strategies, and perpetuation. The cohort-style program offered the added benefit of networking with other emerging leaders.



"Going to an ESOP was the only way to protect our five stakeholders (our clients, carriers, community, team members and their families, and the owners). These stakeholders can now rest assured that we will remain a locally owned firm that creates jobs, contributes to the community, and will perpetuate for generations to come."

Sam Hammons

We are the **Agency of Choice**

Agency Awards: The Secret is Out

Our stakeholders are broadcasting the news—Knight Insurance Group is the **Agency of Choice**! Thanks to clients, employees, and the community for voting for us!



"I am incredibly grateful for the opportunity to be a part of an organization that puts its people first, allowing us to not only build equity and a prosperous future but to commit to our clients and community that we will remain a locally owned company and stay true to the values that made us who we are."

Phil Bowles

“We promised to perpetuate the agency from within, so it’s great to have delivered on that promise. The ESOP rewards those who have helped us get to this point and keeps us locally owned, which is good for our stakeholders. Being an ESOP is also a great recruiting tool—how many employers can offer ownership to candidates? I’ve already noticed that our growth-minded culture is more robust than before ESOP.”

Greg Corbitt



**TOP
WORK
PLACES**

**2018 2022
2019 2023
2021**

THE BLADE

The Blade Top Workplace Award

In a fabulous five-time win, Knight Insurance Group was named a Top Workplace for the upcoming 2023. This year, 95 percent of our employees completed the survey that determines the winners.

In completing the survey, employees used these words to describe our strengths:

Encourage education
Genuine
Grow ESOP
Fun
Commitment Team



The Blade Readers' Choice Award

For the second year in a row, we were named winner of the Readers' Choice Award, Best Insurance Agency in the region. Not only did we win the insurance agency category, but two of our agents were also personally named in the insurance agent category. Ken Knight won as Readers' Choice, Insurance Agent, and Tracy Barber was runner-up.



City Paper's Best of Toledo Award

In 2022, we were named first runner-up for the Best of Toledo Insurance Agency award. We also have the 2023 win in our sights! We tallied enough votes to be on the nomination slate. Winners for 2023 will be announced in March.



BBB Torch Award Finalist

For the third year in a row, we were chosen as a finalist for the Torch Awards, the Better Business Bureau's award for ethical business practices. We were proud to be in the running next to fellow business clients.



Acuity Agents Have Heart Award

Acuity Insurance recognized our community efforts by presenting us with their Agents Have Heart Ferris wheel. The Ferris wheel is a miniature replica of Acuity's life-size Ferris wheel at its headquarters, which is used at events to benefit charitable organizations.



Our team with Steve Johnston, CEO of Cincinnati Insurance.

Carrier of the Year: Honoring a Partnership

Cincinnati Insurance, a partner-carrier since 2020, won the Carrier of the Year Award just one year after our appointment—an outstanding accomplishment so early in the relationship. Carrier of the Year is awarded based on criteria such as responsiveness, accountability, and consistency. Since our appointment, Cincinnati has worked tirelessly to educate our team on products and underwriting. They supported our sales and service team with expertise and responded quickly to our requests. Cincinnati tells us they are working hard to earn a repeat win for 2022's performance!



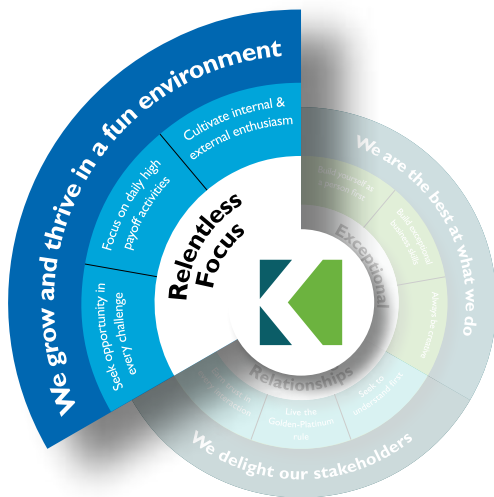
Agency of Choice Awards: Living our Culture

The Agency of Choice Awards are our way of recognizing employee-owners who live our culture daily. The award categories come straight from our values: Exceptional Standards, Enduring Relationships, and Relentless Focus. Each award is earned based on the behaviors that demonstrate those values. Best of all, award honorees are chosen by co-workers through a nominating and voting process. Here is a close-up of each award.



"I feel grateful to work for an organization whose owners and management are so generous to us as team members, not only in the short term but also thinking about our long-term benefit."

Tracy Barber



Relentless Focus Award

Honors the individual who focuses on daily high-payoff activities, cultivates internal and external enthusiasm, and seeks opportunity in every challenge.



Relationship Builder Award

Honors the individual who earns trust in every interaction, lives the Golden Platinum rule, and seeks to understand first.



Exceptional Award

Honors the individual who builds exceptional business skills, personal awareness skills, and is always creative.



Linda Lopez, winner of the Relentless Focus Award



Tracy Barber, winner of the Relationship Builder Award



Matt Werner, winner of the Exceptional Award



Community Involvement:

Our Family Helping Families

Our Team & Families Committee, headed by Brenda Robinson, chose Cherry Street Mission Ministries as our spotlight charity in 2022. Cherry Street is the largest organization serving the poor and homeless in Northwest Ohio and Southeast Michigan. More than temporary housing, food, and clothing, Cherry Street offers redemptive services that are Christ-centered.

This year, through various fundraising efforts (like a silent auction, Halloween raffle, and vending), our employee-owners donated \$1,000. Additionally, through our partnerships with Grange, West Bend, and Hastings Mutual, we raised an additional \$13,250.

We are grateful to Cherry Street for its work in our community and are humbled to contribute to its mission of helping people hungry for change.

CHERRY ST.
MISSION MINISTRIES



Cherry Street Mission Ministries' Mission:

Since 1947, we have served people in need by cooking them meals, offering housing, and, most importantly, pointing them to the hope in Jesus Christ. Cherry Street Mission Ministries is committed to delivering solutions that will reverse the cycle of poverty through purposeful discipleship and restoration of hope while releasing God's greatness.





More Community Contributions

Neighborhood Properties provides stable, supportive housing through 540 apartments in 60 locations, primarily in greater Toledo. Its mission is to end homelessness and save the lives of those they serve by treating each individual with dignity and respect, offering hope for a purpose-filled life and a path to independence.

In partnership with Westfield's Legacy of Caring, we proudly presented Neighborhood Properties with a check for \$6,500. Our very own Matt Werner serves on their board.



"With so much uncertainty in the world, I'm proud that this transition ensures that Knight Insurance Group will be an independently owned agency for generations to come."

John Gage



"Becoming an ESOP creates a Knight Insurance legacy and shows we are committed to local jobs and our community. Employees are motivated to perform at a higher level and trust in the organization's future."

Allison Hammons

Board Service

Several employee-owners volunteer their time and talent to serve nonprofit organizations—another example of how we value the community and integrate it into our culture.



Catholic Charities:

Diane Keil-Hipp



Fellowship of Christian Athletes:

Greg Corbitt & Sam Hammons



The Learning Club:

Ken Knight



Lott Industries:

Sam Hammons & Allison Hammons



Neighborhood Properties:

Matt Werner

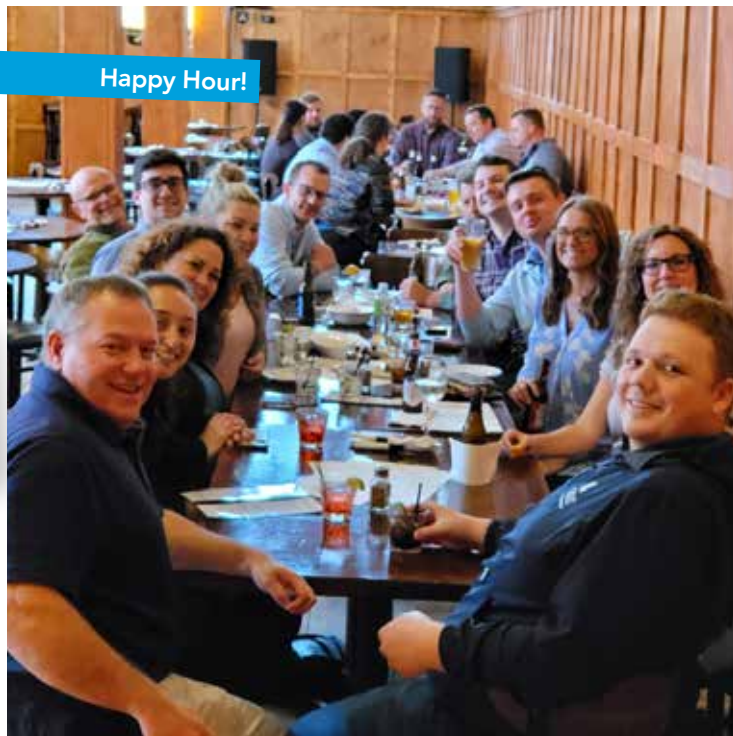
Fun Stuff



...that Keeps us Close-Knit

Being close-knit is not just a warm, fuzzy feeling—it's a business strategy. Togetherness is a two-sided coin. First, it's an essential ingredient for connectedness, which increases productivity and efficiency. It's also a benefit of the ESOP—everyone succeeds together when the agency is profitable.

That's why we all gather for events that have become agency traditions: Annual Meetings, Agency Retreats, Quarterly Results Meetings, and the ever-popular Christmas party. So, enjoy "peaking" inside our close-knit family events through these photos.



Happy Hour!



Teamwork



Leprechan winners!





BOOMPAH!
OOMPAH!



Ross Villella performs for a
Christmas sing-along



Celebrating life events together



Travis Spitnale raises our leader, Ken Knight



Introducing our Employee Owners

We close this year's Annual Report as we opened it—by celebrating becoming an ESOP. Such a historical event called for a memorable commemoration. At our Agency Retreat, we commemorated the ESOP in two unique ways: a signed Culture Cloud and employee stock certificates.

The Culture Cloud image was created live at our 2021 Annual Meeting during a Word Cloud activity. In response to the question, "How would you describe the culture at Knight Insurance Group?" employees typed words into their cell phones, which were populated live on screen. Words appeared larger when entered more frequently. Signing the Culture Cloud signified our unity and commitment to our culture. Additionally, symbolic stock certificates were given to each employee, indicating their ownership status.



In addition to the leadership team, we are proud to introduce you to our employee-owners.





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