

Optimizing our **Success**

2005 Annual Report



Consulting with Clients



Supporting Community



Preparing for Uncertainty



Pledging Integrity

KNIGHT CROCKETT MILLER
INSURANCE *Group*

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INSURANCE *Group*



December 2005

Dear Stakeholder:

Optimizing our Success describes the strategy we put forth to broaden our reach to our clients, to our companies, and to our community. In 2005, we rolled out several initiatives that had been in the planning stage for some time. These initiatives demonstrated our goal to be more than just an insurance agency.

And 2005 couldn't have been a better year in which to offer more to our clients. The insurance market is becoming competitive once again, with prices stabilizing in many areas. Through the market change, we held steadfast in our quest to remain our clients' trusted advisor, knowing that our role is more than just providing a competitive insurance product.

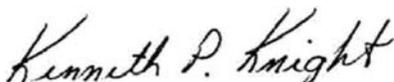


In all our divisions, we focused on providing more than insurance to our clients. Our personal insurance, group benefits, bonding, commercial insurance, and financial services divisions all focused on consulting with clients—providing the best recommendations for each individual situation.

Our non-insurance efforts this year are significant evidence of our commitment to our goal. As you read about how we support our community, consult with our clients, and pledge ourselves to ethical conduct, one constant comes through: Knight Crockett Miller Insurance Group is not a traditional insurance agency. And we like it that way.

Enjoy our sixth Annual Report, and thank you for your interest in Knight Crockett Miller Insurance Group.

Sincerely,


Kenneth P. Knight
CEO


Luann Canham Kornowa
President


Thomas G. Hart
CFO


Samuel Hammons, III
Vice President, Sales



In 2005, we rolled out some exciting innovations to solidify ourselves as “not the traditional insurance agency.”

It’s not just insurance. We began to approach our prospects with a curiosity about their business that exceeded their insurance needs. We asked questions. Then we listened. And when we uncovered their “burning issues,” we found ways to solve them.

- If we discovered that a prospect had a human resource problem, we brought in a partner-firm that specialized in those solutions.
- If they were struggling with technology, we hooked them up with our Systems Administrator.
- If they had a transportation problem, we found them a nationally recognized transportation expert.
- If they had internal organizational issues, we “loaned” them our very own Vice President of Operations to help.

Whatever the challenge, we want to help provide the solution. Why? Because more than insurance, we are in the solutions business. Our future success is dependent on the strength of our client relationships and on the connections we forge to bring business solutions to the table.



Our first seminar

For our clients...we extended the same thinking and introduced quarterly seminars on timely business topics. We value our clients’ time, so we designed two-hour seminars that get right to the heart of the matter. The speakers are carefully selected to meet our high standards because—let’s face it—no one wants to attend another boring seminar.

Why are we so interested in helping clients and prospects improve their business? It’s very simple. Our success is based upon our clients’ success.

“When I visit with prospective clients and talk about the value-added services we provide, they’re always surprised because it’s not what they expect from an insurance agency.”

— Carl Richardson, Commercial Lines Producer



Insurance Service Team

“Having been through some challenging years in the commercial insurance market, our clients rely on us for the latest information on our industry. Our recommendations are centered around what we believe will happen in the industry in the

next year and how it may impact our clients’ bottom lines. Our clients know that the best insurance strategy is the right combination of risk management, price, and company stability.”

“The stock market has had a volatile year. Rising energy costs, rising interest rates, and inflation have all put downward pressure on the markets. The reaction of fear to the market dropping can tempt clients to make decisions that are not in their best interest. We really try to help our clients manage their emotions more than anything. By looking at their accounts and taking the emotion out of the decision-making process, we are able to guide them to better decisions. Education and frequent reviews are necessary to determine if portfolio mixes remain appropriate.”

Carol A. Ulrich

— Carol Ulrich, KCM Consulting Sales

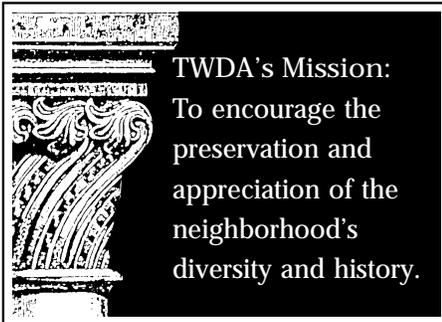
— Sandi Mominee
Commercial Insurance Consultant





We support the Toledo Warehouse District Association

Knight Crockett Miller's offices are in the heart of the Toledo Warehouse District, a historic architectural gem in Downtown Toledo. Our building is a prime example of the beautification possible with these turn-of-the-century buildings.



As proud owners and neighbors, we have contributed significant resources to the Toledo Warehouse District Association (TWDA).

In 2005, we supported the TWDA in two major ways:

Ballpark Bash at Fifth Third Field. Not only did we underwrite the event, we invited hundreds of our clients to Fifth Third Field—with us footing the bill! The event helped the TWDA raise needed funds to continue its work.

Wander the Warehouse District. We designed, organized, promoted, and sponsored this fundraiser, which gave visitors the opportunity to view the fantastic renovations in our neighborhood. We were proud to have our building among the seven on tour.



“My heart was in the Wander project. It wasn't just another fundraiser to me; it was the opportunity to share our love of these old buildings and to spark some possibilities in the minds of those who toured.

I got so wrapped up in the project, I wrote an essay for the radio program, This I Believe.”

— Diane Roe, Vice President of Operations

This I believe...

I believe in the old, dilapidated buildings of my town. It's more than just architectural style, although that would be enough in and of itself. It's the depth of history these buildings offer—a glimmer into a time now past and a chance to preserve it for another generation.

The building I work in was once dilapidated itself. Twenty years ago, it was ready for the wrecking ball, having been abandoned for thirty years prior. It had holes in the roof and floors; cobwebs and filth were everywhere. Today, it is a functional office building with a style in which new buildings can't compete. It is beautiful—more than any new building could ever be—precisely because it was once dilapidated and has since been saved. Just thinking about this building's journey through time stirs up a pride and passion I can only explain with the word: BELIEVE.

I recently learned the depth of my belief through working on a charitable event. I belong to the Toledo Warehouse District Association, whose entire purpose is to regenerate interest in a by-gone area. This fall, the Association sponsored a Wander the Warehouse District event to promote those buildings already renovated. In working on the event, I confirmed my belief in the spirit of these old buildings. And I learned I'm not the only one. People get excited about preserving and showcasing old buildings. The sparkle in the eyes of those I've spoken with about our event is proof that these buildings are something to believe in. People rally around the idea, want to donate their talents and be a part of something outward. The outreach occurs because people believe in these old buildings too.

In sharing my belief, I am teaching my children that there is context to their lives. Life is not just about them here and now, but it's about generations before us who toiled and labored and sacrificed to create a beautiful community. I am teaching them to honor and respect the work of others. So it isn't just about bricks and mortar. These old buildings offer a legacy, and in accepting the call, I am doing far more than renovating a structure. I am nurturing an appreciation for what has come before us. This I believe.

Written by Diane T. Roe

for the National Public Radio program, *This I Believe*

August 2005



Knight Crockett Miller's Activities Committee was busy in 2005. Its purpose is to promote camaraderie within Knight Crockett Miller...and promote some charities in the process.

We are proud of this year's accomplishments:

- The KCM Activities Committee adopted the Susan G. Komen Breast Cancer Foundation and the American Heart Association for its fund-raising efforts. This year, through Race for the Cure, Denim Day, and Heart Walk, it raised over \$2000.
- When Hurricane Katrina devastated the South, we quickly rallied to raise funds for the Red Cross. With KCM matching dollar-for-dollar, we raised over \$900 within 24 hours and announced it to Toledo via K-100!
- In November, we hosted a blood drive, again to respond to the Red Cross' desperate need. We donated enough blood to save 30 lives!



Race for the Cure

"KCM employees embraced the opportunities this year to raise money for our charities. It's amazing how good we feel when we give to others. I think the devastation in the South made us all appreciate our blessings."

Bridgett Purpich

— Bridgett Purpich



KCM Activities Committee



The devastation caused by Hurricane Katrina made everyone think a little harder about the value of insurance. It gave us a new appreciation for the great responsibility we have to write proper insurance policies for our clients. That involves asking the right questions to understand their situations and discussing their comfort with various levels of risk.

The core of what we do is help clients protect their assets from uncertainty. We do this through gauging risk tolerance, presenting self-insurance opportunities, and matching the client to the right company. Proper insurance selection requires expertise—this is where we shine.

Our employees are seasoned experts. They have counseled clients, kept up with industry advances, and learned new products. But the most important thing they do is treat each client like a valued friend.

“At first, prospective clients are surprised by all the questions I ask them. Many people have said to me, ‘No one else has ever asked me these things.’ That’s when I know I’m doing a great job.”

— Theresa Holman, Personal Lines Consultant

“The insurance industry has changed a lot in the last five years, and our recommendations have changed with it. Today, we counsel clients on the benefits of high deductibles, the importance of an adequate dwelling limit, and the benefit of a long-term relationship with their insurance carrier.”

— Marlene Lemons, Senior Personal Lines Consultant



The commercial insurance market brought us challenges in 2005. As it stabilized, we saw some markets become very aggressive—loosening their underwriting requirements and reducing their pricing. Frankly, those actions concern us for the industry's long-term stability. We believe in sound

underwriting and sufficient pricing and do not want to see the industry ride such a roller coaster of supply and demand.



Commercial Lines Sales Team

In a market that's anxious to write new business, it's tempting for some agents to push through business. We have built a business philosophy of honesty and integrity that is more important than market share. We underwrite to higher

standards than the marketplace, because we know it leads to greater profitability for us and for our carriers. This, in turn, provides greater market stability in the long run.

We pledge our integrity to you—and have done so for the last 146 years.

New Sales

Commercial Lines results are commendable, given the insurance market in 2005. Although we wrote six fewer accounts than 2004, the premium represented is nearly \$91,000 more.

Total new clients: 235

This is due to our focus on larger, more specialized accounts. We are especially proud of these results, given the challenging marketplace.

The new sales for Financial Services paralleled the financial markets. In this current economy, people were hesitant to move funds, many of them taking a 'wait and see' approach.

Personal Lines Sales continued to focus on qualified prospects that fit our target niche, thereby increasing our opportunities for success. For the sixth year running, we improved the value of our new clients, as compared to the value of our lost clients. Our standard of writing only package policies is now coupled with a new strategy to offer clients a variety of insurance options and help them pick the one best suited to their needs.

Cross Sales

Cross selling our clients across all our departments is a fundamental strategy. When a single client can be involved with all three of our departments, we improve our retention, longevity, and profitability.

New Sales Statistics

	2005 Count	Change from 2004	2005 Premium	Change from 2004	Cross Sales	Amount	Grand Total Amount
Personal Lines	114	3	\$202,111	(\$12,520)	21	\$44,680	\$246,791
Commercial Lines	80	(6)	\$1,398,062	\$90,918	6	\$61,662	\$1,459,724
Total P&C	194	(3)	\$1,600,173	\$78,398	27	\$106,342	\$1,706,515
Financial Services*	41	(5)	\$81,129	(\$24,524)	23	\$42,490	\$123,619

*The dollar amounts represent commission.

Increased Value Per Client

Client by client, we are growing our business. Each time we replace a lost client with a new client, we are gaining value. Through careful selection and smart marketing, we are improving the quality of our business, thereby improving our profitability.

	Avg New Premium	Avg Lost Premium	Gain
Personal Lines	\$1,773	\$1,343	\$430
Commercial Lines	\$17,476	\$7,560	\$9,916
Total	\$19,249	\$8,903	\$10,346
Financial Services*	\$1,979	\$715	\$1,264

*The dollar amounts represent commission.

Revenue increase since 2000: 182%

Lost Business Statistics

	2005 Count	Change from 2004	2005 Premium	Change from 2004
Personal Lines	235	(64)	\$315,562	(\$53,214)
Commercial Lines	98	26	\$740,832	\$270,449
Total	333	(38)	\$1,056,394	\$217,235
Financial Services*	8	(4)	\$5,720	(5,110)

*The dollar amounts represent commission.

Lost Business

We manage our attrition carefully because we know that client retention is a key to profitability. We are proud to report that the Personal Lines Service Team improved its attrition rate nearly 20 percent from last year. This is an impressive feat, given the challenge of the market place, competition from direct writers selling inferior products, and every-day servicing requirements.

2005
total revenue
increase:
3%

Commercial Lines results are indicative of the market shift we experienced in early 2005. More aggressive pricing and creative underwriting continue to challenge us to retain our clients, while maintaining our standards of integrity and honesty.

Total new
premium:
\$1.6 million

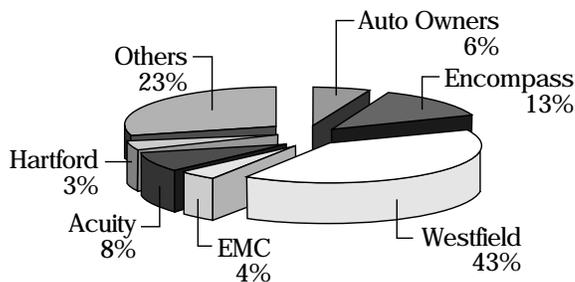
The Financial Services division improved its results by half from 2004—both in count and in premium.

We enjoy one of the highest retention rates in the industry, thanks to the continuous effort that's placed on servicing our clients beyond their expectations.

Trust Ethics Mutual Respect Underwriting

Common Business Philosophies

2005 Premium Breakdown



Average
loss ratio:
41.2%

Carrier Statistics

Total cross-
sold premium:
\$106,342

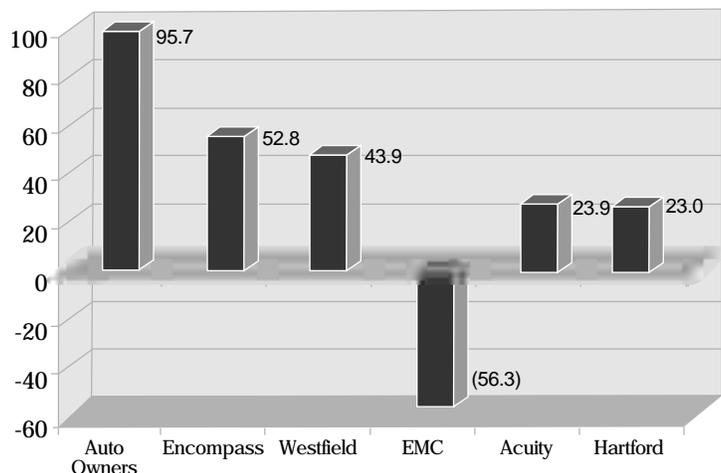
We value these things in our carrier relationships: trust, ethics, mutual respect, underwriting, and common business philosophies. We are proud to have many long-standing relationships with our carriers. Our oldest relationship spans over 110 years. At the same time, we seek new carriers who share our values. In 2005, we joined with two new carriers and enriched our relationships with our other partner-carriers.

We succeed best where we have relationships.

Retention
rate: 93.6%

We are firm believers in underwriting risk. Our long-standing track record of profitability is a testament to our internal underwriting expertise. As the chart below indicates, we again are reporting very profitable loss ratios. With the exception of a large claim, our careful underwriting has reaped rewards for our carriers and for us for the fifth year running.

2005 Loss Ratios



2006 Plans

Here are some of the projects that are underway for 2006:

Core Business Plans

- Write \$1.25 million in new commercial lines premium.
- Add new sales team members to grow our core business.
- Create and test innovative marketing ideas for personal insurance prospects.
- Write \$325,000 in new personal lines premium.
- Strengthen our carrier relationships.
- Write \$200,000 in new financial services revenue.
- Pursue larger account opportunities.

Corporate Plans

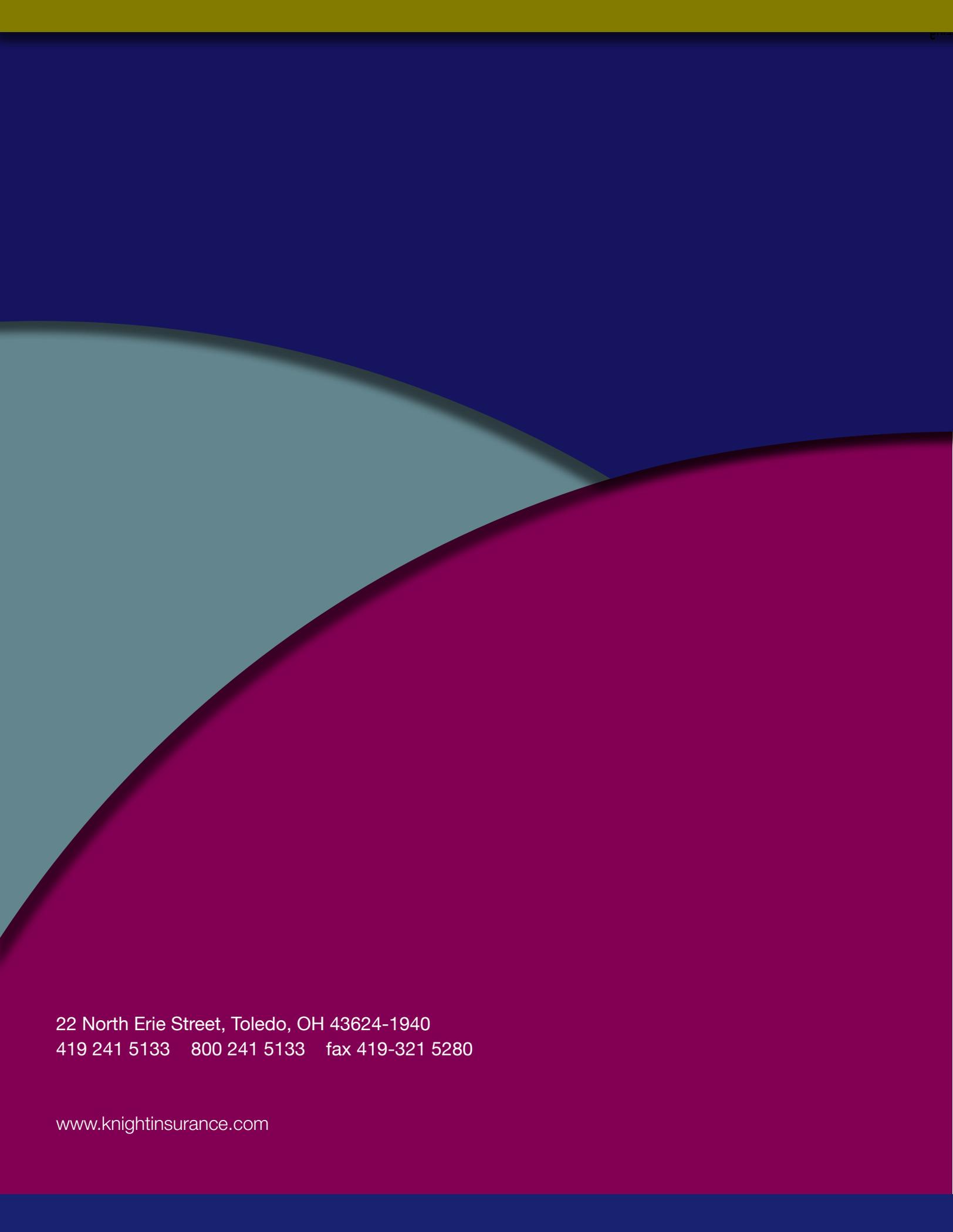
- Continue exploration of mergers or acquisitions.
- Create a Service Culture Statement to further define our service goals.
- Roll out improved web page, with richer functionality and content.
- Continue internal and external training on customer service, sales, and insurance.

Client Consultation Plans

- Host quarterly seminars for our business clients in our quest to become a solutions-provider.
- Expand our non-insurance consulting services (technology and human resources).
- Present insurance workshop at various trade association conferences.
- Develop comprehensive and innovative programs designated for specific industries.
- Send quarterly informational reports to our financial services clients.
- Hold seminars with real estate agents on retirement, tax, and financial planning.
- Introduce clients to a Wealth Transfer Program that allows them to pass inheritance along tax free.

Community Service Plans

- Plan and underwrite third annual Wander the Warehouse District for TWDA.
- Continue KCM Activities Committee's charitable efforts.



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