



**BANCINSURANCE  
CORPORATION**

FOR IMMEDIATE RELEASE

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**BANCINSURANCE CORPORATION  
ANNOUNCES THIRD QUARTER RESULTS**

COLUMBUS, Ohio (October 30, 2002) Bancinsurance Corporation (NASDAQ: BCIS), a specialty insurance holding company today reported results for the three months and nine months ended September 30, 2002.

Net premiums earned increased 14.9% to \$11,598,795 for third quarter 2002 from \$10,098,238 for the same period in 2001. Higher claims combined with an increase in general and administrative expenses offset the solid premium growth. Income before cumulative effect of change in accounting principle was \$92,670 for the third quarter 2002, or \$0.02 per diluted share, compared with \$729,396, or \$0.13 per diluted share, last year.

The Company implemented Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" in the first quarter of 2002, and a non-cash after-tax charge of goodwill associated with the August 1999 acquisition of Paul Boardway & Associates, Inc. was recorded. Management has decided to dissolve Paul Boardway & Associates, Inc. in the fourth quarter of 2002. As a result, the remaining goodwill of \$179,000 was recorded as a pre-tax charge to income in the third quarter of 2002 which reduced net income to \$92,670, or \$0.02 per diluted share, compared with \$729,396, or \$0.13 per diluted share, for the same period in 2001.

Si Sokol, Chairman and Chief Executive Officer, stated, "We are encouraged by the solid growth in net premiums earned, but disappointed with the third quarter net income. The prolonged weakness in the national economy has resulted in increased claims, especially due to loan defaults and repossessions. This situation is expected to continue to impact our performance until the economy demonstrates sustained improvement. The Company continues to benefit from targeted growth initiatives implemented beginning last year, particularly for lender insurance products."

Third Quarter Results

The growth in net premiums earned was paced by a 16.3% increase in lender insurance products. This is due to policies added during 2001 as well as improved volume from geographic expansion and increased penetration within the automobile lending market by the Company's customers. Third quarter 2002 net premiums earned for surety products rose 8.9%, while net premiums earned for guaranteed auto protection ("GAP") products declined 7.4% compared to third quarter 2001. Surety product net premiums earned benefited from the addition of new policies last year.

Other revenue declined to \$977,632 for third quarter 2002 from \$1,320,293 the prior year. The most significant change between the two periods was a \$248,844 net realized loss on investments this quarter versus a net realized gain of \$6,035 in third quarter 2001.

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Losses and loss adjustment expenses, net of reinsurance recoveries, rose 20.5% for third quarter 2002 to \$7,020,573 from \$5,826,766 in 2001. Lender insurance product claims, which were generally in line with the growth in premiums, were especially impacted by the continuation of weak economic conditions nationally. The rise in GAP claims was attributable to the transfer of a significant book of business by an agent in third quarter 2001. Surety product claims were affected by a temporary timing difference concerning a claim as well as increased unemployment that resulted in higher benefit charges for the company's unemployment insurance protection product.

Operating expenses, which consist of experience rating adjustments, commission expenses and other insurance operating expenses, and general and administrative expenses, were \$5,230,927 for third quarter 2002 compared with \$4,573,006 for the same period last year. Commissions and other insurance operating expenses were generally in line with the growth in third quarter 2002 premiums earned compared to last year. The experience rating adjustment, which is determined each quarter based on policy experience-to-date and premium growth, declined \$258,043 to \$945,724 for third quarter 2002. General and administrative expenses were higher primarily due to the increase in premiums earned, and, to a lesser extent, sales growth at American Legal Publishing, a wholly owned subsidiary of Bancinsurance Corporation.

### Nine Month Results

Net premiums earned for the first nine months of 2002 rose 10.6% to \$30,683,481 from \$27,731,195 a year ago. A substantial portion of this increase in absolute dollars is attributable to higher lender insurance product volume that resulted from geographic expansion and financing incentives offered by the company's customers. In addition, guaranteed auto protection product premiums earned rose significantly due to the transfer of an agent's book of business during third quarter 2001, and surety products also increased.

Other revenue was \$3,710,508 for the nine months ended September 30, 2002 or \$571,174 below the same period last year. A \$366,854 increase in codification and subscription fees was the largest single increase; however, it was more than offset by a \$398,529 net realized loss on investments compared to a net realized gain of \$406,003 last year.

Losses and loss adjustment expense, net of reinsurance recoveries, was \$18,963,965 for the first nine months of 2002 compared with \$15,588,735 the prior year. The factors contributing to the 21.7% increase were similar to the ones that affected the third quarter 2002 results.

Net income for the nine months ended September 30, 2002 was \$582,247, or \$0.11 per diluted share, compared with \$2,229,717, or \$0.39 per diluted share, for the same period in 2001. The Company has implemented Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142"), which resulted in a non-cash after-tax charge of \$1,481,858, or \$0.25 per diluted share. Excluding this charge, net income was \$2,064,105 for the 2002 year-to-date period and net income was \$0.36 per diluted share.

### Combined Ratio

Ohio Indemnity, a wholly owned subsidiary, underwrites the Company's specialty insurance products. Its combined ratio continues to compare favorably with recent experience for the property/casualty industry. For the nine months ended September 30, 2002, Ohio Indemnity's combined ratio improved 3.1 percentage points to 90.9% from 94.0% for the same period in 2001. The loss ratio rose to 61.8% from 60.5% for the

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first nine months of 2002 and 2001, respectively, as a result of higher claims attributable to the weak national economy. The expense ratio declined to 29.1% for the year-to-date period from 33.5% last year due to a change in the experience rating adjustment from the addition of a significant policy last year.

### Investment Portfolio

The Company's \$43,063,204 investment portfolio at September 30, 2002 primarily included investment grade fixed income securities. Cash and short-term investments represented \$20,318,979 or 43.3% of total cash and invested assets. Management monitors market conditions and tax considerations regularly in conjunction with implementation of its investment strategy.

### Shareholders' Equity

Shareholders' equity was \$28,386,763 at September 30, 2002 compared with \$31,391,909 at December 31, 2001. The decrease in shareholders' equity is due to the Company's repurchasing of its common stock. Book value per diluted share was \$5.60 at September 30, 2002 versus \$5.44 at December 31, 2001.

### Share Repurchase Program

As of September 30, 2002, the Company had repurchased 699,224 common shares under this program at an average price of \$5.00 per share. These repurchased shares were placed in treasury and may subsequently be reissued in connection with acquisitions and/or the Company's stock option plans. The Board of Directors approved a 700,000 common share repurchase program in May 2002 that expires on December 31, 2003.

### 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 insurance products 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. The Company's surety products include bonds for unemployment insurance servicing commitments for national administrative firms that perform services for non-profit organizations as well as bail bond coverage.

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)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Income:				
Premiums written.....	\$ 11,835,535	\$ 10,589,460	\$ 34,879,794	\$ 31,239,186
Increase in unearned premiums .....	<u>(266,076)</u>	<u>(433,653)</u>	<u>(3,845,534)</u>	<u>(3,349,286)</u>
Premiums earned.....	11,569,459	10,155,807	31,034,260	27,889,900
Premiums ceded .....	<u>29,336</u>	<u>(57,569)</u>	<u>(350,779)</u>	<u>(158,705)</u>
Net premiums earned.....	11,598,795	10,098,238	30,683,481	27,731,195
Investment income.....	298,908	319,328	1,038,759	1,127,950
Net realized gain (loss) on investments.....	(248,844)	6,035	(398,529)	406,003
Gain on sale of property.....	-	-	-	15,848
Codification and subscription fees .....	745,017	708,168	2,259,726	1,892,872
Management fees .....	178,826	234,889	638,692	671,306
Commission fees .....	989	(259)	7,716	66,933
Other income .....	<u>2,736</u>	<u>52,132</u>	<u>164,144</u>	<u>100,770</u>
Total revenue.....	<u>12,576,427</u>	<u>11,418,531</u>	<u>34,393,989</u>	<u>32,012,877</u>
Losses and operating expenses:				
Losses and loss adjustment expenses.....	7,007,372	5,889,648	19,125,260	15,724,994
Reinsurance recoveries .....	13,201	(62,882)	(161,295)	(136,259)
Experience rating adjustments .....	945,724	1,203,767	1,160,311	4,033,054
Commission expense.....	2,086,527	1,865,760	5,370,829	4,585,214
Other insurance operating expenses.....	1,155,307	858,765	2,999,933	2,664,410
General and administrative expenses.....	1,043,369	644,714	2,762,468	2,032,125
Goodwill impairment.....	179,000	-	179,000	-
Interest expense.....	<u>31,304</u>	<u>10,479</u>	<u>71,167</u>	<u>25,512</u>
Total expenses .....	<u>12,461,804</u>	<u>10,410,251</u>	<u>31,507,673</u>	<u>28,929,050</u>
Income before federal income taxes and cumulative effect of change in accounting principle .....	114,623	1,008,280	2,886,316	3,083,827
Federal income tax expense.....	<u>21,953</u>	<u>278,884</u>	<u>822,211</u>	<u>854,110</u>
Income before cumulative effect of change in accounting principle.....	92,670	729,396	2,064,105	2,229,717
Cumulative effect of change in accounting principle .....	-	-	(1,481,858)	-
Net income.....	<u>\$ 92,670</u>	<u>\$ 729,396</u>	<u>\$ 582,247</u>	<u>\$ 2,229,717</u>
Basic net income per share:				
Before cumulative effect of change in accounting principle .....	\$ .02	\$ .13	\$ .37	\$ .39
Cumulative effect of change in accounting principle.....	-	-	(.26)	-
Basic net income per share .....	<u>\$ .02</u>	<u>\$ .13</u>	<u>\$ .11</u>	<u>\$ .39</u>
Dilutive net income per share:				
Before cumulative effect of change in accounting principle .....	\$ .02	\$ .13	\$ .36	\$ .39
Cumulative effect of change in accounting principle.....	-	-	(.25)	-
Diluted net income per share .....	<u>\$ .02</u>	<u>\$ .13</u>	<u>\$ .11</u>	<u>\$ .39</u>

September 30, 2002  
(Unaudited)

December 31, 2001

Total assets	<u>\$ 61,408,763</u>	<u>\$ 64,670,677</u>
Total shareholders' equity	<u>\$ 28,386,763</u>	<u>\$ 31,391,909</u>

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