



**BANCINSURANCE
CORPORATION**

FOR IMMEDIATE RELEASE

For Additional Information
Contact: John Sokol
President
(614) 228-2800

**BANCINSURANCE CORPORATION
ANNOUNCES THIRD QUARTER RESULTS**

COLUMBUS, Ohio (October 31, 2001) Bancinsurance Corporation (NASDAQ: BCIS), a specialty insurance holding company today reported results for the three months and nine months ended September 30, 2001.

Third Quarter Results

Net income declined 41.2% to \$729,396 for third quarter 2001 from \$1,239,733 last year. Net income per diluted share was \$0.13 for the quarter versus \$0.21 a year ago.

Net premiums earned increased to \$10,098,238 for third quarter 2001 from \$6,680,951 for the same period in 2000. Significant growth in the Company's Lender/Dealer Insurance programs contributed to the 51.1% rise in net premiums earned for the quarter. Two key factors included the addition of a major financial institution for the Company's Ultimate Loss Insurance product earlier this year, and expanded sales through agency relationships to regional and community financial institutions. The Company's Guaranteed Auto Protection ("GAP") product, which was introduced in 2000, had net premiums earned totaling \$275,178 for third quarter 2001 versus \$13,247 a year ago. A significant portion of this increase resulted from an agent transferring a book of GAP business to the Company in conjunction with its Program Business initiative. GAP product premiums are earned at a slower rate than other Lender/Dealer products the Company offers. Net premiums earned for the Unemployment Insurance Protection program rose 5.1% for third quarter 2001 compared with a year ago, principally due to higher employment among existing clients.

Other revenue improved 17.6%, or \$197,388, to \$1,320,293 for third quarter 2001 from \$1,122,905 the prior year. Management fees attributable to the Unemployment Insurance Protection program, which fluctuate due to recognition of results from closed operations in prior years, rose \$159,742 for the quarter. Codification and subscription fees for American Legal Publishing Corporation, a wholly owned subsidiary, achieved a 25.3% increase in revenues for third quarter 2001 compared to last year. The quarterly comparison was impacted by \$104,132 in claims administration fees for third quarter 2000 attributable to BCIS Services, Inc, which was sold last year.

Losses and loss adjustment expenses were \$5,826,766 for third quarter 2001 compared with \$3,103,305 for the same period a year ago. Most of this increase was due to significant losses attributed to the growth in the number of policies issued for the Company's Lender/Dealer Insurance programs. To a lesser extent, less favorable experience for the Unemployment Insurance Protection program due to prior year and current year accident experience contributed to the third quarter increase.

Operating expenses rose to \$4,573,006 for the three months ended September 30, 2001 from \$2,788,783 the prior year. Commission expense increased to \$1,865,760 for third quarter 2001 from \$911,534 a year ago and was the largest single increase in operating expenses due to substantial policy growth in the Lender/Dealer Insurance program.

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Other insurance operating expenses, including allocable salaries and related benefits, state and local insurance taxes and rent, were 21.8% higher for third quarter 2001 compared to a year ago. General and administrative expenses were almost identical for both periods. American Legal Publishing's operating expenses increased 19.3% to \$595,984 for the quarter from \$499,411 last year. During second quarter 2001 American Legal Publishing purchased substantially all of the assets of Justinian Publishing Company, a provider of municipal code data and related information.

Nine Month Results

Net income for the nine months ended September 30, 2001 was \$2,229,717, or \$0.39 per diluted share, versus \$3,206,664, or \$0.54 per diluted share, last year.

Net premiums earned improved 48.3% to \$27,731,195 for the first nine months of 2001 compared to \$18,696,132 in 2000. This gain was paced by a 54.1% year-to-date increase in premiums earned for the Lender/Dealer Insurance program, which rose to \$24,438,046 from \$15,853,770 last year. These results benefited from increased marketing initiatives and expanded agency relationships. The Company's GAP product achieved solid growth in premiums earned, improving to \$342,260 for the year-to-date period versus \$18,603 in 2000. Premiums earned for the Unemployment Insurance Protection program rose 12.6% during the first nine months of 2001 to \$3,199,500.

Other revenue declined 6.0% to \$4,281,682 for the nine months ended September 30, 2001. Solid improvement was achieved in codification and subscription fees as well as net investment income, which rose \$557,690 and \$460,413, respectively. These gains were primarily offset in the nine-month comparisons by a \$900,000 one-time gain last year due to the settlement of a dispute with an unaffiliated party. In addition, the first nine months of 2000 included claims administration fees and title and appraisal fees of \$427,036 and \$115,724, respectively, attributable to businesses the Company sold last year.

Losses and loss adjustment expenses rose \$5,505,710 for the first nine months of this year to \$15,588,735 compared to a year ago. This was principally due to significant growth during the past year in the Company's Lender/Dealer Insurance program. Losses and loss adjustment expenses increased \$210,892 and \$134,143, respectively, for the Unemployment Insurance Protection and GAP products, compared to the same period last year.

Operating expenses were \$13,314,803 for the nine months ended September 30, 2001 compared with \$8,262,383 in 2000. The largest increases were \$3,065,057 for the experience rating adjustment and \$2,162,005 for commission expense compared to a year ago. General and administrative expenses declined 18.8% to \$2,032,125 for the first nine months of this year as a result of lower claims administration, title business expenses and outside professional services.

Combined Ratio

Ohio Indemnity's combined ratio for the nine months ended September 30, 2001 rose to 99.9% of net premiums earned from 84.0% for last year's year-to-date period. The loss ratio increased 2.3 percentage points for the first nine months of this year due to substantially higher losses associated with the Lender/Dealer Insurance programs as a result of a weaker national economy. The expense ratio was 43.7% for the 2001 year-to-date period versus 30.1% a year ago. A reclassification of experience rating adjustment expenses at year-end 2000, and, to a lesser extent, higher commissions, additional staffing, and growth in marketing and product development initiatives contributed to this increase. The combined ratio for the year-to-date period remains below industry averages, but was above the Company's target at September 30, 2001, principally due to growth and, more recently, the weakening national economy.

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Investment Portfolio

The Company's investment portfolio totaled \$30,387,068 at September 30, 2001, consisting primarily of investment-grade fixed income securities. Cash and short-term investments represented \$21,011,313, or 44.6%, of total cash and invested assets. A substantial decline in the U.S. stock markets during third quarter 2001 impacted the Company's equity investments and reduced opportunities to recognize gains in its portfolio. Net investment income rose 42.9% to \$1,533,953 for the nine months ended September 30, 2001 compared with \$1,073,540 last year, principally due to realized investment gains of \$406,003 during this year versus \$176,992 of realized investment losses for the first nine months a year ago. Lower interest rates on short-term investments contributed to a 6.2% decline in net investment income for third quarter 2001 versus the prior year.

Shareholders' Equity

Shareholders' equity increased 5.8% to \$30,202,910 as of September 30, 2001 compared with \$28,535,359 at year-end 2000. Book value per diluted share was \$5.22 at the end of third quarter 2001.

Company Outlook

Si Sokol, Chairman and Chief Executive Officer, commented, "The third quarter results included a significant increase in net premiums earned and planned losses associated with that targeted growth. Increased weakness in the national economy combined with aggressive "0%" financing programs offered by captive automobile finance companies impacted our performance. The tragedies of September 11 affected third quarter results to a lesser extent, but will definitely impact our fourth quarter performance. It is too early to make definitive conclusions regarding the long-term impact of these factors."

Mr. Sokol added, "The technology improvements we have made during the past year have helped us operate more effectively and afford us the ability to attract large financial institution customers. These efforts have been complemented by staff additions, which have enabled us to expand our marketing programs and also be in closer contact with our bank customers. During this period of uncertainty following the September 11 tragedies, we are reinforcing strong, long-term relationships with key customers and continue to evaluate niche products that complement our market driven strategy. We will continue to pursue opportunities that can enhance our long-term performance."

Bancinsurance Corporation

Bancinsurance Corporation, headquartered in Columbus, Ohio, is principally engaged through its property/casualty insurance subsidiary, Ohio Indemnity Company, in underwriting specialty insurance. Lender/Dealer products protect banks and other lenders against risk arising from theft or damage to certain loan collateral where the borrower has failed to secure or maintain adequate insurance coverage. Unemployment Insurance Protection products specifically bond unemployment insurance servicing commitments for national administrative firms that perform certain services for non-profit organizations.

With the exception of historical information, this press release includes forward-looking statements that involve risks and uncertainties, including, but not limited to, the Company's emphasis on larger accounts, economic trends, and short-term programs offered by captive automobile finance companies. These statements involve risks and uncertainties, which have been detailed from time to time in the Company's Securities and Exchange filings, including the Company's Form 10-K for the year ended December 31, 2000. Actual results may differ materially from management's expectations. All forward-looking statements made in this news release are based on information presently available to management of the Company. The Company assumes no obligation to update any forward-looking statements.

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BANCINSURANCE CORPORATION
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Income:				
Premiums written	\$10,589,460	\$5,201,194	\$31,239,186	\$19,112,351
(Increase) decrease in unearned premiums	<u>(433,653)</u>	<u>1,538,895</u>	<u>(3,349,286)</u>	<u>(242,852)</u>
Premiums earned	10,155,807	6,740,089	27,889,900	18,869,499
Premiums ceded	<u>(57,569)</u>	<u>(59,138)</u>	<u>(158,705)</u>	<u>(173,367)</u>
Net premiums earned	10,098,238	6,680,951	27,731,195	18,696,132
Investment income	319,328	407,243	1,127,950	1,250,532
Net realized gain (loss) on investments	6,035	(60,399)	406,003	(176,992)
Gain on sale of property	-	-	15,848	-
Codification and subscription fees	708,168	565,219	1,892,872	1,335,182
Claims administration fees	-	104,132	-	427,036
Title and appraisal fees	-	-	-	115,724
Management fees	234,889	75,147	671,306	521,703
Commission fees	(259)	22,262	66,933	129,363
Other income	<u>52,132</u>	<u>9,301</u>	<u>100,770</u>	<u>950,353</u>
Total revenue	<u>11,418,531</u>	<u>7,803,856</u>	<u>32,012,877</u>	<u>23,249,033</u>
Losses and operating expenses:				
Losses and loss adjustment expenses	5,889,648	3,098,547	15,724,994	10,124,234
Reinsurance recoveries	(62,882)	4,758	(136,259)	(41,209)
Experience rating adjustments	1,203,767	527,058	4,033,054	967,997
Commission expense	1,865,760	911,534	4,585,214	2,423,209
Other insurance operating expenses	858,765	705,219	2,664,410	2,369,543
General and administrative expenses	644,714	644,972	2,032,125	2,501,634
Interest expense	<u>10,479</u>	<u>52,554</u>	<u>25,512</u>	<u>232,548</u>
Total expenses	<u>10,410,251</u>	<u>5,944,642</u>	<u>28,929,050</u>	<u>18,577,956</u>
Income before federal income taxes	1,008,280	1,859,214	3,083,827	4,671,077
Federal income tax expense	<u>278,884</u>	<u>619,481</u>	<u>854,110</u>	<u>1,464,413</u>
Net income	<u>\$ 729,396</u>	<u>\$ 1,239,733</u>	<u>\$ 2,229,717</u>	<u>\$ 3,206,664</u>
Basic and diluted earnings per share	<u>\$.13</u>	<u>\$.21</u>	<u>\$.39</u>	<u>\$.54</u>

	September 30, 2001 (Unaudited)	December 31, 2000
Total assets	\$60,192,595	\$45,900,984
Total shareholders' equity	\$30,202,910	\$28,535,359

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