



2004 Annual Report



KNIGHT CROCKETT MILLER
INSURANCE *Group*

Celebrating 5 years together, embracing 145 years of experience.

KNIGHT CROCKETT MILLER

INSURANCE *Group*



December 2004

Dear Stakeholder:

What a year! This report officially wraps up our Fifth Anniversary celebrations. It was a special year for us, as we celebrated five years of an organization striving to be the best. We are very proud of how far we've come, and it wouldn't have been possible without our exceptional team.

In 2004, we welcomed another partner to the organization. Sam Hammons' name is at the bottom of this letter for the first time. Sam has been our top salesperson since he joined us in 1998. He also carries the responsibility of managing our sales team. We are fortunate to have his dynamic energy and vision within the ownership.

It was a year of celebration, but also a year of hard work and achievement. We defined a new sales culture, sponsored developmental assessments for our entire team, built new marketing strategies for the future, and expanded our sales force with two additional people.

The results of 2004 give us additional cause for celebration. Our agency contributed profits to all our carriers—a testament to our careful underwriting. We had our second straight year of large commercial growth, furthering our goal to expand that division. Our personal lines team completed a major effort to upgrade client policies. Financial Services continued its growth by appealing to clients who value personal service and attention.

For all of this, the biggest thanks must go to you, our stakeholders. You—our employees, companies, and clients—are the reason we are successful.

Sincerely,

Kenneth P. Knight
Kenneth P. Knight
CEO

Luan Canham Kornowa
Luan Canham Kornowa
President

Thomas G. Hart
Thomas G. Hart
CFO

Samuel Hammons III
Samuel Hammons, III
Vice President, Sales

Facts & Figures

Significant Fact:

Commercial Lines
Net premium growth
is \$965,285.

New Sales

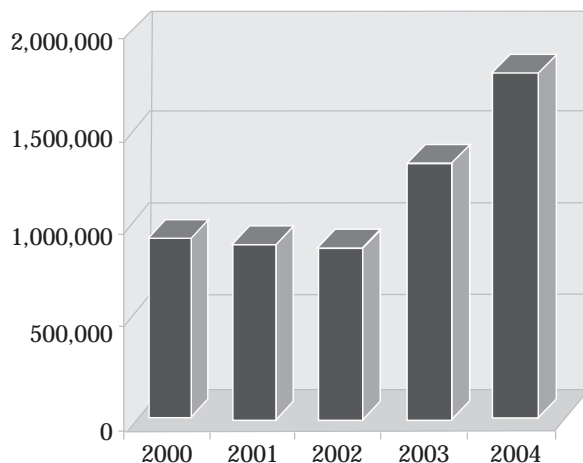
We thought 2003 was a banner year...2004 outpaced 2003 by nearly \$400,000! Commercial Lines again took the lead. This year, Commercial Lines outpaced our 2003 total sales figure by nearly \$150,000 (8 percent). Financial Services and Personal Lines also increased production from last year, by 40 percent and 14 percent respectively.

New Sales Statistics

	Sales	Amount	Cross Sales	Amount	Total	Amount
Personal	111	\$214,631	16	\$37,748	127	\$252,379
Commercial	86	\$1,307,144	16	\$128,524	102	\$1,435,668
Financial Services*	46	\$105,653	18	\$40,278	64	\$145,931
Total	243	\$1,627,428	50	\$206,550	293	\$1,833,978

*The dollar amounts represent commission.

New Sales Premium



Even more impressive is the historical view of our sales over the last five years, shown left.

Commercial Lines stretched itself this year in writing its largest account in our history. Most significant is the way it was written, through a unique team approach that we have not done before. The success of this sale fired us up to try more of this type! So, in 2005, we have targeted a dozen prospects for our new sales approach.

Wow! Hats off to our sales team for these great numbers!

Facts & Figures

Cross Selling Strategy

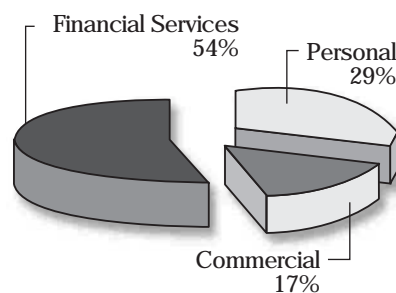
Last year, we reported that cross selling would be a focus for 2004. We are very proud of these results:

Cross Selling

	Cross Sales	Amount	% of Cross Sales to Total Sales
Personal	16	\$37,748	15%
Commercial	16	\$128,524	8%
Financial Services*	18	\$40,278	28%
Total	50	\$206,550	

*The dollar amounts represent commission.

Percent of Cross Sales by Department



Cross selling allows us to bring all of our services to each client. This has several benefits:

- lower acquisition costs
- higher retention
- stronger relationships
- integrated team approach

Cross selling is clearly a profitable strategy. You'll note that cross selling is a part of our new Sales Culture statement (see page 9), furthering the message to our sales team. In 2005, we expect even greater returns.

Significant Fact:

Personal Lines

*The average new account
is \$750 higher than
average lost account*

Lost Business

Losing clients is one of the “necessary evils” of business. Our strategy is to minimize our attrition rate by providing “WOW” service, developing relationships, and convincing our clients that insurance is not just about the price.

Personal Lines had a difficult year. Across the nation, companies were raising rates to account for negative margins. One of our lead companies was in that position, and unfortunately it took a toll on us. We will be redoubling our efforts to step up our service even more so that in 2005, we are in a stronger position to maintain our clients.

Lost Accounts Statistics

	Number of Accounts	Amount	Average
Personal	299	\$368,776	\$1,237
Commercial	72	\$470,383	\$7,054
Financial Services*	12	\$10,830	\$1,203
Total	383	\$849,989	\$3,165

*The dollar amounts represent commission.

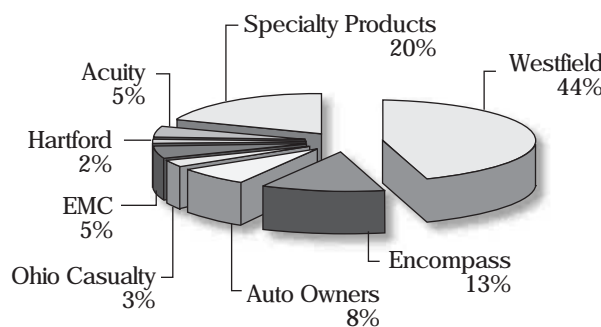
On a positive note, we again maintained a higher average premium on our new sales than on our lost sales, so we are still gaining client by client.

Commercial Lines also suffered losses, primarily due to the “hard market” softening. Our total lost is 3 accounts less than last year (72 compared to 75). The premium, however, was \$470,380 compared to \$395,958 a year ago. Again, a sign of the “hard market.”

Financial Services lost fewer accounts in 2004, but more in commission dollars. This shift is a reflection of our group health segment being a bigger share of our total Financial Services division.

Facts & Figures

Company Breakdown

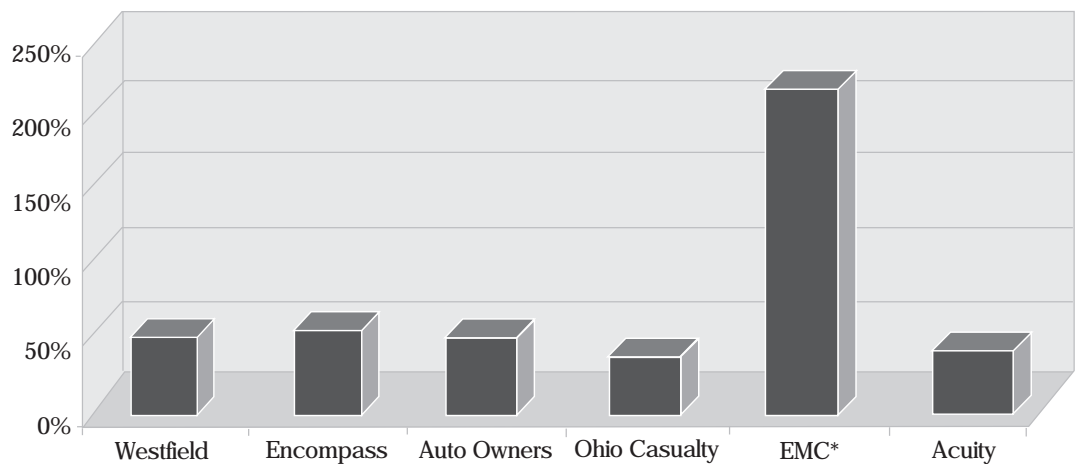


Lead Company Statistics

For the fourth year running, we have surpassed industry loss ratio averages, ensuring profitable books to our companies. We believe strongly in the company-agency partnership. We work as hard to develop those relationships as we do our client relationships.

In 2004, we targeted growth with those companies that demonstrated a desire to work with us and grow our books of business. We will continue to target growth in 2005, with an attempt to create new partnerships with some of our smaller, yet key, companies.

2004 Loss Ratio



* This loss ratio was impacted by a large increase in a prior year's claim.

Significant Fact:

Financial Services

New clients outpaced lost clients by 8 to 1.

KCM CONSULTING

FINANCIAL *Services*

Here are highlights for 2004:

- Tom Hart received the Nationwide Circle of Excellence Award for outstanding leadership in the retirement planning industry.
- Tom also received the ING President's Award for top achiever.
- Financial Services team members attended ING Quickstart National Conference in Dallas, Texas. They were able to gather information and learn about:
 - the latest developments in the securities and insurance industries
 - new trends in the marketplace
 - the latest in product offerings and opportunities for our clients
- Two members of the Financial Services team earned their Series 7 Securities license, the highest level of securities licensing possible.
- We successfully guided clients through a challenging year of volatility due to oil price increases, the Presidential election, and the war in Iraq.
- We partnered with another ING firm in Chillicothe, Ohio, to expand networking and resource opportunities.

Personal Lines Projects

For the third year running, our personal lines team has worked on a special company project. This year's project involved upgrading policies to fit today's industry. We have seen a shift in the way companies are underwriting policies and have worked hard to educate our clients on the changes.

The changes in our industry got a lot of attention in 2004. *The Blade* published a front-page article on home insurance earlier this year. We wanted our clients to have all the facts on home insurance, so we wrote the following Q&A. Because it received such a favorable reaction from our clients, we have reprinted this abridged version.

Q&A on Blade's article, "Homeowners Hit by Denial of Insurance"

Q. The couple in the article was with the same insurer for 25 years and then got cancelled after they turned in a claim. How can insurers do that?

A. First of all, the couple was not cancelled because of the claim. The cancellation came because the home was not being maintained properly (rotting eaves). One of the biggest misnomers about home insurance is that it has to insure every home, regardless of its condition. The fact is that you are expected to maintain your home. Insurance is not a maintenance policy. Insurance is designed to pay for large catastrophes or disasters.

Q. The article talks about CLUE and credit/insurance score. It sounds like those are ways to charge people more or not write them at all.

A. A client who discloses all of his claim history has nothing to fear with CLUE. CLUE simply tracks claim history for auto and home. The message here is: honesty up front. Occasionally, a CLUE will disclose a claim on a home that involved the prior owner or an accident that involved a driver no longer in the household. Those things are easily cleared up with a simple phone call to us.

Regarding credit, a client who is responsible with his credit will love insurance scoring. His rates will be less than a client who is habitually late or has liens against him for not paying his bills. When insurance scoring first came out, we were skeptical about it. What does credit have to do with insurance claims? But time and time again, our insurers showed us statistics of their existing policies. The correlation between credit and number of claims was astounding. Also know that credit is only one tool of several that go into an insurance score. Tools like this help insurers charge more appropriate rates. Rather than raise all rates, insurers can raise rates of those groups filing the most claims. This approach is far more equitable.

Q. But the insurance commissioner quoted in the article said that CLUE and credit discriminate against poorer neighborhoods and minorities!

A. We will reiterate again that CLUE simply discloses claims, so if a client is honest about his claims, CLUE is nothing to fear. The same holds true on credit. Statistics show that people with great credit can and do exist among all income levels.

Q. There are several examples of clients who have filed a few claims and then been cancelled. Can that happen to me?

A. Claim frequency is a growing concern for insurers, so yes, the number of claims you have in a short period of time does matter. When you call us with a claim, we ask several questions

to determine how best to counsel you. We continue to say, use your insurance for the large catastrophes that you can't financially absorb. Don't use your policy to pay for the \$250 or \$500 incident.

Q. But if I have a \$100 or \$250 deductible, why shouldn't I turn in a small claim?

A. Our response to that is, don't carry a \$100 or \$250 deductible. If our advice is to not turn in the small claims, don't pay for a small deductible! It's a waste of money. Our standard deductible today is \$500. Many clients are opting for \$1000 deductibles. It's a great way to save money every year in premiums and ensure that you won't turn in small claims.

Look at it this way. When was the last time you had a claim? The average client has a claim once every seven years. So if you're average, it's been seven years since you filed a claim. Why pay money for a small deductible that you haven't used? You are guaranteed that you will pay premiums every year. Why not save some money with a higher deductible?

To summarize our advice on home insurance:

1. Call us any time you have a question. We are here to be your counselors for insurance.
2. Take a high deductible, \$500 or even \$1000. It saves you money every year, guaranteed.
3. Look at insurance as protection against financial disaster, not a way to recoup maintenance costs on your home.
4. Maintain your home. Take care of minor repairs before they become major.
5. Be responsible with your credit. That is good advice not only for insurance, but for life.
6. Maintain a relationship with your agent and company. Don't shop and change insurers every year. Build longevity with your agent and your company so that if something happens, you have a good track record behind you.

We appreciate our relationship with you and look forward to talking with you.

The Personal Lines Team of Knight Crockett Miller

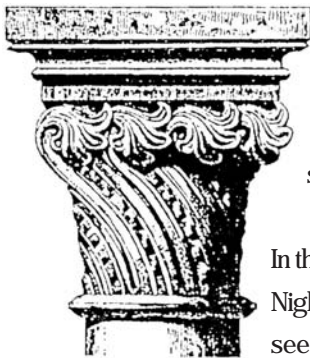
Kenneth P. Knight *Juan Carlos Toranzo*
Theresa A. Holman *Diane Dore*
Denise C. Rogers *Marlene Demore* *Carol L. Taylor*

Special Events

In 2004, we celebrated more than our Fifth Anniversary. Here are some of the special events that we were a part of in 2004:

Toledo Warehouse District

We are proud to live in the Warehouse District, a unique part of Downtown Toledo. As a neighbor, we pitch in whenever possible to promote this great neighborhood. In 2004, we had two such opportunities.



In the spring, we sponsored the Mud Hens Night Out. Our clients were invited to come see a game--on us! We footed the bill for hundreds of respondents. It was a great night to have a hot dog and watch a game at Fifth Third Field.

This fall, we sponsored the Warehouse District's first Open House, showcasing several of the fine renovations in the District. We again offered tickets to our clients free of charge, and what an overwhelming response we received! How great to have so many people interested in the preservation of our historic buildings.

Westfield Milestone

At the end of 2003, we hit a major milestone with our largest carrier. We became Westfield's third largest, single-office agency in the country. This achievement is even sweeter when you realize that we've represented Westfield since 1895.



Ken Knight's 30th Year in Insurance!

Not only was it an anniversary year for the agency, it was an anniversary year for Ken. In May, Ken celebrated 30 years in the insurance business. We just couldn't let that milestone go by without a party—and a few digs at our leader. Ken had to withstand 30 days of gifts of 30-somethings. The card was special as well: a life-sized (!) version of Ken signed by 30 of his closest friends. Hats off, Ken!



Sam Hammons' Partner Celebration

To celebrate Sam becoming a partner, we went to the Toledo Zoo (how appropriate!) and surprised Sam by having his family in attendance. True to form, Sam made an off-the-cuff speech that lasted at least 10 minutes!



KCM United Reunion

In November, we took the entire team off site for a half day to celebrate our success and brainstorm about future possibilities. Making time for each other is time well spent. Great ideas were born, fellowship was expanded, and our common vision was solidified.



2004 Celebrations.

We celebrated our Fifth Anniversary in many ways and with all our stakeholders: clients, companies, and employees. Here's a sampling of the celebrations that took place in 2004:



celebrating 5 years together, embracing 145 years of experience

As we celebrate five years as Knight Crockett Miller, we want to recognize you in a special way, for you are an integral part of the team that makes KCM such a unique organization.

Our anniversary gift to you is "The Perfect Day," planned by us for you. Select from the following Perfect Day options and let us do all the preparation to make it a Perfect Day for you.

Of course, a Perfect Day wouldn't be perfect without a day off to enjoy it!

Perfect Days will occur throughout 2004. So your Perfect Day will depend on your option.

So sit back, relax, and let us plan your Perfect Day!

Perfect Day Options

- ▶ **A Day on the Greens**
Includes golf and lunch for two at a local course.
- ▶ **Pamper Yourself**
Pamper yourself for a day at a local salon.
- ▶ **Amazement Park Day**
Tickets for two to Cedar Point.
- ▶ **A Class Act**
Tickets and dinner for two at the Valentine Theatre and Georgio's.
- ▶ **Stadium Day**
Pick the concert or sporting event of your choice at a Toledo, Detroit or Cleveland venue.

KNIGHT CROCKETT MILLER
INSURANCE Group

INSURING THE COMMUNITY SINCE 1859

Perfect Days. Our employees loved this idea. Each employee selected a day and an event they wanted to attend. Employees went to music concerts, spas, shopping malls, ball games, and golf courses. They got a day off to enjoy it, and of course, the entire event was paid by the agency.

Toledo skyline picture frame. A local client helped us design and create a customized picture frame with our logo. In it is a picture of the Toledo skyline and our motto, "Poised to exceed your expectations." This gift was given to our client-partners as a thank you for their loyalty.



celebrating
5 YEARS TOGETHER
145 YEARS OF EXPERIENCE

2004 marks the fifth anniversary of our merger. At the same time, we celebrate the roots of our organization, which date back to 1859. A 145-year history of insuring the community through anticipating and exceeding our clients' expectations. Certainly a testament to the *Power of Experience*.

KNIGHT CROCKETT MILLER
INSURANCE Group

INSURING THE COMMUNITY SINCE 1859

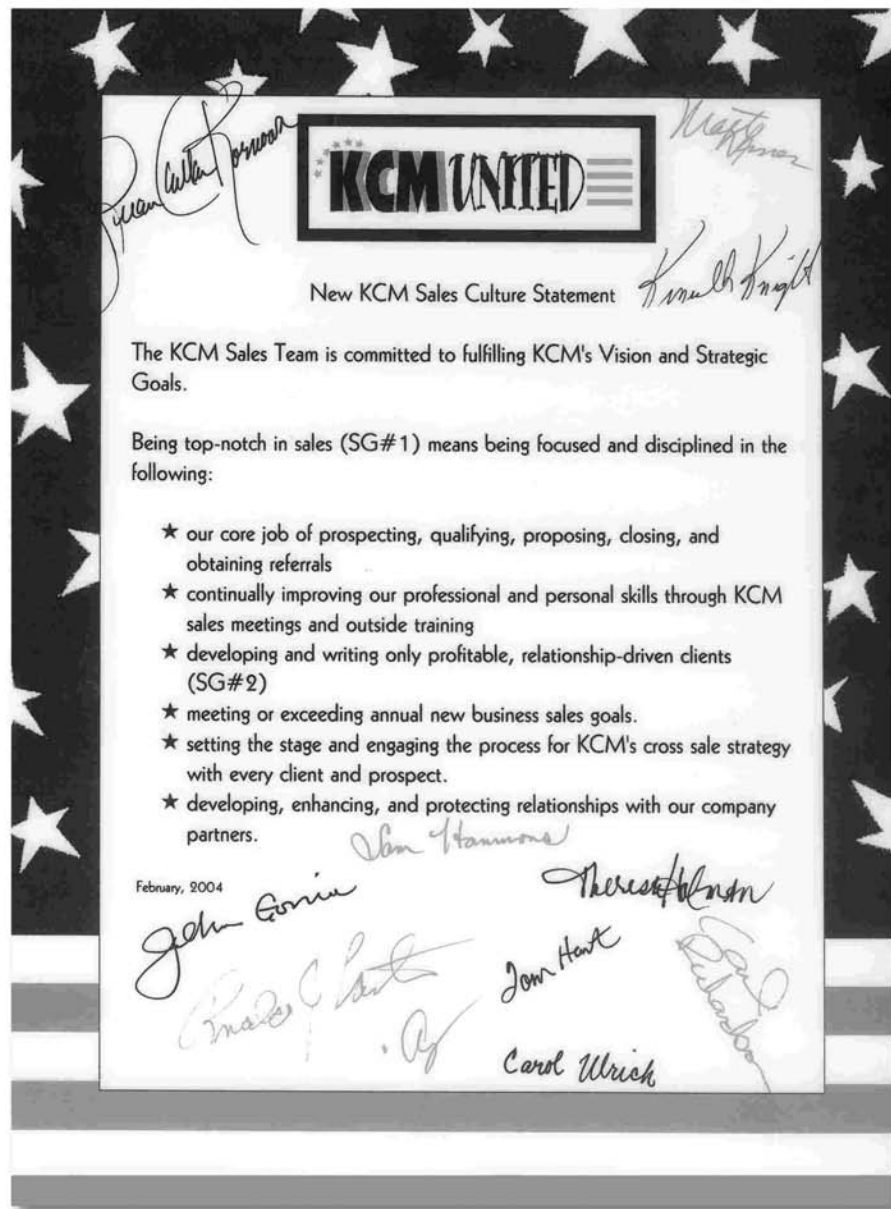
Visual History. We began the year with a mailing to our clients and companies. The Visual History is just that—a visual depiction of the history of Knight Crockett Miller. (See pages 10-12.) The great memorabilia displayed on the History is evidence of the richness of our agency. Congrats to our advertising agency who won an award for the design!

Newspaper advertising. We have advertised our anniversary all year long with several local newspapers.

Food and Cash. Who doesn't love both?? We held periodic meetings with our team and made sure to have both food and cash there. It was a great way to surprise the team and say thanks.

Sales Culture Statement

In 2004, one of our objectives was to re-define our sales culture. Now, our salespeople have clear and defined roles and expectations. Most importantly, they're measured on how well they've accomplished them.

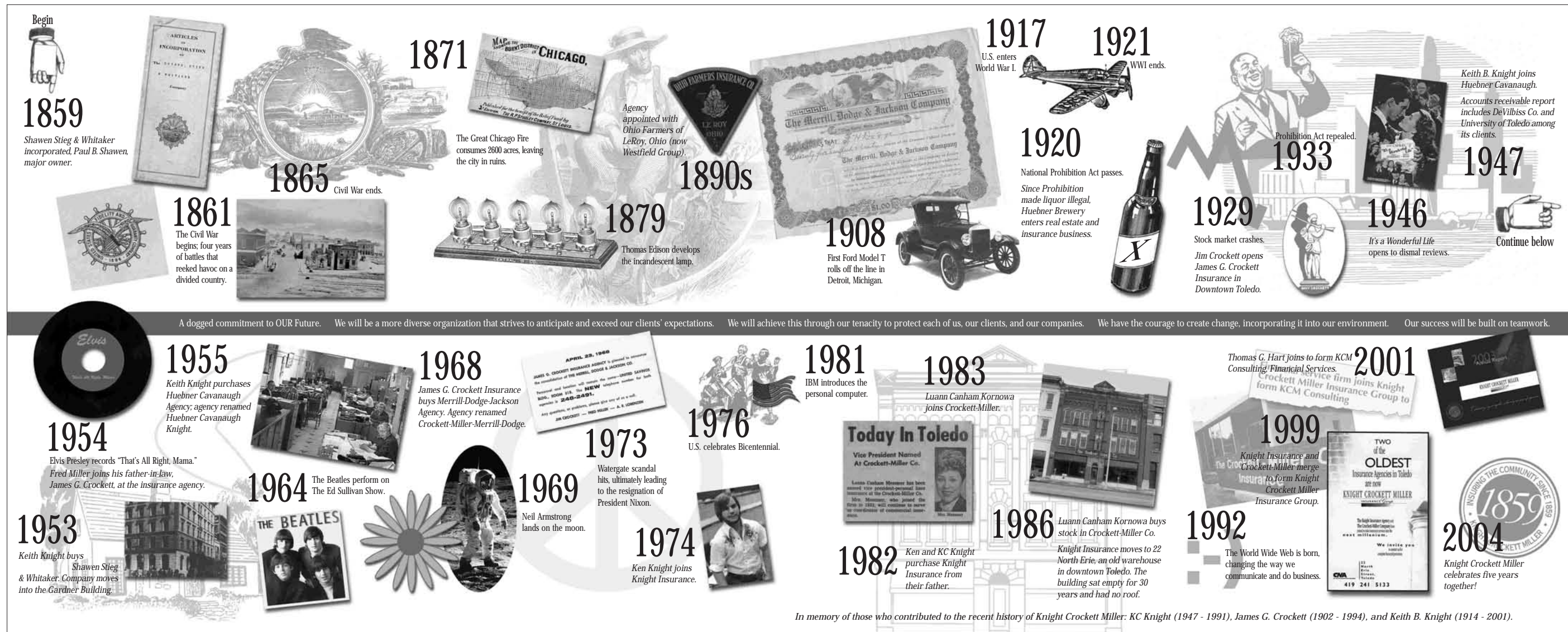


Visual History



In 2004, we celebrate the fifth anniversary of merging The Knight Insurance Agency and The Crockett-Miller Company. At the same time, we celebrate the roots of our organization, which date back to 1859. We invite you to take a look back at our 145-year history as we celebrate the legacy of our founders.

Visual History





Unlocking our potential. Exceeding your expectations.

22 North Erie Street, Toledo, OH 43624-1940
419 241 5133 800 241 5133 fax 419 321 5280
www.knightinsurance.com