

State Auto Financial Corporation
Board of Directors
Corporate Governance Guidelines
Amended and Restated as of March 7, 2008

1. Election of Directors

Consistent with the Articles of Incorporation of the Company, the directors are divided into three classes and at each annual meeting, the members of one class of directors are elected to serve three year terms.

2. Director Qualifications

The Company shall have a majority of directors who meet the criteria for "independence" required by the Marketplace Rules of The NASDAQ Stock Market, Inc. ("NASDAQ") and Rule 10A-3(b)(1) under the Securities Exchange Act of 1934. On an annual basis, the Nominating and Governance Committee of the Board of Directors shall affirmatively determine that a director meets the then current foregoing criteria for independence.

The Board seeks members from diverse professional backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. Directors should have experience in positions with a high degree of responsibility, be leaders in the organizations with which they are affiliated, be selected based upon contributions they can make to the Board and management and be free from relationships or material conflicts of interest that could interfere with the director's duties to the Company and its shareholders.

3. Director Responsibilities

The basic responsibility of a director is to exercise his/her business judgment and act in good faith in a manner the director reasonably believes to be in or not opposed to the best interests of the Company and to the exclusion of any personal interests, in performing as a director of the Company. In discharging that obligation, a director is entitled to reasonably rely on the honesty, integrity, and competence of the Company's senior executives and the Company's outside advisers and auditors.

A director shall be committed to acting with the care that an ordinarily prudent person in a like position would use under similar circumstances, in performing as a director of the Company.

A director shall be committed to complying with all applicable law, including case law, statutes, and administrative agency rules and regulations, as well as with applicable Company policies. Directors' responsibilities include upholding the Company's Core Values as set forth in the Code of Business Conduct and performing their duties in a manner consistent with the Code of Ethical Principles for Directors, which is incorporated by reference into these Governance Guidelines in the Ethical Principles Attachment.

Directors are expected to attend and participate in the Annual Meeting of Shareholders, Board meetings and meetings of committees on which they serve, review materials provided by management and advisors and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

Pursuant to the rules of the Securities and Exchange Commission, Board members who attend less than 75% of the aggregate of the Board meetings (special and regular) and applicable committee meetings will be noted in the Company's annual proxy statement.

4. Lead Director

The Board will annually elect from among its independent directors a Lead Director. The Lead Director's responsibilities include, among other items, leading the executive session of the Company's independent and outside directors, being a principal point of contact with the Chairman and CEO, working with the Chairman to develop a regular board meeting schedule and an annual agenda for such meetings, securing input from other directors on agenda items, ensuring the adequate flow of information from management to the board, and, with the Lead Director of State Automobile Mutual Insurance Company, ("State Auto Mutual") delivering the CEO's performance evaluation as performed by the Compensation Committee of the Board and the Nominating and Governance Committee of the Board of Directors of State Auto Mutual. The Lead Director shall be identified in the Company's annual proxy statement.

5. Size of the Board

The Board is currently comprised of nine directors. Consistent with the Amended and Restated Code of Regulations of the Company the number may be changed by a resolution adopted by at least two-thirds of the directors then in office, up to a maximum of fifteen, but no less than three. An increase or decrease in the size of the Board would be largely dependent upon a material increase in the complexity of the Company's business or material changes in the workload for independent directors.

6. Selection of Directors

Pursuant to the authority granted to it in its Charter, the Nominating and Governance Committee shall identify qualified individuals to become Board members to fill any vacancies that may arise. As described in more detail in its Charter, the Nominating and Governance Committee shall make recommendations to the full Board for approval. The Nominating and Governance Committee shall also review the contributions and independence of incumbent directors in making recommendations to the full Board for re-election of incumbent directors.

7. Filling Vacancies on the Board

From time to time, the Board of Directors may elect qualified individuals to become Board members by filling vacancies that may arise. In such case, the Company's shareholders shall be given the opportunity to newly elect that director at the next annual meeting of shareholders.

8. Annual Performance Evaluation

Pursuant to its Charter, the Nominating and Governance Committee will conduct an annual evaluation of the operations and effectiveness of the Board of Directors to determine whether it and its committees are functioning effectively, considering the size of the Board and the number of regularly scheduled meetings, among other matters. The Nominating and Governance Committee will receive comments from all directors and report to the Board with an assessment of the Board's performance and any recommendations following each such review. All directors are free to make suggestions on improvement of the Board's practices at any time and are encouraged to do so. The purpose of the review is to increase the effectiveness of the Board as a whole. In addition, the Nominating and Governance Committee will oversee a process of individual director performance evaluations, which will occur on an annual basis.

9. Meetings of the Board

The Board meets quarterly on previously determined dates and conducts special meetings on the call of the Chairman, the President or any two directors.

10. Board Meeting Agendas

In establishing the agenda for each Board meeting, the Chairman, working through the Lead Director, solicits the input of Board members with respect to its content. Because the Board meetings of the Company typically occur concurrently with the Board meetings of State Auto Mutual, the Company's parent, the Company's Nominating and Governance Committee will review the proposed agenda for regular joint Board meetings and make a determination as to whether any agenda item(s) could result in the discussion of a subject that presents an actual or potential conflict between the interests of State Auto Mutual and the other Company shareholders. If such an agenda item is identified, then this item will be removed from the agenda of the joint meeting of the Boards and addressed separately by the Company's Board or delegated to the Company's standing Independent Committee or a special independent committee of its Board.

11. Board Materials Distributed in Advance

The agenda for each meeting is provided to the directors in advance of the meeting together with written materials on matters to be presented for consideration. The Lead Director, working through the Chairman, will have input into board and committee meeting materials, which materials management intends will be concise and informative.

12. Executive Sessions of Directors

Independent directors will meet at least twice a year in executive session without management participation. The Lead Director will preside at these sessions. In addition, the independent directors of the Company will meet at least twice a year together with the independent directors of State Auto Mutual in a joint executive session, without management present. At these joint executive sessions, the Lead Director of the Company and of State Auto Mutual will alternate setting the agenda for and leading the joint executive sessions.

13. Director Compensation

The Board sets the level of compensation for directors, based on the recommendation of the Compensation Committee. Directors who are also employees of the Company shall not be compensated for acting as directors of the Company.

From time to time the Compensation Committee reviews the amount and form of compensation paid to directors, taking into account the compensation paid to directors of other companies in its peer group and other U.S. companies of similar size. The Committee's review may be conducted with the assistance of outside experts in the field of executive compensation.

14. Directors Whose Status Changes

Upon a significant change in business or professional status (such as, but not limited to: retirement, resignation, relocation, termination), a director is required to notify the Chairman of the Nominating and Governance Committee and it is expected that such director will offer to submit his or her resignation from the Board. This does not mean that such directors should necessarily leave the Board. There should, however, be an opportunity for the Board, via the Nominating and Governance Committee, to review the continued appropriateness of Board membership under these circumstances, and it may accept the offer to resign or refuse it, asking such director to continue to serve.

In the event a director becomes subject to a circumstance or event that gives rise to what may reasonably be expected to be a conflict of interest or to a change in independence status, such director is required to notify the Chairman of the Nominating and Governance Committee so that such committee can undertake an inquiry into such conflict of interest or change in independence status. The Nominating and Governance Committee will consult with the Audit Committee on matters involving a conflict of interest and in the event the Audit Committee determines that such a conflict of interest is material, the director will be asked to resign from the Board.

15. Majority Voting Policy

If a nominee for director who is an incumbent director does not receive the vote of at least the majority of the votes cast at any meeting for the election of directors at which a quorum is present and no successor has been elected at such meeting, the director will promptly tender his or her resignation to the Board of Directors. For purposes of this corporate governance policy, a majority of votes cast means that the number of shares voted “for” a director’s election exceeds 50% of the number of votes cast with respect to that director’s election or, in the case where the number of nominees exceeds the number of directors to be elected, cast with respect to election of directors generally. Votes cast include votes to withhold authority in each case and exclude abstentions with respect to that director’s election, or, in the case where the number of nominees exceeds the number of directors to be elected, abstentions with respect to election of directors generally.

The Nominating and Governance Committee will make a recommendation to the Board of Directors as to whether to accept or reject the tendered resignation, or whether other action should be taken. The Board of Directors will act on the tendered resignation, taking into account the Nominating and Governance Committee’s recommendation, and publicly disclose (by a press release, a filing with the Securities and Exchange Commission or other broadly disseminated means of communication) its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of the certification of the election results. The Nominating and Governance Committee in making its recommendation, and the Board of Directors in making its decision, may each consider any factors or other information that it considers appropriate and relevant. The director who tenders his or her resignation will not participate in the recommendation of the Nominating and Governance Committee or the decision of the Board of Directors with respect to his or her resignation. If such incumbent director’s resignation is not accepted by the Board of Directors, such director will continue to serve until the next annual meeting and until his or her successor is duly elected, or his or her earlier resignation or removal.

If a director’s resignation is accepted by the Board of Directors, or if a nominee for director is not elected and the nominee is not an incumbent director, then the Board of Directors, in its sole discretion, may fill any resulting vacancy pursuant to the provisions of the Company’s Amended and Restated Code of Regulations.

This corporate governance policy will be summarized or included in each proxy statement relating to an election of directors of the Company.

16. Board Access to Senior Management and Independent Advisers

While the Lead Director will be a primary advisor to and mentor for the CEO, Board members have complete access to the Company’s CEO, its other management and its independent advisers. It is assumed that Board members will use judgment to be sure that such contact with senior management and the Company’s independent advisers is not distracting to the business

operations of the Company and that the CEO will be advised of any such contacts that pertain to matters outside the ordinary course of business.

17. Director Retirement Policy

A person cannot be nominated or otherwise stand for election as a director where such term of service as a director would commence on or after his or her seventieth birthday. Employee directors who leave employment of State Auto are expected to resign as a director as of the date of such employment termination.

18. Certifications

The CEO and the CFO shall certify annually, pursuant to rules adopted by the Securities and Exchange Commission, that the Company has established and complied with procedures for verifying the accuracy and completeness of information provided to investors and that each has no reasonable cause to believe that the information provided to investors is not accurate and complete.

The CEO shall certify annually to the Board that he/she has reviewed with the Board the foregoing procedures and the Company's compliance with them.

The CEO shall certify annually to the Board that he/she is not aware of any violations by the Company of NASDAQ listing standards.

19. Regular Attendance of Non-directors at Board Meetings

The Board believes it is important for directors to know the Company's key senior officers. The CEO shall designate key members of senior management to regularly attend meetings of the Board, or portions thereof.

20. Board Committees

The Board establishes committees to assist the Board in overseeing the affairs of the Company.

Board Committees typically have regular meetings around the quarterly Board meetings and special meetings may be called pursuant to the provisions of each Committee's charter.

The Board shall have, at a minimum, the following five standing Committees: Audit, Compensation, Independent, Investment and Nominating and Governance.

Each Committee will have its own charter in compliance with the NASDAQ requirements. The charter will set forth the purpose and responsibilities of each Committee, and such other matters as the Committee and the Board approve. The Lead Director works with the various Committee Chairs to assess the quality, quantity, and timeliness of the flow of information from management to the Board and the Board Committees, and keeps the Chairman informed with respect to these matters.

There may be occasions in which the Board may want to form a new committee or disband a current committee depending upon circumstances.

21. Committee Agendas

The Chair of each Committee, in consultation with Committee members and appropriate members of senior management, shall determine Committee agendas. The Committee Chair will also determine the length and frequency of Committee meetings consistent with any applicable requirements set forth in the Committee's charter, statute, the Company's Amended

and Restated Code of Regulations or certificate of incorporation. Since the Board of Directors of the Company typically meets concurrently with the Board of Directors of State Auto Mutual, each Committee shall document its consideration of the content of its report to the full Board of Directors to ensure that no inappropriate information is shared with the directors of State Auto Mutual at these joint board meetings.

22. Membership of Board Committees/Rotation of Committee Assignments

The Nominating and Governance Committee, in consultation with the Chairman, and in consideration of the wishes of the individual directors along with such persons' knowledge and expertise, recommends to the full Board the membership and Chairperson of each Committee.

The Audit, Compensation, Independent and Nominating and Governance Committees are each comprised entirely of and chaired by "independent" directors.

The Board believes experience and continuity generally are more important than rotation and that Board members should only be rotated if rotation is likely to improve Committee performance or facilitate the work of the Committee.

23. Service on Other Boards

Any director, including but not limited to directors who are members of management, shall notify and obtain consent from the Nominating and Governance Committee before accepting a directorship of another public company. While there is no arbitrary number of public company directorships a director may hold, except as set forth below regarding Audit Committee members, in assessing whether to grant its consent, the Nominating and Governance Committee will consider, among other factors, a director's ability to devote sufficient time to his or her duties as a director, and in the case of a management director, as an officer of the Company, as well as existing or potential conflicts of interest. If a director holds more than four other public company directorships, the Nominating and Governance Committee shall apply a rebuttable presumption that any additional public company directorships are not in the interest of the Company's shareholders, and if such presumption is rebutted by an individual director, that fact shall be disclosed in the Company's annual proxy statement.

If an Audit Committee member simultaneously serves on the audit committee of more than three public companies, the Board shall determine whether such simultaneous service would impair the ability of such member to effectively serve on the Company's Audit Committee and will disclose such determination in the Company's annual proxy statement.

24. Committee Materials

The agenda for each Committee meeting is provided in advance of the meeting. As a general rule, written materials are provided in advance on matters to be presented for consideration.

25. Formal Evaluation of CEO

Pursuant to the provisions of its charter, the Compensation Committee, in conjunction with the Nominating and Governance Committee of the Board of Directors of State Auto Mutual, annually reviews and evaluates the performance of the CEO. The review is based upon factors set forth in this committee's charter or as determined by the Committee and disclosed in the Company's proxy statement as required by law.

The Compensation Committee Chairperson reports to the Board on the evaluation in an executive session of the directors.

The results of the review and evaluation are communicated to the CEO by the Lead Director, in conjunction with the Lead Director of State Auto Mutual, and are used by the Compensation Committee when considering the compensation of the CEO.

26. Management Development and Succession Planning

The Compensation Committee of State Auto Financial Corporation and the Nominating and Governance Committee of the Board of Directors of State Auto Mutual, shall collectively develop and oversee an ongoing succession planning process for the CEO and review the succession plan for key executive officers.

27. External Communication

The CEO is responsible for all communication with the media, financial community or other external entities pertaining to the affairs of the Company, provided that the CEO may delegate such responsibilities on a case by case basis as the CEO deems necessary or appropriate.

28. Director Orientation and Continuing Education

Each new non-management director shall participate in the Company's orientation program, which is conducted as soon as practicable after the new director is elected to the Board. This orientation will include presentations by senior management to familiarize new directors with the Company's strategic plans; its significant financial, accounting and risk management issues; its compliance programs; its Code of Business Conduct, these Board Governance Guidelines; and its principal officers. All other non-employee directors will be invited to attend the orientation program.

Directors are encouraged to periodically attend educational programs related to their service on the Board.

29. Code of Business Conduct

The Company shall adopt and disclose a Code of Business Conduct for officers and employees, which Code of Business Conduct shall be part of the Company's compliance and ethics program. The Board of Directors 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. The Audit Committee and the Board of Directors shall approve all waivers of the Code of Business Conduct for employees and officers and waivers shall be disclosed to shareholders as required by law. The Nominating and Governance Committee shall review the Code of Business Conduct annually and recommend to the Board its approval of any changes to such Code.

30. Shareholder Approval of Equity-Based Compensation Plans

Shareholders shall have the opportunity to vote on all equity based compensation plans, except, equity based compensation plans acquired through mergers and tax-qualified plans such as Employee Stock Purchase Plans and 401(k)'s. Brokers may vote customer shares on proposals for such plans only pursuant to customer instruction.

31. Web Site Posting

The Board of Directors Corporate Governance Guidelines; the charters for the Audit, Compensation, Independent, Investment and Nominating and Governance committees; and the Company's Code of Business Conduct shall be posted on the Company's Web site.

32. Shareholder Communications with Directors

Any shareholder who desires to communicate with a director of the Company may send such communication to any or all directors through the Secretary of the Company at the home office of the Company, 518 East Broad Street, Columbus, Ohio 43215. The Secretary shall be responsible for forwarding such communication to the director or directors designated as the recipient of such communication by the shareholder. The Secretary will exercise his or her own judgment in deciding whether to forward communications that do not appear to be related to the business of the Company or to whom to forward communications that do not designate a specific director recipient. The email address of the Secretary of the Company shall be posted on the Company's website to facilitate such shareholders communications.

33. Stock Ownership Guidelines

Senior management is subject to stock ownership guidelines, which require executive officers to hold a minimum fixed number of shares, with some designated credit given for vested stock options, and which provide for a set period of time to attain the guideline requirement. Directors are expected to own 5,000 Company shares or Restricted Share Units granted under the Outside Directors Restricted Share Unit Plan (the "RSU Plan"). This is to be attained within five years of joining the board. Directors are required to hold Restricted Share Units, pursuant to the terms of the RSU Plan, until they leave the Board, which facilitates compliance with this guideline.

34. Option Repricing Policy

The Compensation Committee shall not re-price any stock options previously granted unless the shareholders approve such repricing.

35. Code of Regulations Amendments

Except under limited circumstances as described in the Company's Code of Regulations, the Company's Code of Regulations may be amended only by the majority vote of the shareholders at a meeting of the shareholders held for such purpose.

**STATE AUTO FINANCIAL CORPORATION
BOARD OF DIRECTORS
ETHICAL PRINCIPLES**

The Board of Directors (the Board) of State Auto Financial Corporation (the Company) has adopted the following Code of Ethical Principles (the Code) for directors of the Company. This Code is intended to focus the Board and each director on areas of ethical risk; provide guidance to directors to help them recognize and deal with ethical issues; provide mechanisms to report unethical conduct; and help foster a culture of honesty and accountability. Each director must comply with the letter and spirit of this Code. In addition, each director will be requested to complete a compliance statement annually.

No code or policy can anticipate every situation that may arise or replace the thoughtful behavior of an ethical director. Directors are encouraged to bring questions about particular circumstances that may implicate one or more of the provisions of this Code to the attention of the Chairman of the Audit Committee (the "Audit Committee") and/or the Nominating and Governance Committee (the "N&G Committee").

Directors who also serve as officers of the Company are subject to the Corporate Governance Guidelines, the Code of Business Conduct and the Code of Ethical Principles.

1. CONFLICTS OF INTEREST

Directors must avoid any material conflicts of interest between the director and the Company. Any situation that involves, or may reasonably be expected to involve, a conflict of interest with the Company, should be disclosed promptly to the Chairman of the N&G Committee so that Committee may collect such facts as it deems appropriate regarding such conflict. After the N&G Committee has completed its factual inquiry it will refer the matter to the Audit Committee of the Company for a determination regarding the materiality of such conflict. Any exceptions to this Code will be disclosed as required by law. A conflict of interest can occur when:

- (a) A director's personal interest is adverse to—or may appear to be adverse to—the interests of the Company as a whole; or
- (b) A director, or a member of his or her immediate family as defined by the NASDAQ National Marketplace Rules¹ receives improper personal benefits as a result of his or her position as a director of the Company.

Some of the more common conflicts which directors should avoid are listed below:

Relationship of Company with third-parties

Directors may not receive a personal benefit from a person or firm which is seeking to do business or to retain business with State Auto. A director shall recuse him or herself from any Company Board decision involving another firm or company with which the director is affiliated.

Compensation from non-Company sources

¹ NASDAQ Marketplace Rule 4200(a)(14) defines family member "Family Member" to mean a person's spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person's home.

Directors may not accept compensation (in any form) for services performed for the Company from any source other than the Company.

Gifts

Directors may not offer, give or receive gifts from persons or entities who deal with State Auto in those cases where any such gift is being made in order to influence the directors' actions as members of the Board, or where acceptance of the gifts could create the appearance of a conflict of interest.

Personal use of Company assets

Directors may not use Company assets, labor or information for personal use unless as part of a compensation or expense reimbursement program available to all directors.

2. CORPORATE OPPORTUNITIES

Directors are prohibited from:

- (a) Taking for themselves or their companies opportunities that are discovered through the use of Company property, Company information or position as a director;
- (b) Using the Company's property or information for personal gain; or
- (c) Competing with the Company for business opportunities.

However, if the Company's disinterested directors determine that the Company will not pursue an opportunity that relates to the Company's business, a director may then do so.

3. CONFIDENTIALITY; PRIVACY

Directors must maintain the confidentiality of information entrusted to them by the Company and any other confidential information about the Company that comes to them, from whatever source, in their capacity as a director, except when disclosure is authorized or legally mandated. For purposes of this Code, confidential information includes all non-public information relating to the Company's business. Directors must also respect the privacy of employees, policyholders, claimants, shareholders, and agents.

4. COMPLIANCE WITH LAWS, RULES AND REGULATIONS; FAIR DEALING

Directors must comply, and oversee compliance by employees, officers and other directors, with laws, rules and regulations applicable to the Company, including, but not limited to:

- (a) securities laws (e.g., insider trading laws);
- (b) employment laws relating to discrimination, harassment and/or retaliation;
- (c) insurance laws;
- (d) privacy laws;
- (e) anti-trust laws; and
- (f) tax laws.

Also, directors must deal fairly and oversee fair, honest and good faith dealing by the Company with its customers, agents, employees, reinsurers, suppliers and competitors.

5. ENCOURAGING THE REPORTING OF ANY ILLEGAL OR UNETHICAL BEHAVIOR

Directors should promote ethical behavior and take steps to ensure the Company:

- (a) Encourages employees to talk to supervisors, managers and other appropriate personnel when in doubt about the best course of action in a particular situation;
- (b) Encourages employees to report violations of laws, rules, regulations or the Company's Code of Business Conduct to appropriate personnel; and
- (c) Informs employees that the Company will not allow retaliation for reports made in good faith.

6. COMPLIANCE STANDARDS

Except as otherwise provided in the Code, directors should communicate any suspected violations of this Code promptly to the Chairman of the Audit Committee. Violations will be investigated by the board or by persons designated by the board, and appropriate action will be taken in the event of any violations of the Code.

7. WAIVER OF CODE OF BUSINESS CONDUCT AND ETHICS

Any waiver of this Code may be made *only* by the Board of Directors and must be promptly disclosed to the Company's shareholders.