



**BANCINSURANCE
CORPORATION**

FOR IMMEDIATE RELEASE

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**BANCINSURANCE CORPORATION REPORTS
IMPROVED SECOND QUARTER RESULTS**

Independent Director Added to Board

COLUMBUS, Ohio (July 26, 2002) Bancinsurance Corporation (NASDAQ: BCIS), a specialty insurance holding company today reported results for the three months and six months ended June 30, 2002.

Net premiums earned were \$10,097,226 for second quarter 2002 compared with \$10,618,263 last year. Net income rose 12.4% to \$950,951 for the most recent quarter from \$846,258 a year ago. Net income per diluted share increased to \$0.17 for second quarter 2002 versus \$0.15 in 2001.

Si Sokol, Chairman and Chief Executive Officer, commented, "We continued to benefit from increased volume during the most recent quarter, and particularly from policies that were added during 2001. While the combined ratio improved to 88.9% for the first six months of this year, prolonged weakness in the national economy is contributing to higher losses. Additionally, the recent introduction of zero percent financing by captive automobile finance companies with less stringent qualifications than in the past could impact automobile loan volumes for a number of our financial institution customers. Therefore, we remain cautiously optimistic concerning the Company's performance during the second half of 2002."

Second Quarter Results

The 4.9% decline in net premiums earned for second quarter 2002 was due to higher unearned premium reserves in conjunction with advance premium collections for ultimate loss insurance policies, and ceded reinsurance premiums. Premiums earned for ultimate loss insurance policies were \$8,667,535 for second quarter 2002 compared with \$9,605,327 last year. Guaranteed auto protection premiums earned grew to \$199,821 this year due to the transfer of a significant book of business to Ohio Indemnity in 2001. Unemployment insurance protection premiums earned improved 20.7% to \$1,229,870 for second quarter 2002 from \$1,019,122 a year ago due to timing differences.

Other revenue increased slightly to \$1,296,028 for the three months ended June 30, 2002 from \$1,291,969 for the same period last year. Codification and subscription fees represented the single largest amount for the most recent quarter, totaling \$766,348 versus \$590,830 a year ago. This 29.7% increase was principally due to the acquisition of Justinian Publishing Company in second quarter 2001. Management fees declined 57.0% to \$138,353 for second quarter 2002 from \$321,839 a year ago due to timing differences of unemployment insurance protection benefits. These fees fluctuate from time to time in response to unemployment and claims experience in the bonded service program.

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Losses and loss adjustment expenses, net of reinsurance recoveries, were \$5,562,452 for the three months ended June 30, 2002 compared with \$4,623,452 for the same period last year. This 20.3% increase is primarily due to growth in premiums. Claims paid for ultimate loss insurance policies were \$5,054,583 during second quarter 2002 versus \$4,174,642 the prior year. Claims tend to rise during periods of weak economic conditions.

Operating expenses, which include experience rating adjustments, commission expenses and other insurance operating expenses, declined 26.3% to \$4,498,781 for second quarter 2002 from \$6,104,837 the prior year. The most significant change was a \$2,112,559 decline to \$578,821 for the second quarter 2002 experience rating adjustment compared with 2001. The experience rating adjustment is calculated and adjusted each quarter based on policy experience-to-date and premium growth. Commission expense, other insurance operating and administrative expenses totaled \$3,919,960 for second quarter 2002, representing a 14.8% increase over last year. This increase was attributable to higher commissions consistent with the premium growth this year, increased salaries, benefits and consulting, and administrative expenses of American Legal Publishing, a wholly-owned subsidiary.

Six Month Results

Net premiums earned for the six months ended June 30, 2002 increased 8.2% to \$19,084,686 from \$17,632,957 for the same period last year. This was principally due to the addition of ultimate loss insurance policies during 2001, combined with higher volume from existing customers. These gains are attributable to geographic expansion and more competitive financing by some of the company's customers. Net premiums earned for the company's guaranteed auto protection rose to \$348,056 for the first six months of this year, while unemployment insurance protection policies declined slightly to \$2,149,884 for the first half of 2002 compared to a year ago.

Other revenue declined \$228,513 to \$2,732,876 for the first half of 2002. The most significant year-over-year change for the six months ended June 30, 2002 occurred in net investment income, which was \$618,424 below the prior year. This was primarily due to realized losses on certain securities in the investment portfolio, and, to a lesser extent, lower investment yields that resulted from the decline in interest rates during this past year.

For the 2002 year-to-date period, losses and loss adjustment expense, net of reinsurance recoveries, increased 22.3% to \$11,943,392 versus \$9,761,969 million for the same period in 2001. This was due to the growth in net premiums earned.

As reported in the first quarter 2002 earnings release, the company implemented Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142") during the first quarter of this year. A non-cash after-tax charge of \$1.5 million, or \$0.25 per diluted share, of goodwill associated with the August 1999 acquisition of Paul Boardway & Associates, Inc. was recorded, which was based on an impairment test in accordance with SFAS 142.

Net income for the first six months of 2002 was \$489,577 versus \$1,500,321 a year ago. Net income per diluted share was \$0.09 for the first half of this year compared with \$0.26 in 2001.

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Combined Ratio

Ohio Indemnity's combined ratio improved 2.4 percentage points to 88.9% for the six months ended June 30, 2002 compared with 91.3% for the same period last year. The expense ratio declined to 26.3% for the first half of 2002 from 35.9% the prior year as a result of a change in the experience rating adjustment due to the addition of a significant policy last year. The loss ratio increased to 62.6% for the first six months of this year from 55.4% in 2001. This was largely due to continuation of the weak national economy. Ohio Indemnity's combined ratio remains below recent experience for the property/casualty industry.

Investment Portfolio

The Company's investment portfolio, which totaled \$31,634,826 at June 30, 2002, is primarily comprised of investment grade fixed income securities. Cash and short-term investments represented 48.6% of total cash and invested assets at June 30, 2002.

Net investment income rose slightly to \$368,987 for second quarter 2002 compared to \$354,142 for the same period last year. For the year-to-date period, net investment income was \$590,166 versus \$1,208,590 last year. The 51.2% decline is attributable to realized losses on certain securities in the investment portfolio, and, to a lesser extent, lower investment yields that resulted from the decline in interest rates during this past year. Management regularly monitors market conditions and tax considerations in conjunction with implementation of its investment strategy.

Shareholders' Equity

Shareholders' equity was \$29,100,169 at June 30, 2002 compared with \$31,391,909 at December 31, 2001. Book value per diluted share improved to \$5.59 at June 30, 2002 compared with \$5.44 at December 31, 2001.

Share Repurchase Program

In May 2002, the Board of Directors increased the previously announced common share repurchase program to 700,000 shares. The Company reported the purchase of 560,000 common shares on May 24, 2002 in privately negotiated transactions at a price of \$5.00 per share. The repurchased shares were placed in treasury and may subsequently be reissued in connection with acquisitions and/or the Company's stock option plans. At June 30, 2002, the Company had repurchased 560,021 common shares under this program.

Board of Directors Increased to Seven

The Board of Directors of Bancinsurance Corporation appointed Kenton R. Bowen, 39, to serve as a member of the Board for a term expiring at the next annual meeting of shareholders. Mr Bowen is President and a Director of CallTech Communications, LLC and has served in those positions since the company was founded in 1996. CallTech Communications provides inbound customer service and technical support services for Fortune 1000 companies from offices in four states. Prior to joining CallTech, Mr. Bowen was Vice President of Corporate Finance at Provident Bank.

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He is also a director of NetWalk, LLC an internet service provider, Adams Medical Venture, a private early stage medical venture capital company, and managing partner of Weiler-Bowen, Ltd, a real estate development firm. Mr. Bowen earned a B.S./B.A Degree in accounting and business management from Ohio Northern University.

Ohio Indemnity Company Ratings Affirmed

Ohio Indemnity Company, a wholly-owned subsidiary of Bancinsurance Corporation, received notification during second quarter 2002 that both of its ratings were reaffirmed for 2002. A.M. Best, the leading insurance industry rating agency, assigned an "A" *excellent* rating to Ohio Indemnity for the second consecutive year based on Ohio Indemnity's financial strength and stability. Demotech, Inc., an independent rating firm that analyzes financial stability, assigned an "A double prime" *unsurpassed* rating to Ohio Indemnity for the third consecutive year.

Bancinsurance Corporation

Bancinsurance Corporation, headquartered in Columbus, Ohio, is principally engaged through its property/casualty insurance subsidiary, Ohio Indemnity Company, in underwriting specialty insurance. Ultimate loss insurance and guaranteed auto protection 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, 2001. 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
(Unaudited)

	<u>Three Months Ended June 30,</u> <u>2002</u>	<u>2001</u>	<u>Six Months Ended June 30,</u> <u>2002</u>	<u>2001</u>
Income:				
Premiums written	\$ 11,013,899	\$ 10,647,694	\$ 23,044,259	\$ 20,649,726
Increase in unearned premiums	<u>(617,717)</u>	<u>(18,516)</u>	<u>(3,579,458)</u>	<u>(2,915,633)</u>
Premiums earned	10,396,182	10,629,178	19,464,801	17,734,093
Premiums ceded	<u>(298,956)</u>	<u>(10,915)</u>	<u>(380,115)</u>	<u>(101,136)</u>
Net premiums earned.....	10,097,226	10,618,263	19,084,686	17,632,957
Investment income.....	424,953	376,741	739,851	808,622
Net realized gain (loss) on investments.....	(55,966)	(22,599)	(149,685)	399,968
Gain on sale of property	-	-	-	15,848
Codification and subscription fees	766,348	590,830	1,514,709	1,184,704
Management fees	138,353	321,839	459,866	436,417
Commission fees.....	5,321	3,732	6,727	67,192
Other income	<u>17,019</u>	<u>21,426</u>	<u>161,408</u>	<u>48,638</u>
Total revenue	<u>11,393,254</u>	<u>11,910,232</u>	<u>21,817,562</u>	<u>20,594,346</u>
Losses and operating expenses:				
Losses and loss adjustment expenses	5,696,982	4,635,553	12,117,888	9,835,346
Reinsurance recoveries	(134,530)	(12,101)	(174,496)	(73,377)
Experience rating adjustments.....	578,821	2,691,380	214,587	2,829,287
Commission expense	1,826,242	1,716,386	3,284,302	2,719,454
Other insurance operating expenses.....	990,501	960,894	1,844,626	1,805,645
General and administrative expenses	1,067,987	727,931	1,719,099	1,387,411
Interest expense	<u>35,230</u>	<u>8,246</u>	<u>39,863</u>	<u>15,033</u>
Total expenses	<u>10,061,233</u>	<u>10,728,289</u>	<u>19,045,869</u>	<u>18,518,799</u>
Income before federal income taxes and cumulative effect of change in accounting principle	1,332,021	1,181,943	2,771,693	2,075,547
Federal income tax expense	<u>381,070</u>	<u>335,685</u>	<u>800,258</u>	<u>575,226</u>
Income before cumulative effect of change in accounting principle	950,951	846,258	1,971,435	1,500,321
Cumulative effect of change in accounting principle	<u>-</u>	<u>-</u>	<u>(1,481,858)</u>	<u>-</u>
Net income	<u>\$ 950,951</u>	<u>\$ 846,258</u>	<u>\$ 489,577</u>	<u>\$ 1,500,321</u>
Basic net income per share:				
Before cumulative effect of change in accounting principle	\$.17	\$.15	\$.35	\$.26
Cumulative effect of change in accounting principle.....	<u>-</u>	<u>-</u>	<u>(.26)</u>	<u>-</u>
Basic net income per share	<u>\$.17</u>	<u>\$.15</u>	<u>\$.09</u>	<u>\$.26</u>
Dilutive net income per share:				
Before cumulative effect of change in accounting principle	\$.17	\$.15	\$.34	\$.26
Cumulative effect of change in accounting principle.....	<u>-</u>	<u>-</u>	<u>(.25)</u>	<u>-</u>
Diluted net income per share	<u>\$.17</u>	<u>\$.15</u>	<u>\$.09</u>	<u>\$.26</u>

See accompanying notes to consolidated financial statements.

	June 30, 2002 (Unaudited)	December 31, 2001
Total assets	<u>\$ 63,080,770</u>	<u>\$64,670,677</u>
Total shareholders' equity	<u>\$ 29,100,169</u>	<u>\$31,391,909</u>

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