

**STATE AUTO FINANCIAL CORPORATION
BOARD OF DIRECTORS**

**Charter
of the**

Compensation Committee

Amended and Restated as of August 17, 2007

The Compensation Committee of the Board of Directors of State Auto Financial Corporation shall consist of no less than three directors, each of whom must meet the standards of independence as prescribed by the Marketplace Rules of The NASDAQ Stock Market, Inc (“NASDAQ”). The Chairman and members of the Committee shall be determined by the Nominating and Governance Committee on an annual basis.

The responsibilities of the Compensation Committee shall be as follows:

1. Set the compensation policies to be used by the Committee in determining the salary and bonus for the CEO and all other Section 16 officers.
2. Set the annual salary, at the first regular meeting of the year, for the CEO and all other Section 16 officers. When evaluating the CEO’s compensation, the Committee should consider, among other factors;
 - a. The individual performance of the CEO
 - b. The Company’s performance and relative shareholder return
 - c. The total compensation paid to CEO’s at comparable companies
3. Review Directors’ compensation at the fourth regular meeting of the year and recommend any changes to the Board.
4. Annually, at the fourth regular meeting of the year, review the Company’s medical plans, retirement plans, and other benefit plans and recommend any changes to the Board.
5. Annually, in the first quarter of the year, in conjunction with the Nominating and Governance Committee of the Board of Directors (the “SAM N&G Committee”) of State Automobile Mutual Insurance Company, the Company’s parent, review and assess the performance of the CEO in accomplishing the goals and objectives of the Company, among such other factors as the Committee deems appropriate in its sole discretion.
6. At the first regular meeting of the year fix the terms of any bonus arrangement applicable to any Section 16 officer.
7. In conjunction with the SAM N&G Committee, develop a succession plan for the CEO and at the third regular meeting of the year, in a joint meeting with the SAM N&G Committee review both the CEO succession plan and the succession plan for all other Section 16 officers.

8. Approve the terms and parameters of any stock options and/or stock grants granted to any officers or employees.
9. At the first regular meeting of the year make any stock options and/or stock grants of the Company's common shares, without par value, and performance award units, while reserving the right to make awards of equity based compensation at other times of the year, as it deems necessary or appropriate.
10. Approve the terms of any stock-based compensation plans created for the benefit of employees of the Company.
11. Execute and otherwise carry out the obligations imposed on the Committee by the Employee Stock Plans.
12. Produce an annual report on executive compensation for inclusion in the Company's proxy statement.
13. Annually, at the third regular meeting of the Committee, conduct an annual performance evaluation of the Committee.
14. Annually, at the fourth regular meeting of the Committee, review the Compensation Committee Charter and recommend any changes to the Board.
15. Report to the board all meetings of the Committee. Since the Company's board meetings are typically held concurrently with the board meetings of State Auto Mutual the Committee will determine if any matters it would otherwise report on are not appropriate to be included in the report delivered in the presence of directors of State Auto Mutual.
16. Perform additional duties as may be delegated to it by the board of directors.
17. The Committee shall have sole authority to secure advice from internal and external advisors, consultants or professionals, and to terminate the engagement of external advisors, consultants or professionals. The Committee shall have sole authority to approve fees or other retention terms and to direct the Company to pay for services obtained by the Committee from external advisors, consultants or professionals.
18. The Compensation Committee Charter is not intended to change or augment the obligations of the Company or its directors or management under the federal securities laws or to create new standards for determining whether directors or management have fulfilled their duties, including fiduciary duties under applicable state law.

A majority of the Committee members shall constitute a quorum for the transaction of business. The Committee shall meet upon the call of the Chairman of the Committee. The action of the Committee at a meeting at which a quorum is present is the act of the Committee. The Committee may establish such subcommittees as it deems appropriate. The Committee may act in writing by the unanimous consent of its members.