

TO ALL EMPLOYEES

State Auto's outstanding reputation for honesty and integrity is to be highly prized and carefully protected. We are committed to honoring and maintaining our reputation by always following "[Our Values](#)", and adhering to the highest ethical and professional standards in our relationships with all of our stakeholders.



As an employee, you represent State Auto Insurance Companies, and your decisions and actions affect our reputation and financial integrity. We must at all times be legal, ethical, and fair, and avoid the appearance of impropriety. Our Code of Business Conduct is designed to uphold our commitment to "Our Values" and to maintain our excellent reputation for ethical business practices.

Our Code sets forth our expectations regarding business and professional conduct, and is intended to help you recognize and deal with both ethical and legal issues. You are expected to comply with the letter and spirit of these guidelines. When in doubt about whether a situation might raise questions of appropriate ethical or legal conduct, or if you are concerned about the actions of another employee, please discuss the concern with your manager. Our General Counsel, Jay Yano (614-917-5346) and Director of Internal Audit, Dave Dalton (614-917-5615) are also available to provide confidential guidance and assistance. Potential violations of our Code may be reported in an anonymous manner through the Ethics Hotline at 877-888-0002.

We should all be very proud of our track record as an ethically driven and legally compliant organization. I believe you will continue to "do the right thing" to enable us to continue this proud tradition.

A handwritten signature in black ink, appearing to read "Bob Restrepo".

Robert P. Restrepo, Jr.
Chairman, CEO and President

**State Auto Employee Code of Business Conduct
Amended and Restated as of December 1, 2006**

I. INTRODUCTION

State Automobile Mutual Insurance Company (“State Auto Mutual”), together with State Auto Financial Corporation (“State Auto Financial” or “STFC”) and their respective insurer affiliates (collectively referred to below as “State Auto”, the “Company”, “we”, “us” or “our”) is in the property/casualty insurance underwriting business, and that is where we intend to concentrate our efforts. Nevertheless, we recognize the contributions of our non-insurer affiliates, including Strategic Insurance Software, Inc. (“SIS”) and BroadStreet Capital Partners, Inc. (“BroadStreet”). SIS develops and sells software for use by insurance agencies and companies, while BroadStreet is a holding company which owns interests in insurance agencies. The activities of these non-insurer affiliates include serving other insurers and we do not consider their pursuit of their respective business objectives to be in conflict with the Company’s insurance underwriting business, notwithstanding the conflicts of interest discussion below. We remain committed to our Core Values and to meeting the corporate goals set annually, which always include earning an underwriting profit and controlling our expenses.

The purpose of this Code of Business Conduct is to affirm State Auto’s commitment to conducting its operations according to the highest standards of business integrity and ethics and to set forth the basic policies and procedures by which our business is operated. This Code of Business Conduct is intended to be applicable to the Company’s employees, including those employees who are also officers.

No code of conduct, no matter how carefully drafted, can adequately address all situations confronted in our daily business activities. We must, therefore, use good judgment, based on the principles set forth in this Code of Business Conduct when making business decisions.

II. OUR COMMITMENTS

- We are committed to our policyholders. We exist through their trust and for their benefit. We are obligated to provide our policyholders with the insurance protection and service for which they have contracted and to do so at a fair price. We accomplish this by good risk selection that is effected in compliance with applicable law, controlling expenses, paying claims fairly, maintaining financial responsibility, and constantly striving to improve productivity and service.
- We are committed to our independent insurance agents. We select agencies for their ability to convey the values of State Auto, so we encourage and support them with effective products and superior service. We compensate them appropriately for their role in selling our products and providing service to policyholders. While they are independent business people, we treat them as partners in the conduct of our business.

- We are committed to our shareholders. They have invested their funds in our company with the expectation of receiving a reasonable return on that investment. It has long been our position that, in a rational market, the value of State Auto Financial will reflect the prospect of future earnings. Strong performance does not guarantee a strong performing stock, but it will help ensure that we maintain the interest of the investment community in our stock. This benefits all shareholders of STFC.
- We are committed to our employees. Each is an individual and is treated with dignity and respect. We compensate them competitively and hold them accountable for performing assigned duties. We provide clean and safe working conditions. We recognize their contributions and provide equal opportunity for development. We provide an environment in which they are free to make suggestions or raise concerns and are empowered to do their jobs as best they can.
- We are involved in the communities in which we live and work. As a good citizen, we pay our appropriate share of taxes and cooperate with all levels of government. As a neighbor, we build and maintain facilities that enhance our neighborhoods. We support good works and charities.
- Consistent with the express and implicit obligations described in each of the foregoing “commitments,” we are dedicated to fostering a corporate culture that values diversity. This is strengthened by the common bonds inherent in our Core Values.

III. OUR RESPONSIBILITIES

The Company is responsible for:

- implementing a compliance and ethics program consistent with the Code of Business Conduct, and
- distributing this Code of Business Conduct to each employee and obtaining an annual certification of compliance, and
- providing employees and agents with clear guidelines on matters of everyday business conduct, and
- making sure through educational and training programs that all employees are aware of and understand our Code of Business Conduct, and
- ensuring that we live up to our Core Values in the operation of our business; and
- maintaining working conditions supportive of employees’ responsibilities under our Code of Business Conduct, and
- ensuring adherence to our Code of Business Conduct.

All supervisors have a special responsibility for the implementation of our Code of Business Conduct by:

- ensuring that all current and new employees under their supervision receive, read and sign for a copy of this Code of Business Conduct (sometimes referred to hereafter as the “Code”) and are trained in its meaning and application,
- reviewing the knowledge and understanding of our Code and our Company policies and procedures by employees under their supervision and ensuring that refresher programs are provided as necessary,
- stressing to all employees through word and deed the need for and a continuing commitment to this Code, and
- maintaining a workplace environment that encourages frank and open communication, free of fear of reprisal, concerning the upholding of the Code.

All employees are responsible for:

- reviewing regularly their knowledge and understanding of our Code of Business Conduct,
- upholding the Code and the policies, procedures, and practices that support it as demonstrated by their daily business conduct,
- contributing to a workplace environment that is conducive to the maintenance of the Code in daily business activities,
- seeking help when the proper course of action is unclear or unknown,
- remaining alert and sensitive to situations which could result in actions by any employee that are illegal, unethical, in violation of the Code or the policies and procedures that support the Code, or otherwise improper,
- counseling fellow employees when it appears they may be in danger of violating this Code or Company policies and procedures,
- reporting violations of the Code or local, state and federal laws and regulations to their supervisors, Department Managers, Division Directors, the General Counsel’s Office, the Director of Internal Audit, the Audit Committee of the Board of Directors of State Auto Financial Corporation, or if desired, to the Ethics Hotline (as defined below), and
- Annually certifying individual compliance with this Code, in a form prescribed by the Company.

IV. PROGRAM STRUCTURE

The Company’s compliance and ethics program contains several elements, only one of which is this Code of Business Conduct. State Auto has established a Business Conduct Committee, which is responsible for monitoring compliance with the law, regulations, or this Code, providing guidance respecting business practice issues, overseeing the system for reporting violations and

inquiries, and ensuring that employees are protected against reprisals for reporting violations or making any inquiry. The Business Conduct Committee is chaired by the Director of Internal Audit and its members include the Chief Operating Officer, General Counsel, Chief Accounting Officer and Vice President of Strategy and Organizational Effectiveness. While the Business Conduct Committee reports directly to the Audit Committee of the Board of Directors of State Auto Financial Corporation (the "Audit Committee"), the Business Conduct Committee also ensures that the Chief Executive Officer is advised of material developments with respect to matters before the Business Conduct Committee.

The Director of Internal Audit will be responsible for the operation of the compliance and ethics program that is contemplated by this Code, including oversight of training programs that are designed to foster an awareness and understanding of the compliance and ethics program. Under direction from the Director of Internal Audit, the Company will conduct education and training programs to facilitate employee awareness and understanding of the legal compliance and ethical aspects of this Code.

Unless circumstances require otherwise, the Business Conduct Committee will be responsible for assuring that appropriate investigations are conducted and that disciplinary action is recommended with respect to anyone who violates the Code. In the event an alleged violation of the Code involves wrongful, illegal or unethical conduct by any employee and such alleged violation appears in the reasonable judgment of the Business Conduct Committee to place the Company at material financial or reputational risk, the Business Conduct Committee is required to report each such matter to the Audit Committee as soon as practicable. Except as set forth in the preceding sentence, alleged violations of the Code which in the reasonable judgment of the Business Conduct Committee involve normal, ordinary course of business, employee disciplinary situations are not required to be reported to the Audit Committee, unless such matter involves allegedly illegal, wrongful or unethical conduct by an officer of the Company who is a Section 16 reporting person, in which event the Business Conduct Committee shall report such matter to the Audit Committee, as soon as practicable, but prior to making a decision with respect to the disposition of such matter.

Each State Auto employee has the responsibility to report each violation or potential violation of the Code of which he or she becomes aware. This includes violations or potential violations the employee himself or herself may have inadvertently or otherwise committed. State Auto strongly encourages employees to work with their supervisors on matters concerning the interpretation and application of the Code and in making reports. It is recognized, however, that under certain circumstances direct contact with and reporting to the Business Conduct Committee may be warranted. An employee should feel free to contact any member or the Ethicsline.

We assure each employee who reports a violation or potential violation of the Code that he or she will, to the fullest extent practicable, remain anonymous. **Under no circumstances will any employee be subject to any disciplinary or retaliatory action as a result of filing a report of a violation or a potential violation of applicable law or this Code.** Concerns should be reported to the Director of Internal Audit or the Audit Committee. Any employee who desires to communicate with a member of the Audit Committee directly should contact the Company's Corporate Secretary who will facilitate such direct communication. In addition, the Company has created an employee Ethicsline under a contract with an outside vendor. This Ethicsline is available as an option to employees, agents, and other interested third parties to report any illegal or unethical activity that causes loss or harm to the Company, its employees or customers. Employees who are uncomfortable reporting such illegal or unethical conduct to a person within

the Company may use the Ethicsline to make an anonymous report or may anonymously and confidentially seek guidance with respect to such matters through the Ethicsline at 1-877-888-0002. Calls to the Ethicsline which relate to or involve the following types of situations are simultaneously reported to the Chairman of the STFC Audit Committee, and the Chairman of the Audit Committee of State Auto Mutual, the Company's Director of Internal Audit and the Company's General Counsel: (1) accounting, auditing or financial reporting irregularities, (2) whistleblower retaliation, (3) insider trading, and (4) improper loans to executives. Calls relating to other types of issues will be reported to the Director of Internal Audit and the General Counsel and may subsequently be referred to the appropriate departments within the Company for such assistance or information as is required to respond to the call.

In adopting this Code of Business Conduct, the Boards of Directors recognize and intend that the Code will be enforced according to its terms in a manner that is prompt and consistent, while presenting a fair process by which alleged violations are determined. In most cases, the standards of conduct set forth in this Code are objective standards, that if violated will have consequences, up to and including, termination. However, certain standards, particularly in the area of conflicts of interest, involve matters of judgment and potentially the opportunity for an exception to this Code's standards. In that event and in any other circumstance where an exception to any standard might be sought by any employee, it must be clearly understood that the only party with the authority to make an exception to the Code is the Board of Directors of STFC (the "Board") based on a recommendation of or input from the Audit Committee. If the Board makes any such exceptions, it is required to document them and to cause them to be promptly disclosed to the shareholders of State Auto Financial Corporation.

The intention of this Code of Business Conduct is to supplement the Employee Reference Guide ("ERG"). In the event a statement made in this Code conflicts with a statement made in the ERG, the Code of Business Conduct shall be determinative of the Company's position in that matter, unless otherwise expressly set forth in the Code. Every effort will be made to harmonize the policies set forth in the Code of Business Conduct with those set forth in the ERG, in their application.

The Board of Directors of the Company has delegated oversight of the Company's compliance and ethics program, of which this Code of Business Conduct is but a part, to the Audit Committee. The Audit Committee shall be knowledgeable about the content and operation of the Company's compliance and ethics program and it shall exercise reasonable oversight with respect to the implementation and effectiveness of the Company's compliance and ethics program.

V. OUR STANDARDS OF CONDUCT

Business Activities

State Auto is committed to high ethical standards and responsible conduct in providing our customers with the highest quality insurance protection and the best possible service. State Auto, therefore, has established the following code of conduct to be observed by all employees.

1. All State Auto employees have an obligation to support the Company's business interests.
2. State Auto's policy is to conduct its business within the spirit as well as the letter of all applicable laws and regulations, including, without limitation, federal and state antitrust laws.

Antitrust compliance is a priority for State Auto. As part of a concerted effort to avoid even the mere appearance of antitrust violations and actual antitrust violations, it is expected that each employee will comply with the antitrust laws outlined below. Legal questions on antitrust matters should be referred to the General Counsel's Office. If any employee or director believes he or she has knowledge of conduct by a person associated with the Company that might be in violation of the antitrust laws, that person should contact the General Counsel's Office or if desired, the Ethicsline.

3. Improper payments, whether illegal political contributions, bribery of public officials, or similar acts are contrary to the State Auto policy.

4. State Auto's accounting will conform to statutory insurance accounting practices, to generally accepted accounting principles, and to all applicable laws and regulations, each as interpreted in good faith by the Company's accountants and lawyers. All transactions will be accurately and timely reported and documented in the Company's books and records. All transactions will be recorded in a manner that will permit their audit and control. No false or deceptive entries will be made and all entries must contain appropriate descriptions of the underlying transactions. All corporate funds must be retained in bank or investment accounts in the name of the appropriate company, and no undisclosed or unrecorded funds or assets of State Auto will be established for any purpose. Employees with responsibility for preparing Securities and Exchange Commission ("SEC") disclosure documents and reports are required to ensure that the disclosure in such documents and reports meets the requirements of the law, including, without limitation, the Sarbanes Oxley Act of 2002 and the SEC rules promulgated pursuant thereto. The Company intends for its SEC and shareholder disclosure to be full, fair, accurate, timely and understandable. All legal requirements applicable to the Chief Executive Officer, the Chief Financial Officer and any other executive officers of the Company, as prescribed by the Federal securities laws and applicable regulations of the SEC must be complied with in full.

5. Hiring and advancement are based on the position to be filled and the qualifications of the applicant or employee. Terms and conditions of employment, including employee benefits and services, working conditions, and advancement, are provided without regard to race, religion, sex, age, color, marital status, or national origin. Disabilities that do not affect a person's ability to perform essential job functions, or that can be reasonably accommodated, are not considered in employment decisions. Harassment, as described below, is unacceptable.

6. Pursuant to the Violent Crime Control and Law Enforcement Act of 1994, an individual is prohibited from engaging in the business of insurance if the individual has been convicted of any criminal felony involving dishonesty or a breach of trust unless the individual has obtained the consent of the insurance regulator. Consequently, State Auto will not knowingly hire any employee or other individual engaged in the business of insurance who has been convicted of a felony involving dishonesty or a breach of trust unless the appropriate regulatory consent is sought and has been obtained.

7. State Auto has adopted a privacy policy which ensures the confidentiality of policyholder, applicant, and claimant information necessarily obtained as part of the insurance process. This policy is intended to minimize intrusiveness, maximize fairness, and ensure confidentiality.

8. The foregoing statements of policy, the employment policies set forth in the ERG, as each may be amended from time to time, do not and cannot address every factual circumstance that might present issues for the Business Conduct Committee or the Audit Committee. Therefore, the

Company reserves the right for the Business Conduct Committee and the Audit Committee to consider any breach of trust or violation of applicable law by any employee and to reach a determination with respect to the facts, based on all evidence available, and based on those facts, to determine an appropriate response by the Company.

Outside Activities and Conflicts of Interest

Our Policy

Each employee has a duty of loyalty to State Auto. No person should use his or her position or knowledge gained from it in any manner which has potential for an unacceptable conflict between personal interests and the interests of State Auto. While we rely on character and common sense to avoid such conflicts, we have established the following guidelines governing specific areas of particular, recurring concern.

Outside Activities

1. Employees – “Moonlighting”

Employees shall not engage in any outside employment or activity, including business directorships, that might affect the objectivity and independence of their judgment or conduct in performing their duties and responsibilities for State Auto, involve conflicts of interest with State Auto or might embarrass or reflect discredit upon State Auto. The Chief Executive Officer of State Auto shall approve any employee's serving as a director of a for profit business enterprise. For example, employees may not provide services to a business competitor of State Auto and, except for employees of State Auto's agency subsidiaries, may not sell or service property casualty insurance products that compete with products State Auto is licensed to sell.

In addition, employees shall not engage in any outside activity that conflicts with the time required to perform their duties for State Auto. Employees shall also refrain from any outside activity that might involve the use of information that is State Auto's property or that might place them in a position that gives the appearance of representing State Auto or implies that State Auto endorses a particular product, service, or company.

2. Civic and Charitable Organizations

State Auto encourages employees to participate in civic and charitable activities as long as these activities do not impair such person's ability to fulfill duties and responsibilities to State Auto.

Employees participating in these activities must not divulge or use confidential information of State Auto or, in the absence of specific authorization, express or create the perception that State Auto supports or sponsors the organization.

Conflicts of Interest

1. Personal Financial Interests

Each employee should avoid any transaction with State Auto in which he or she has a financial interest, direct or indirect, which is of such consequence that it might adversely affect his or her judgment in protecting or advancing the interests of State Auto, or which might, if known, tends to impair public confidence in State Auto. It is not inherently a violation of this policy for an employee to be insured by State Auto in the ordinary course of business.

2. Use of Proprietary Information - General

Except as otherwise required by law, any information in any form or medium which relates to the Company's business belongs to the Company, and no employee should reveal any confidential information to any unauthorized person, nor take or copy with an intention to misuse any documents or records belonging to the Company.

No person should use information, however obtained, in any way that might conflict with State Auto's interests or which would give such person an unfair advantage over other parties.

3. Business Gifts

Accepting gifts, entertainment, trips, tickets to sporting events, favors or gratuities valued at more than \$150 (singly or in the aggregate from the same person or entity in one calendar year) from third parties doing business with State Auto is generally considered to be beyond common courtesy and is not allowed. This also applies to members of an employee's immediate family. Also prohibited is an employee's personally receiving from or providing to such persons any of the following: a gift of cash, cash equivalents (e.g., gift certificates) or securities; a loan at less than market rates; a personal service performed for the employee or a family member free of charge or for less than market price; a gift or entertainment of an unlawful nature; a gift or entertainment based on the quantity or volume of merchandise or services purchased or acquired by State Auto; a gift or entertainment offered in return for a specific decision or outcome or offered with the expectation that it will unduly influence any decision the recipient employee might make on behalf of State Auto. It is important to be impartial and to be able to preserve even the appearance of impartiality when dealing with agents, customers, suppliers, or competitors. Not only may the acceptance of gifts or other favors create an appearance of impropriety, it may also create a sense of obligation in the recipient of the gift which creates the opportunity for the recipient to not place the interests of State Auto first. Employees should avoid any relationship which might cause him or her or State Auto to be embarrassed or placed in a questionable ethical position.

4. Business Entertainment

Accepting invitations to outings from outside sources which last for several days and where the host would be paying travel, hotel, and other expenses is not allowed except when it is in State Auto's best interest to accept such invitation, and then travel and hotel expenses should be provided by State Auto. Excessive or extravagant business meals or entertainment, considering all attendant circumstances, are also to be avoided.

Conflicts of Interest are also addressed in the ERG.

VI. INSURANCE POLICIES, RATING PLANS, INSURANCE REGULATIONS

Our policyholders have a right to expect, and we have an obligation to ensure that our products and services are delivered at an appropriate price. State Auto will establish rating plans for all of our insurance programs using actuarially sound principles for rate development, including our own experience or the collective experience of other companies reported to insurance rating organizations (e.g., ISO, NCCI, AAIS) when relevant. It is the policy of the Company that all rates, rules, and insurance forms be filed, as required, in the individual states in which State Auto does business. Except as otherwise allowed under the insurance laws of the individual states, it is State Auto's policy that all premiums be developed in accordance with programs filed with the individual state insurance departments.

VII. PRESERVATION OF ASSETS

It is the responsibility of each employee to preserve the Company's assets, including its property, supplies, consumables, and equipment. No employee shall improperly use corporate or customer resources or permit others to do so. The use of corporate material, equipment, or resources for non-corporate purposes is permitted only with the written approval of managers having the authority to permit such use.

With the trend in the business environment towards the use of personal computers, inherent in the corporate policy against improper use of corporate resources is a prohibition against duplication of software from one personal computer to another without the express written consent of the software developer and/or vendor. The MIS Division will arrange to have requisite software available on each personal computer. Included in this prohibition is the use on corporately-owned computers of software purchased for an employee's own personal use, except in extenuating circumstances approved in writing by the Director of the MIS Division. Also inherent in the employee's responsibility to preserve Company property is a duty to use Workplace Technology (as defined below) in a professional manner consistent with Company policy guidelines and applicable laws. Workplace Technology is defined to include but is not limited to telephone systems and equipment, computers, Internet access, e-mail, voice mail and fax machines used in conducting business of the Company. Workplace Technology should not be used to create, access, send, receive, or store any offensive, inappropriate or disruptive materials as defined in the policy. It also should not be used for personal gain, non-State Auto business activity or for any illegal activity including but not limited to tampering with information databases and software, unauthorized entry to other networks or computers, disobeying trade restrictions, violating civil rights laws or vandalizing or destroying on-line files. All employee activity will be monitored to ensure compliance with the Electronic Data Security Policy, as published by the Company.

VIII. INFORMATION SECURITY

The very nature of the insurance business requires that we gather and maintain a great deal of personal information about individuals. In addition, we obtain non-public personal information or proprietary information about agents and other business entities with which we have a

relationship. Therefore, we must carefully weigh our business needs against the privacy rights of the individual, agent, or business. Care must be taken with the collection or dissemination of non-public personal information.

Only legitimate means should be used to collect non-public personal information. Such information should be disclosed to others only as legally required or with a signed, dated disclosure authorization from the individual involved that meets the requirements of any applicable law.

Whenever investigative consumer reports are involved with respect to applicants, insureds or potential employees, disclosure should be made only as required and allowed under the Fair Credit Reporting Act. While we may make an effort to provide (directly or indirectly, if appropriate) our insureds with a copy of information we might maintain about such person, prior to that disclosure a legal determination shall be made with respect to whether or not such information is Company property and if so, should it be disclosed in the circumstances then present. Do not reveal information compiled in anticipation of a civil or criminal action or used or to be used in settling a claim.

Individuals should be given the opportunity to correct or clarify information in our files about the individual. Our files should be amended as required to reflect a record that is factually accurate.

In addition to all of the above, it is Company policy to follow all of the requirements of privacy statutes and regulations that are in effect at the federal or individual state level.

Proprietary information of others in our possession should be safeguarded as legally required or required by contract. We should not be in the possession of proprietary information of third parties, except by permission of such third party or unless such information is otherwise publicly available.

IX. GUIDELINES FOR ELECTRONIC AND WRITTEN COMMUNICATIONS

Each year the Company's employees produce thousands of electronic and written documents that contain facts and personal inferences, opinions, evaluations, conclusions and judgments. Unfortunately, statements taken out of context may be misinterpreted and take on unfavorable connotations. Therefore, it is important to use care with every memo, report, e-mail communication, or other document every employee produces. This care should extend to handwritten comments in the margin of a document.

Nearly every document in the Company's files and each employee's files that relates to State Auto business matters and every e-mail (and attachment) is subject to being reviewed by the Company and to examination in court or in investigations by government agencies, and eventually to public disclosure. Therefore, it's extremely important that everyone thinks carefully about what is put in writing, both what is said and how it is said.

The following are guidelines for a responsible approach to writing. The guidelines are not all-inclusive and must be used with well-reasoned judgment and critical analysis.

I. Written Material

Material written thoughtfully will contain succinct, accurate statements whose meaning will not be susceptible to distortion or misunderstanding when read under different circumstances.

- Avoid writing anything one would not want to see on the front page of a newspaper.
- Avoid derogatory characterizations of people and their motives. Stress facts, not opinions.
- Avoid exaggeration.
- Be careful about guessing or anticipating facts.
- Never write a memo or send e-mail labeled "destroy after reading."
- Be sensitive to the implications of the content of one's words

II. Communications with Lawyers

Communications with lawyers for the Company merit special attention.

- Writing about what lawyers have advised may unintentionally waive the attorney-client privilege to the detriment of State Auto. The purpose of the attorney-client privilege is to encourage full communication between clients and their attorneys. The process by which a client seeks, and a lawyer provides, legal advice will remain confidential and the communications will be protected from later disclosure, as long as neither party does anything to destroy the confidentiality of the communication.
- Limit the distribution of legal advice to those with a "need to know," or the privilege may be unintentionally lost.
- When an employee receives written legal advice from a lawyer, he or she should make sure that he or she and the lawyer agree on the appropriate distribution of the document. Any distribution beyond that which the lawyer specifically authorizes could result in the loss of the privilege.

III. E-Mail Communications

E-mail also involves some special considerations because of the typical casualness of such communications and because of the medium itself.

- Anything an employee writes on or saves in a computer owned or provided to such person by the Company and any State Auto business related materials on the person's home computer, ("Company Work") is considered to be State Auto's property and as business records this material could be required to be produced in discovery for a lawsuit.
- You should have no expectation of privacy in any Company Work.
- The Company reserves the right to audit and review all Company Work.
- The Company reserves the right to monitor Internet usage on all computers owned or provided to the employee by the Company (the "Company PC").
- The Company reserves the right to discipline any employee who abuses or makes inappropriate use of the Company PC or Company e-mail, up to and including termination.
- The Company reserves the right to produce for government officials any Company Work or other record maintained on a Company PC.
- Any information transmitted or received by the Company electronically is considered by the Company to be a Company record.
- Do not use e-mail for frivolous messages or offensive jokes;
- Protect the employee password and always log off when not using the system to avoid unauthorized access;
- While State Auto's computer network and its applications are secure, there are many variables that could impact unauthorized access to the employee's information, such as auto print, screen viewing, and the like. Precaution should be taken whenever an employee creates, sends, or receives a message to ensure that sensitive and/or confidential information is not transmitted over State Auto's public networks. Even though an e-mail message may be deleted or erased, it may still be possible to retrieve and read that message.

All of the above guidelines apply to all materials, including first drafts, handwritten communications, margin comments, file notes, materials on word processing disks, e-mail documents, dictated recordings and videotapes. Each of these, regardless of format or formality, is no less discoverable and potentially damaging in a legal proceeding than a document in final form.

The subject of electronic and written communications also involves document retention or, put another way, document destruction. Every document, regardless of its form, created or received by the Company's employees is subject to the statements of policy set forth below. These rules, procedures or guidelines may be superceded by individual departmental document retention rules or guidelines which are made necessary or appropriate based on the responsibilities of such department(s). Generally, however, documents in the possession of State Auto are subject to retention standards or requirements derived from federal and state law, including the Internal Revenue Code, state statutes of limitation, and insurance laws. There is generally no requirement in the ordinary course of business to retain a document which comes into one's possession. Department guidelines assist employees in making judgments regarding those documents it is appropriate or necessary to retain as well as the period of retention. Once any corporate or departmental guidelines regarding document retention have been met, it is appropriate to destroy or caused to be destroyed such documents in the ordinary course of business. However, in the event the Company ever becomes subject to an investigation by any governmental authority or involved in certain types of litigation, it will be important for all documents to be retained pending the completion of such investigation or litigation. The Company will notify all employees if this circumstance ever arises.

X. FRAUD AND DISHONESTY

Our business requires the handling of or accounting for thousands of transactions each business day. We have strict rules to guard against fraud or dishonesty and to serve as guidelines for handling such problems when they occur.

The Internal Audit Department, under the direction of the General Counsel's Office, handles the investigation of any fraud or act of dishonesty. Financial fraud by anyone is a crime. If an employee detects or suspects fraud or dishonesty on the part of any employee, director or agent of State Auto, any affiliated company or partnership, any supplier, borrower or other person with whom the Company deals, such person should report it immediately to the Internal Audit Vice President, the General Counsel's Office, the Audit Committee of STFC's board of directors, or the Ethicsline. They will see that the appropriate people are notified and that internal and external investigations are coordinated. This reporting may be done anonymously or the person may direct that his or her identity not be disclosed and that request will be respected as fully as possible, under the attendant circumstances. As noted above, an employee's direct contact with the members of the Audit Committee will be facilitated by the Company's Corporate Secretary, (currently John Lowther- extension 5052; john.lowther@stateauto.com)

In the event that evidence of a fraud or crime against the Company is established, any involved State Auto employee or agent is subject to termination, and business relationships with others may be severed depending on the severity of the offense.

After review of the evidence by the General Counsel's Office, and if warranted, prosecution will be initiated when practical, either in the name of the Company or by referral by the General Counsel's Office to an appropriate law enforcement agency.

Recovery of any loss suffered by the Company as a result of fraud, dishonesty or crime will be made where possible. The handling of each case of fraud or dishonesty will be done on a case by case basis, dependent on all the circumstances. However, observe these general guidelines:

- Don't discuss matters involving possible criminal conduct of any person subject to this Code with anyone who is not authorized to investigate such conduct.
- Don't terminate an employee suspected or proven guilty of fraud or dishonesty without agreement of the General Counsel's Office and Human Resources Director or his or her designee.
- Don't promise not to report a crime to law enforcement authorities to encourage the return of stolen funds or for any other reason.
- Don't attempt to destroy evidence of suspected criminal activity.
- Give all reasonable help to any law enforcement agency prosecuting a criminal complaint. Such assistance will be coordinated through Internal Audit and the General Counsel's Office.

XI. POLITICAL CONTRIBUTIONS AND ACTIVITIES

State Auto encourages its employees to participate in public affairs. Each employee must recognize, however, that such participation must be on an individual basis, on one's own time, and at one's own expense. When an employee speaks out on public issues, such person must be clear that he or she is doing so as an individual. An employee should not give the appearance that he or she is speaking or acting on behalf of State Auto or an affiliated company, absent express authority to do so.

Except under limited circumstances, State Auto's policy prohibits the use of corporate money or property to support activities of political candidates. Federal law expressly prohibits State Auto from using corporate funds to support candidates for political office in federal elections.

Company funds or property may be used in support of political parties or candidates for office or nomination on a state or local level where permitted by applicable state law, however such use of Company funds requires the written approval of at least a division Vice President and one other executive officer outside of the requestor's "chain of command," as well as the General Counsel.

XII. COMPLIANCE WITH ANTITRUST LAWS

"Antitrust" is a blanket term used for the Clayton, Sherman, Robinson-Patman, and Federal Trade Commission Acts. The main objective of antitrust laws is to preserve competition and an open market. The U. S. antitrust laws prohibit agreements and activities that may have the effect of reducing competition without providing counterbalancing benefits to customers. Agreements and activities which are or may be prohibited include:

- Agreements with competitors to fix or control pricing;

- Agreements with competitors to allocate products, markets or territories;
- Agreements to boycott certain customers or suppliers;
- Agreements to refrain from or limit the manufacture, sale, or production of any product;
- Reciprocal purchase arrangements or tie-in sales.

It is the policy of State Auto to fully comply with these laws and avoid even the appearance of impropriety.

Activities of State Auto employees where competitors are involved including, but not limited to, state-mandated or approved committees or boards, as well as any other trade association activities, can raise concerns regarding the antitrust and unfair trade practices laws. Serious legal penalties are imposed on the Company as well as an individuals found to be in violation of these laws. Requests for additional information and materials and any questions in this regard can be directed to the General Counsel's Office through the General Counsel.

XIII. COMPLIANCE WITH SECURITIES LAWS

It is unlawful and therefore contrary to Company policy for any officer or employee of State Auto, or anyone else who might be deemed an insider, to trade in State Auto Financial Corporation common shares, without par value ("STFC Stock") at a time when he or she knows of material information with respect to State Auto which is not known to the general public or to disclose such information to any other person who may trade on the basis of such information. Information is material if a reasonable investor is likely to consider it important in deciding whether to buy, sell or hold STFC Stock. Examples of material, non-public information which represent, prior to a press release, "inside information" would be an acquisition by State Auto; loss results from a very severe catastrophe; and STFC's quarterly or year end financial results. Insiders for this purpose include not only officers but any employees who may have such information, and the prohibition on trading while in possession of such information is applicable to all such persons. For any person with such inside information, trading should be resumed only when such information has been sufficiently publicized by official announcement so that the public has had the opportunity to evaluate it. Normally, such information should not be regarded as public until 24 hours after it has been disseminated through a national news medium.

If any person planning to trade in STFC Stock has a question as to whether or not he or she possesses information that precludes trading under these restrictions, the General Counsel's Office should be consulted.

In order to avoid any appearance that corporate employees are speculating in STFC Stock, it is the Company's policy that no officer or employee should engage in short sales or purchase or sell puts or calls on STFC Stock or otherwise trade in or write options on State Auto's securities at any time. Finally, it is State Auto's policy that no officer or employee should trade in the securities of another company on the basis of material non-public information about that company obtained as a result of his or her affiliation with State Auto.

Violation of these rules may result in disciplinary action including, depending upon the circumstances, dismissal.

It is also unlawful for any officer or anyone acting under such person's direction to take any action to fraudulently influence, coerce, manipulate or mislead any independent public accountant in the performance of an audit of the financial statements of the Company for the purpose of rendering such financial statements materially misleading.

It is illegal for any executive officer of State Auto to obtain an extension of credit or receive a loan from or arranged by the Company as a personal loan to such executive officer.

It is a violation of the securities laws for any officer of STFC who is required to report his or her transactions in STFC Stock under section 16 of the 1934 Securities Exchange Act (a "Statutory Insider") to fail to report any reportable transactions in STFC Stock within two business days of such transaction.

It is a violation of the federal criminal laws for any person to knowingly alter, destroy, mutilate, conceal, cover up, falsify, or make a false entry in any record or document or tangible document with the intent to impede, obstruct, or influence the investigation or proper administration of any matter within the proper jurisdiction of any department or agency of the United States government.

It is a violation of the federal securities laws to knowingly execute, or attempt to execute a scheme to defraud a person in connection with any security of an issuer of publicly held securities or to obtain by false or fraudulent pretenses, representations or promises, any money or property in connection with the purchase or sale of publicly held securities.

The policy on Insider Trading is also covered in the ERG.

XIV. EQUAL EMPLOYMENT OPPORTUNITIES

In the past several decades a number of state and federal laws have been enacted to protect employees from illegal discrimination in employment. These laws include the Civil Rights Act of 1964 which prohibits discrimination on the basis of race, sex, color, religion or national origin; the Age Discrimination in Employment Act prohibiting discrimination on the basis of age; and the Americans With Disabilities Act prohibiting discrimination against qualified individuals with disabilities.

State Auto seeks to employ qualified people without regard to sex, race, color, national origin, age, religion, disability or sexual orientation. Furthermore, it has long been the policy of State Auto to maintain a working environment free from illegal discrimination.

In order to maintain this standard, State Auto requires its employees to treat one another with respect and to refrain from engaging in all forms of discriminatory conduct. Harassment, in any form, lowers morale, is damaging to the work environment, and may be illegal. No State Auto employee may harass any other employee in a manner which affects the employee's terms or conditions of employment. Although it is difficult, if not impossible, to list all types of improper harassing conduct, employees are prohibited from making slurs, epithets, threats or derogatory comments toward other employees.

Harassment consists of any deliberate or repeated, unsolicited verbal or written comments, gestures, or physical contact which are unwelcome by another employee based on sex (with or without sexual conduct), race, color, religion, national origin, age, disability, sexual orientation, or an employee's opposition to prohibited discrimination or participation in a complaint process.

Furthermore, harassment will be considered to include posting, displaying or disclosing objectionable photographs, calendars, posters, or electronic images of objectionable material, etc., in any work area.

Any employee who is subject to the conduct described above or finds any person's behavior or language offensive, is encouraged to ask the individual to stop making the objectionable comments or engaging in inappropriate conduct. If the conduct continues or if an employee prefers not to deal directly with an offending employee, the employee should report the offensive conduct to his/her supervisor, manager, Division Director, the Human Resources Division or call the Ethicsline.

Complaints concerning sexual harassment or any other type of discriminatory conduct will be investigated promptly. Reasonable measures will be taken to preserve the confidentiality of information that is discovered during the investigation. State Auto will take disciplinary action against any employee who is found to have harassed another employee.

State Auto recognizes that the question of whether a particular action, comment or incident is purely personal, or arising out of a social relationship without a discriminatory employment effect requires a factual determination based on all facts in each case. State Auto also recognizes that false accusations of harassment can have serious effects on innocent employees. Therefore, persons found to have made false accusations will be subject to the same disciplinary action applicable to an employee found guilty of harassment.

Finally, filing a complaint or otherwise reporting any discriminatory behavior, including harassment, will not reflect upon the reporting employee's status nor will it have any affect on future employment, advancement, work assignments or any other aspect of the employment relationship.

State Auto's Non-Harassment policy is also described in the ERG.

XV. MARKETING

In marketing our products, we must observe all of the antitrust principles noted previously and any other applicable Federal Trade Commission restrictions. There are, however, some additional principles that should govern our conduct.

Advertising should always be truthful and in compliance with the insurance laws and regulations of the individual states in which State Auto does business. If we make specific claims about our services, we should have evidence to substantiate those claims. We should not label or market our products in any manner that might cause confusion between our products and those of any of our competitors.

We should not disparage any of the products, services, or employees of any of our competitors. If we do engage in any comparison of our services as against those of our competitors, such comparisons must be fair and accurate.

We will market our services on the basis of price, quality, and service. Corporate policy is to forego any business which can only be obtained by illegal or improper means.

XVI. ENVIRONMENTAL COMPLIANCE

State Auto's policy is to preserve natural resources to the maximum extent reasonably possible. Of course, State Auto must fully comply with all state and federal laws relating to the protection of the environment in the conduct of business. All toxic or hazardous waste generated by the Company by whatever means must be stored as required by applicable law and must be recycled or disposed of at state or federally approved facilities which have also been approved by State Auto.

XVII. COMPLIANCE AND DISCIPLINE

We believe that honesty, integrity, ethical behavior and fairness are vital to the Company's continuing success; indeed, these principles are key aspects of the Company's Core Values. We are resolved that the business of State Auto will be conducted in a manner consistent with those Core Values to serve the overall interests of all our constituencies, which include our policyholders, shareholders, agents, suppliers, and employees. Strict compliance with this Code of Business Conduct by each employee is mandatory.

The Company expects all employees to take this Code of Business Conduct seriously. Accordingly, violations of the Code will not be tolerated and violations by employees will result in penalties ranging from warnings and reprimands to discharge as deemed appropriate. Willful disregard of criminal statutes underlying this Code may require the Company to refer such violation for criminal prosecution or civil action.

XVIII. ADDITIONAL BUSINESS CONDUCT AND ETHICS MATERIAL

This Code has been established to ensure that each State Auto employee familiar with the intent and policies of State Auto toward business conduct and ethics. However, no code of business conduct and ethics, no matter how carefully set forth, can cover every situation in our daily business lives that may require an ethical decision. If you face a situation that you are unsure of, use your common sense and answer the following questions:

- Is the action legal? (Call the General Counsel's Office if you are not certain).
- How will it look on the front page of the newspaper?
- Would the action embarrass you if discussed among your professional peers?
- If you take the action, will you feel good about it?
- Does the action prompt you to question your moral or ethical values?

If you are still unsure, ask your supervisor or contact Dave Dalton, Director of Internal Audit at extension 5615, Jay Yano, General Counsel, at extension 5346 or the Ethicsline at 1-877-888-0002.